Case studies on local and regional media outside the UK
Local and Regional Media in the UK: Annex 3

Annex

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## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Local and regional media snapshots outside the UK</td>
<td>1</td>
</tr>
<tr>
<td>2  The US and the UK: a comparison</td>
<td>8</td>
</tr>
</tbody>
</table>
Case studies on local and regional media outside the UK

Section 1

Local and regional media snapshots outside the UK

Introduction

1.1 While the focus of our report is on local and regional media in the UK, it is useful to consider the provision of local and regional media in other countries to place the UK in context. Local and regional media provision differs between countries due to differing notions of ‘localness’, culture and politics. In addition, institutions, funding models and regulation may differ substantially between countries.

1.2 We highlight Sweden as a case study in the main document given the use of subsidies to support local and regional media, and further details on the Swedish model for local media are available in the Reuters Institute of Journalism working paper Press Subsidies and Local News: The Swedish Case. The following annex includes brief overviews of local media in France, Germany and the United States. We have selected these countries due to certain distinctive features about local and regional media. For example, in France, there are subsidies for local and regional newspapers, while in Germany, decentralised broadcasting policy and regulation has resulted in a system based around independent regional PSBs. France provides a case study in the provision of local and regional media in indigenous languages, while the size of the US and the absence of state run public service broadcasting contrasts with all the European case studies.

1.3 As in the UK, an increasing amount of local and regional content is being made available online, with broadcasters and local and regional newspaper groups seeking to build local and regional content portals. Local and regional newspaper sites such as Nicematin.com (Nice, France) and Pz-news.de (Pforzheim, Germany) include video content and are funded with classified and display advertisements that include links to classified advertising sites. Broadcasters in the case study countries also stream television and radio content from their websites.

1.4 Some of the pure play online local and regional classified advertising providers identified as being active in the UK local media landscape in Section 3 of Local and Regional Media in the UK such as Kijiji and Craigslist have local classified sites for localities in France and Germany, and Yahoo’s French and German sites have local search functionality. Many pure online sites including those mentioned above originated in the US.

Local and regional media in France

Introduction and regulatory background

1.5 A variety of bodies regulate media markets in France. These include the Conseil Superior de l’Audiovisuel (CSA) (the broadcast regulator), and L’Autorité de Régulation des Communications Electroniques et des Postes (ARCEP), responsible for the telephone sector.

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for regulation of electronic communications networks. There are detailed media ownership and cross-media ownership rules.

1.6 The population of France is similar to that of the UK, but is spread across a much larger geographic area. France is a unitary state and has traditionally had a more active industrial policy than the UK. There is a tradition of state intervention with public service interventions in both television (France Televisions) and radio (Radio France).

1.7 Terrestrial television plays an important role in France. It is the main means of receiving TV in 50% of households, and DSO completes in 2011. France is also the European leader in IPTV, with 12% of households receiving signals that way.

1.8 Newspaper readership is low, particularly at a national level. The press is under some pressure from changes to the market and business models.

Radio

1.9 There are 41 public regional radio stations in France provided by the France Bleu network, part of Radio France. They broadcast on FM and are in many ways analogous to the BBC local radio network in the UK. Radio France receives funding from the national licence fee.

1.10 The French broadcast regulator the Conceal Superior de l’Audiovisuel (CSA) recognises five distinct categories of private radio that it uses to regulate for diversity and plurality. By law it must guarantee that truly local and regional services are available. The categories are:

- Category A - non-commercial local, community, cultural or student services;
- Category B: commercial local/regional services that do not broadcast national content;
- Category C: commercial local/regional services that also broadcast national content;
- Category D: commercial national services that broadcast specialist content; and
- Category E: commercial national services that broadcast general content.

1.11 There are nearly 1200 radio operators in France. About 600 are local community radio stations. Many community stations fall into Category A. These stations are eligible for support from the Radio Expression Support Fund (FSER), which provides support from €5,000 to €150,000 per annum. This funding comes from a levy on radio and television advertising expenditure.

1.12 Part of the strength of community radio in France is due to the legacy of the Radios Libres. France maintained a state broadcasting monopoly until 1981, and pirate, often community-based, Radios Libres sprung up to challenge this monopoly.

1.13 In some parts of France, radio stations broadcast in languages other than French. In parts of Brittany, stations provide local and regional content in Breton e.g. Radio Kerne, a station broadcasting in the Cornouaille area of Brittany, which broadcasts only in Breton. In the South West of France, some local radio stations carry some content in Catalan.
Local / Regional TV

1.14 France 3 (part of state-funded France Télévisions) provides regional television in metropolitan France, with regional and sub-regional opt-outs via 13 regional stations and 25 regional news offices. For example, in the south of France Nice and Marseille are both within the France 3 Méditerranée region. However, additional localness in news is provided through sub-regional opts for the Côte d’Azur (for Nice) and Provence Alpes (for Marseille). In some parts of France, France 3 carries some regional programming in languages other than French such as Catalan or Breton. Another part of France Télévisions, Réseau France Outre-mer (RFO) provides regional programming in France’s overseas territories.

1.15 A licence fee of €116 (rising to €120 in 2010) supports French public channels. The fee is collected as part of local taxes. France is phasing out advertising on France Télévisions in favour of an industry levy. Some commercial general television channels which now have wide distribution across France have their origins in regional television. These include TV Breizh (founded in 2000 as a Breton and French language channel) and TMC (founded by the Monegasque Government and broadcasting content about Monaco and Provence).

1.16 Local TV services are provided by a range of operators, on analogue and digital terrestrial television. Some of these are owned by local and regional press, radio or television groups. At June 2009, there were approximately 40 commercial terrestrial local TV channels authorised in metropolitan France, of which, 37 were available on the DTT platform. These include channels for major cities such as Paris (5 channels in Ile de France including France Ô which is carried as a ‘local’ service in the île de France), Lyon, Marseille and Bordeaux. As digital switchover in France progresses, the CSA will award multiplex capacity to successful bidders. Local television stations broadcasting on terrestrial television are required to achieve weekly quotas for originated local content.

1.17 In addition to local TV services carried on terrestrial TV, there are over 100 local TV services carried on other platforms. ‘Must-carry’ obligations for these local channels are in place on cable and ADSL providers.

Local and regional press

1.18 There are over 50 regional newspapers in France and these are generally more popular than the national press. The 34 titles that are members of the Syndicat de la Press Quotidienne Régionale (a trade association for regional daily newspapers) are read by 18 million each day. In addition, there are many more local and weekly papers. Reports suggest that for some local papers 70-80% of content is provided by ‘citizen journalists’. Total newspaper circulation in France fell by approximately 6% in the 4 years to 2006.

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Case studies on local and regional media outside the UK

1.19 Groups active in the local and regional press include Hersant (which also has interests in commercial radio and local TV operations) and Socpresse, publisher of national daily title Le Figaro.

1.20 Around 10% of press revenues come from public subsidy. In January 2009 President Sarkozy announced a €600m funding package for the newspaper industry, in addition to the €1.5bn in direct and indirect subsidy it already receives. A part of the package included a free newspaper subscription for every 18 year old.

Local and regional media in Germany

Introduction and regulatory background

1.21 Germany is a larger market than the UK, both in terms of land area and population (83m). It is formed of 16 Länder (states) and has strong historical regional identities. In contrast to the UK and France, Germany has a federal constitution, giving significant autonomy to Länder in a range of areas, including broadcasting, though a federal body, Die Bundesnetzagentur (BNetzA) has responsibility for the regulation of telecommunications networks, and spectrum management.

1.22 There are 14 Landesmedienanstalten (regional media supervisory bodies). They regulate both commercial and PSB broadcasting. There is an inter-Länder treaty to provide a national regulatory framework. Because they appoint members of the supervisory councils, the regional sections of the main political parties (the CDU and SPD) can have some influence over media policy.

1.23 There are no specific media-ownership rules beyond competition law for radio and press, though there are detailed rules for television and control of the total media audience. Article 5 of the German Grundgesetz (Constitution) guarantees media freedom and freedom of expression.

Radio

1.24 There are approximately 460 radio stations in Germany, of which the majority are local stations. Of all stations, 75 of these are public and 385 commercial stations. Commercial stations are operated by a range of groups including RTL Radio Deutschland which operates 19 stations in 11 Länder. The Länder public broadcasters are members of the public broadcasters association, ARD, are also active in the local and regional radio market.

1.25 Community radio (‘Free Radio’) is a comparatively small sector in Germany, possibly due in part to a lack of visibility and awareness of the sector. There is no unified basis for it as it remains organised by the Länder, who are responsible for licensing and regulating broadcasters. In 2005 the Federal Association of Free Radio represented 35 stations, the majority in southern Germany.

1.26 Radio funding comes from sources including the licence fee, sponsorship, subsidies, membership fees and adverts.

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Local / Regional TV

1.27 The main PSB (ARD) is a joint organisation of 7 regional TV networks operated by 9 regional PSBs. It provides a mixture of common, national and regional opt-out programming. There are also some sub-opts within regions for news. The second German PSB organisation, ZDF does not carry regional or local content.

1.28 Many Länder broadcasting bodies also offer so-called ‘third channels’ that provide regional-only programming. For example, the Bavarian public broadcaster Bayerischer Rundfunk, contributes content to ARD television services, but also operates Bayerisches Fernsehen, a television service specifically for Bavaria.

1.29 Alongside regional channels there are approximately 100 open-access channels and 100 local community and commercial channels. Some local channels are available via terrestrial TV, but most transmit over satellite or cable networks.

1.30 There is a monthly licence fee of €17.03 for national and regional programming. A 1% levy on this fee goes towards funding local channels. Other funding for local channels comes from adverts, sponsorship, sub-letting broadcast capacity and state subsidy. There are must-carry obligations for certain channels.

Local and regional press

1.31 Germany has a strong print tradition, but circulation fell by approximately 9% in the 4 years to 2006. There are around 10 national papers, of which one is a popular tabloid. Aside from the national press there are around 340 regional daily newspapers, and a further 1500 regional weekly titles. The market is declining slightly, but remains relatively strong compared to the French and US markets.

1.32 Newspapers attract a reduced VAT rate of 7%, compared to the standard rate of 19%. Nearly a quarter of the market is controlled by the Axel Springer Group.

Local and regional media in the United States

Introduction and regulatory background

1.33 Discussion of local media in the United States must consider a range of features that distinguish the US from European local media markets. The geography of the United States means that the country has several clusters of urban areas spread across multiple time-zones, and a population of over 300 million, several times the size of any country in Western Europe.

1.34 Due to its size, history, and federal constitution the US is also highly decentralised in comparison to many European countries, with many functions that would be carried out by national governments in Europe being the responsibility of state or even county authorities in the United States (e.g. some criminal justice and education matters).

1.35 Taken together, this combination of geography, history and political system means that local media in the US may be structured and play a different role in the US than in Western Europe.
1.36 The US Federal Communications Commission is converged regulator of broadcast and telecommunications networks and broadcast content at the Federal level. In addition, state and municipal authorities play a role in the regulation of cable TV networks alongside the FCC. The First Amendment of the US Constitution guarantees freedom of speech and a free press, which is reflected in content regulation. While there are media ownership rules, and rules relating to taste and decency, in contrast to the UK and much of Europe, the US has a long history in allowing product placement, and political advertising is allowed on television and radio.

1.37 The US is unique among the case studies in that the other countries which we have looked at as there is neither a government appointed public service broadcaster, nor a television licence fee. Federal funding is available through the Corporation for Public Service Broadcasting, a private not-for-profit corporation created by Congress. Other support is provided from donations and subscriptions from individuals and organisations. The main public broadcasting networks are Public Broadcasting Service (PBS) for TV and National Public Radio (NPR). PBS and NPS are private not for profit organisations that provide public service content to affiliated non-commercial TV and radio stations. There are also a number of public, educational and government cable television stations. These are not part of the PBS network and provide access to a cable broadcast platform. These are funded by the local cable television networks through their franchise fees.

Radio

1.38 There are more than 10,000 FM and AM stations in the US, around 1900 Hybrid Digital stations, around 1,500 public radio stations and a number of satellite radio stations. Community radio is not a legally defined and distinct genre. Major groups in commercial radio include Clear Channel, which operates over 800 stations across the US.

1.39 The audience for talk radio has grown, and since the removal of the ‘fairness doctrine’ in 1987 that required broadcast licence holders to deal with controversial matters of public importance in an honest, equitable and balanced fashion, a range of stations and shows with different political stances on issues have been launched. Talk radio content is often syndicated.

1.40 Radio is suffering as part of the current economic climate. Revenue fell by 7% in the first nine months of 2008 according to the Radio Advertising Bureau. In December 2008, National Public Radio, the non-profit organisation that syndicates content to many public radio stations in the US, announced a headcount reduction of 7%.

Local / Regional TV

1.41 In contrast to many other countries, there are no national terrestrial broadcast television stations in the US. Local television markets tend to have distinct local television channels.

1.42 There are a large number of local TV channels based on a variety of models. There are a small number of open-access channels, and some independent local TV channels. However, many local terrestrial TV stations are affiliated to the one of the major networks (CBS, NBC, ABC and Fox) or are owned and operated by one of them. Other owners of local TV stations include major groups with local and regional publishing interests including Hearst and Gannett, and stations within the same group may be affiliated to different networks. Affiliates receive syndicated content
from their network partner in addition to their own content which may include acquisitions or locally-produced content. News forms a key part of revenues, accounting for approximately 45% advertising revenues in 2008\textsuperscript{9}. Peak time schedules typically include local news, and networked content, rather than locally produced content. Local and regional content is also carried by the not-for profit local TV stations that are part of the PBS network.

1.43 Cable penetration in the US is around 60% of US TV households. Cable systems must include local over-the-air channels in their consumer offerings, alongside any local cable-only channels they offer.

1.44 Local TV was the most popular source of news in 2008, but is losing audience share faster than other sources – in surveys in 1998, 64% said they watched local television news, by 2008 this had fallen to 52%\textsuperscript{10}.

1.45 Local TV derives most of its income from advertising, and political advertising in particular plays a big role in the US. Advertising revenue fell by 7% in 2008, and political advertising was disappointing for a presidential election year.

**Local / Regional Press**

1.46 National newspapers play a relatively small role in the US media landscape. There are few genuinely national newspapers and they have a circulation similar to national newspapers in the UK, despite the US being five times larger in terms of population. Excluding national titles, the largest 50 newspapers account for around a third of total circulation.

1.47 Correspondingly, local and regional newspapers play a much more important role. There are around 1500 local daily newspapers in the US, although this figure has fallen over time. Cover prices form a relatively low part of newspaper revenue in comparison to Europe, with average cover prices being approximately half the European equivalent.

1.48 As in Europe, local and regional newspapers in the US have been looking to grow their online revenues. Some newspapers have developed hybrid free and pay models for online content, and News Corporation, which owns newspaper titles in the US and the UK has indicated that it intends to impose charges for content across all its websites.

1.49 In another development, The New York Times, the Washington Post and the Boston Globe recently announced a tie-up trial with Amazon’s Kindle e-reader. From summer 2009, the papers will offer a subsidized Kindle to consumers in areas where home delivery is not available if customers sign up to a long-term subscription.

1.50 As in the UK, local and regional newspaper groups are developing ‘ultra-local’ content, as local and regional press groups are doing in the UK. Both the New York Times and the Washington Post have launched ‘ultra-local’ websites. The New York Times ‘the Local’ website also includes a partnership with the Journalism School at the City University of New York.


Section 2
The US and the UK: a comparison

Introduction

2.1 In this section we examine how structural and cyclical changes are impacting the US local and regional media sector, in particular journalism, and compare this to the UK experience. We note that the differences between of local and regional media markets and cultural and legal differences which between the UK and US make it difficult to determine the extent to which experiences in one country are relevant for the other.

The US local and regional media market is already facing significant challenges

2.2 In common with the UK and other countries, the US news media has undergone a period of structural change. Analysts have pointed to the following features of the US local and regional media market:

- Content that consumers previously paid for by newspaper cover prices or as part of a television subscription is now available online for free;
- Large sections of the news media audience have migrated online;
- Sufficient advertising revenue to underwrite news gathering online has not followed the migration of audience and content online; and
- There has been a particular concern surrounding classified advertising which has migrated to dedicated classified sites and online directories

2.3 The Pew Project for Excellence in Journalism has referred to this as ‘the decoupling of advertising from news’.11

2.4 Additionally, the economic downturn has exacerbated the existing pressures faced by news media. Advertising revenue is down, particularly in the local press which relies on the recession-hit property and automotive sectors for much of its advertising revenue.

2.5 Volatility in credit markets has also had an effect on US groups. Over the last decade there has been a wave of mergers and acquisitions and activity by private equity investors, in the US news media. Much of this has been financed by large debt issues, and private equity. In summer 2009, some US groups had gearing ratios12 of almost 10 or more, and gearing was generally higher than those in the UK. Some companies with an interest cover13 of less than 2 could potentially find interest and debt repayments difficult, though this is dependent on individual company circumstances.

2.6 As previously noted, revenue and cover prices are about half as much as typical European cover prices. In this context the drop in newspaper advertising revenue

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12 Net debt/shareholders' equity
13 EBIT/Interest payments
The newspaper business has seen several high profile titles close, including the Rocky Mountain News. Some papers such as the Seattle Post-Intelligencer and the Christian Science Monitor have become substantially or fully online-only publications. But the evidence suggests that this is not a viable option for most publishers. According to Pew analysis, papers still obtain approximately 90% of their advertising revenue from print editions, while print specific costs average around only 40% of costs.

As yet these and other closures have not yet left any major town without a paid-for daily newspaper, and newspaper groups have sought to cut costs, including negotiating pay reductions and cutting headcount. Groups have also sought to find new ways to raise revenue, for example, raising the price of subscriptions, and, as we have previously noted, in some cases, charging for online content.

Some US local and regional media companies have entered Chapter 11 bankruptcy, a legal status in the US which gives firms protection from creditors while they restructure under the oversight of a court. Tribune Company, a major newspaper and local television group filed for Chapter 11 protection in December 2008 with assets of $7.6bn and debt of $12.9bn. In August 2009 another group, Journal Register Co., which publishes the New Haven Register exited Chapter 11 after six months, having undergone a restructuring, in which creditors swapped debt for equity i.e. taking ownership of the company.

Comparing the US and the UK

While the impacts of the economic downturn and structural change are still emerging, meaning it is difficult to draw firm conclusions, some have attempted to draw similarities between challenges facing the UK and US local and regional media sector. Some suggest that the impacts in the UK are lagging those in the UK, and that the UK, pointing to:

- The local press in the UK is also showing signs of pressure (including job cuts, pay freezes and other cost-cutting measures);
- Like the US, the UK media market is advanced, deregulated and English – speaking and there has been significant convergence between online and offline media;
- A similar macroeconomic situation – both countries are affected by the economic downturn, especially in the housing, recruitment and automotive sectors – all important markets for newspaper advertising;
- The indebtedness of certain newspaper holding companies in both countries; and
- Direct exposure to the US of parts of the UK local press through Gannett/Newsquest.

However, while there are similarities between the UK and US local media markets, there are also significant differences. The geography of the US and its federal decentralisation of power have helped to bring about strong, distinct local media
markets, and the proportion of newspaper revenues from advertising is higher. Political advertising plays an important role in the US. There are fewer restrictions on such advertising, while a high number of elected positions and local and state level politics provide important news and revenue streams. Finally the presence of the BBC changes the economics of advertising-supported news content in the UK. The US has no comparable intervention.

2.12 There are two further differences between UK and US local media markets. The first is the importance of press advertising; in 2007 newspapers accounted for a higher proportion of advertising spend in the UK. The second is the importance of internet advertising; the UK has one of the highest proportions of advertising spend on the internet anywhere in the world, exceeding that of many European countries and the US.

**Figure 1: UK and US share of advertising expenditure by medium, 2007**

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<th>Medium</th>
<th>UK</th>
<th>USA</th>
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<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TV</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td>Internet</td>
<td>19%</td>
<td>13%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>31%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Advertising Association/WARC ([www.warc.com](http://www.warc.com))

2.13 Figure 1 shows that the proportion of advertising spent on newspapers in 2007 (the latest date for which comparative US and UK data was available at the timing of writing) was 31% in the UK against 25% in the US. However, in the TV advertising accounted for 38% US advertising expenditure, compared to 27% in the UK. As Figure 2 shows, there was a downward trend in the proportion of advertising revenue accounted for by newspapers in both countries between 1998 and 2007.

2.14 Figure 3 shows that UK newspaper advertising spend fell 12% in real terms between 1998 and 2007, in the US, the corresponding figure was 25%.
Internet advertising has developed in different ways across the two countries. The internet’s share of advertising expenditure initially grew faster in the US, but was then hit harder by the dotcom crash of 2000-2002, when the internet’s share actually declined.

The internet’s share of the advertising market in the UK overtook that of the US in 2004. The UK internet advertising industry may have benefitted from a relatively slower start. It may also be relevant that growth in broadband was slightly higher in the UK from 2003 onwards.
Figure 4: Internet advertising as a proportion of advertising expenditure in the UK and US 1998 - 2007

Source: Advertising Association/WARC (www.warc.com)

2.17 Figure 5 shows the rapid growth the UK has seen in internet advertising. Total internet advertising expenditure was 15 times greater in 2007 than in 2000, although this was from a low base. US internet advertising expenditure doubled over the same period.

2.18 This may reflect the later development of the internet economy in the UK. As the internet was a more developed medium in the US at the time of the dot com crash, it correspondingly suffered more and recovered more slowly. US internet advertising expenditure declined by nearly 30% in real terms between 2000 and 2002.

Figure 5: Index of advertising spend in the UK and US 2000-2007 (2000 = 100)

Source: Advertising Association/WARC (www.warc.com), Ofcom analysis
Note: Index based on constant 2000 prices in local currency.