



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Yr Is-bwyllgor Darlledu
The Broadcasting Sub-committee**

**Dydd Iau, 19 Mawrth 2009
Thursday, 19 March 2009**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Eleanor Burnham	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
David Lloyd	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Alun Cairns	Aelod Cynulliad, Ceidwadwyr Cymreig Assembly Member, Welsh Conservatives
Aled Eirug	Ymgynghorydd y Pwyllgor Committee Adviser
Spencer Feeney	Prif Olygydd, South West Wales Media Limited Editor-in-Chief, South West Wales Media Limited
Gerry Keighley	Rheolwr Golygyddol Rhanbarthol, Newsquest Regional Managing Editor, Newsquest
Gavin Steacy	Rheolwr Gyfarwyddwr Rhanbarthol, Newsquest Regional Managing Director, Newsquest
Sara Wilde	Rheolwr Gyfarwyddwr Rhanbarthol, Media Wales Regional Managing Director, Media Wales

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

Annette Millett	Dirprwy Glerc Deputy Clerk
Stefan Sanchez	Clerc Clerk

Dechreuodd y cyfarfod am 9.31 a.m.
The meeting began at 9.31 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **David Lloyd:** Croeso'n ffurfiol i'r cyfarfod hwn o'r Is-bwyllgor Darlledu. Croesawaf fy nghyd-Aelodau, swyddogion a'r aelodau o'r cyhoedd sydd yn llifo i mewn i'r oriel gyhoeddus wrth inni siarad. Mae clustffonau ar gael i dderbyn cyfieithiad ar sianel 1 a helaethiad o'r iaith wreiddiol ar sianel 0. Gofynnaf i chi sicrhau bod pob ffôn symudol ac unrhyw ddyfais electronig arall wedi eu diffodd yn llwyr, gan y gallant ymyrryd gyda'r offer sain fel arall. Mewn argyfwng, bydd larwm yn seinio, a bydd y tywyswyr yn cyfeirio pawb at yr allanfa a'r man ymgynnull agosaf. Nid oes unrhyw

David Lloyd: I formally welcome you to this meeting of the Broadcasting Sub-committee. I welcome my fellow Members, officials and the members of the public who are streaming into the public gallery as we speak. Headsets are available, with simultaneous translation on channel 1 and amplification of the floor language on channel 0. I ask you to ensure that all mobile phones and any other electronic devices are switched off completely, as they can otherwise interfere with the recording equipment. In the event of an emergency, an alarm will sound, and the ushers will direct everyone to the nearest exit

ymddiheuriadau wedi eu derbyn ac mae pawb yma, felly nid oes dirprwyon. Yr ydym yn croesawu Alun Cairns, fel arfer, yn Aelod ychwanegol.

and assembly point. No apologies have been received, and everyone is here, so there are no substitutions. We welcome Alun Cairns, as usual, as an additional Member.

9.32 a.m.

Casglu Tystiolaeth ar Gyflwr Presennol y Diwydiant Papur Newydd yng Nghymru
Evidence Gathering on the Current State of the Welsh Newspaper Industry

[2] **David Lloyd:** Mae'r is-bwyllgor wedi bod yn cynnal yr adolygiad hwn ers rhai misoedd bellach ac yr ydym yn ein parhau gyda'n hymchwiliad heddiw. Yn gyntaf, byddwn yn gofyn cwestiynau i Newsquest. Croesawn Gavin Steacy, rheolwr gyfarwyddwr rhanbarthol Newsquest, a byddwn yn croesawu Gerry Keighley, sef rheolwr golygyddol rhanbarthol Newsquest, pan fydd yn cyrraedd—yr ydym yn deall bod problemau trafndiaeth ganddo. Diolch am eich presenoldeb. Yn dilyn ein harfer, trown yn syth at gwestiynau sydd wedi eu paratoi ar eich cyfer.

David Lloyd: The sub-committee has been conducting this review for some months now, and we continue with our inquiry today. We will first ask questions of Newsquest. We welcome Gavin Steacy, the regional managing director of Newsquest, and we will welcome Gerry Keighley, the regional managing editor of Newsquest, when he arrives—we understand that he is delayed by transport problems. Thank you for your attendance. As usual, we will go straight to the questions that have been prepared for you.

[3] Yn rhinwedd fy rôl fel Cadeirydd, gofynnaf i'r cwestiwn cyntaf. A allwch esbonio beth yn union yw natur eich busnes newyddiadurol yng Nghymru, er enghraifft faint o staff yr ydych yn cyflogi, sawl swyddfa sydd gennych a sawl teitl sydd gennych yng Nghymru?

In my capacity as Chair, I will ask the first question. Can you explain the exact nature of your newspaper business in Wales, for example how many staff you employ, how many offices you have and how many titles you have in Wales?

[4] **Mr Steacy:** Although I work for Newsquest, I am not representing Newsquest here today, so anything that I state is my personal view, just so that we are clear about that. My role is regional managing director. I cover four titles in west Wales, about 12 titles in east Wales, I also cover four titles in Gloucestershire and I have titles in Herefordshire, and Worcestershire up to Stourbridge, so I do not just cover Wales, but Wales is part of my remit. There are basically six divisions: west Wales, east Wales, Gloucestershire, Herefordshire, and Worcestershire up to Stourbridge. On staff across those regions, there are about 900 full-time employees, and that does not count all of the distribution staff for free newspapers and so on. In total, I have some 50-odd newspapers plus associated websites, plus a number of other magazine-type publications.

[5] **Alun Cairns:** Newsquest obviously shares the present financial problems of the sector. Do you agree with the assertion made by many commentators that a third of newspapers in the United Kingdom will have disappeared by 2013?

[6] **Mr Steacy:** Let me cut to the quick here. I have read all of the papers that have been submitted. I congratulate Bob Franklin and the Institute of Welsh Affairs, because I was here some two years ago and we were at a very wrong starting point. I would agree with 90 per cent or so of what they have put together, and no doubt that will come out in some of the questioning. There is absolutely no doubt that newspapers, not just in Wales but right across

the United Kingdom, are in unprecedented times. To cut to the quick, if we were to lose as much advertising revenue this year as we lost last year, we would undoubtedly be in a negative trading position. People talk about 2013, but you could actually be talking about 2010. Some of the other papers were alluding to the fact that they are looking at the trajectory for newspaper sales, and it could be that there would be no newspapers in 2024. The situation is so serious that if we did lose the same amount of revenue this year as we lost last year, we would be in a negative trading position. That is one of the things that Sly Bailey from Trinity Mirror has been trying to get across: we are in really serious times.

[7] Having said that, I am still in positive cash flow at this point in time, which is good news because there are many businesses that are not in positive cash flow. One of my major competitors, not in Wales but in Worcestershire—in Stourbridge and around that area of Redditch—has just gone into administration. It is a major competitor. I know the guy very well; he runs a nice little business but he has now gone into administration. That is because he is probably a smaller player in the overall UK market; he has been running a very tight ship but not making necessarily an awful lot of money. The downturn has just hit him disproportionately compared to some of the other bigger titles. If this year is as bad as last year the whole industry—I am not scaremongering—will be in a very difficult position. I would be very surprised if there are not further casualties over the next year, and even sooner, among some of the publishers across the United Kingdom.

[8] Being part of Newsquest, which is a bigger company—and we have a bigger parent company in the United States in Gannett—we might be in a slightly better position to weather the storm. I think that it is well documented that share prices in newspaper businesses have dropped by over 90 per cent. Shareholders and investors are not stupid; they are looking at where the future growth is for their profitability. I cannot overemphasise—and it is not scaremongering—that we are in really tough times.

[9] I will put that into some perspective, because I note that Bob Franklin's paper mentions that there has been a slicing and burning of editorial resources. I have, probably by the end of this quarter, reduced my total staff by around 20 per cent. I make no apology whatsoever for that. Obviously, I would be very concerned for the people who have lost their jobs. It is not their fault; it is just that the market has completely changed. Interestingly, I asked Gerry to dig out the editorial numbers, and I see that against last year, we have probably lost one editorial member of staff. That is not because I am being soft with the editorial staff in a managerial sense; it is because we need a certain amount of staff to do news gathering, and a certain number of staff then to take that news gathering and do the production in creating and designing the pages and sending them off to a press. Therefore, you reach a threshold and, irrespective of revenue coming into the business, you still need that amount of people to generate news and create newspapers.

9.40 a.m.

[10] In many ways, my strategic role is to ensure that I have sustainable products that attract readers, because more readers generate more advertising if and when the good times come back. To reduce dramatically the content of the paper or its ability to report news is, in my view, the wrong way to go, because you would just be throwing the baby out with the bath water, and that would not be terribly clever.

[11] However, all these things are relative, and I know that an awful lot of other groups are reducing their editorial staff, such as Newsquest Media Group. The issue is to have the right level of staff to be able to create the paper, and everyone is at different starting points. For instance, Northcliffe Media is doing much more to reduce its editorial staff because it has been hugely supportive of that over the past 20 or 30 years but now it realises that that business model does not work. So, it is having to squeeze that down and become leaner in its

cost base; otherwise, it would not survive. No-one knows how the recession will develop by 2013, and if this turns into a depression over the next 12 months, the entire sector will be at risk.

[12] **Alun Cairns:** What is the short-term—

[13] **David Lloyd:** Esgusodwch fi, Alun. **David Lloyd:** Sorry, Alun.

[14] Cyn i ni symud ymlaen, yr wyf eisiau croesawu yn ffurfiol Gerry Keighley i'r cyfarfod. Derbyniwyd eich ymddiheuriadau am fod yn hwyr, ac yr ydym yn deall y problemau ar yr M4, gan eu bod yn digwydd bron bob dydd. Felly, croeso i'r cyfarfod. Before we move on, I want to formally welcome Gerry Keighley to the meeting. We received your apologies for being late, and we understand the problems on the M4, because they happen almost every day. Therefore, welcome to the meeting.

[15] **Alun Cairns:** Thank you, Mr Steacy, for your answer. You talked about the long-term impact for the UK and beyond, but what is the short-term impact in Wales? You talked about some competitors going out of business across the border, but this sub-committee has a primary interest in Wales. You also talked about the number of staff needed to turn out newspapers. Is it therefore logical to consolidate titles, and are there any plans to do that in the short term?

[16] **Mr Steacy:** To stick specifically to Wales, in the last year, I have closed probably three free newspapers in the Valleys, in and around Pontypridd and Gwent, and I have reduced the distribution of some to try to keep them sustainable. I had four different editions of what we call the *Free Press*, which are paid-for weekly newspapers in Monmouthshire, in the main, and we have reduced that to two editions. We still circulate and provide the *Free Press* in those four areas, but we do not produce as many changed pages. All that is peripheral, to be honest, and is intended to keep those products alive, rather than shut them down. I have a number of titles that I can assure you are not making any money, and we are trying to keep them in the marketplace. I have not closed any paid-for newspapers, or withdrawn them completely from the distribution area. Free newspapers can be started up again easily, but paid-for newspapers are part of the community and if they die, they are gone. It has been well reported that many titles have closed across the UK because they are just not sustainable.

[17] **Alun Cairns:** It has been reported that you have asked staff to take unpaid leave and a pay freeze. What other steps might be necessary to support the group in these times? Finally, I will ask my last question again: are there plans to consolidate some of the titles that you currently have?

[18] **Mr Steacy:** At this point in time, I have no other plans to consolidate or close any other titles. I have a few magazines that may be at risk, but, typically, you make money on magazines only when times are good and the economy is strong. When the economy is weak, that type of advertising disappears and stops naturally because it tends to be based on higher-end goods and services. So, there is no point in printing those magazines, and we can restart them when the economy gets better. There are no plans to consolidate any further titles within Wales.

[19] What was the second part of the question?

[20] **Alun Cairns:** It was about the pay freeze. What other steps might you have to take?

[21] **Mr Steacy:** Let me put it into context. We do talk to our staff, believe it or not. I sometimes think that people imagine that we do not, and you often get that impression from

some of the unions. I sit down with my staff every six weeks, usually. I have a meeting with them this afternoon, on one of our staff councils, where we share with them confidential information on where the business is in relation to overall trading and how we are looking going forward. Over the past two weeks, we have been doing a complete new forecast for the business for the rest of this financial year. We put it to staff, so it was not a case of just telling them, 'This is what you are doing'. Our staff are very bright; they work in the business and see what is going on and, just about to a man, they have said that they will take at least an extra week's unpaid holiday. An awful lot more have said that, if things are that bad, they will take an extra two and a half hours off their working week each week. That can be taken as half an hour a day, two and a half hours a week, a day off every three weeks, two half days off every three weeks, or they can build up an extra week's holiday. To a man, our staff have said 'yep' because they understand the seriousness of the situation. They understand roughly where the numbers stand, because we have a dialogue with them and communicate with them, and their view is that they would prefer to do that—and we might have to do it again—than risk losing their jobs. Undoubtedly, if the recession deepens, I will have to make further cuts in the business.

[22] I am in three different sets of consultations in east Wales at the moment. I am restructuring my advertising department and my newspaper sales department, and I am outsourcing to India our advertising make-up department, because it can be done at half the cost. Some might ask how I can get up in the morning and look at myself in the mirror, but my view is that, if I have lost 20 per cent of my staff in the past year, I have protected 80 per cent of them. If I have to lose another 20 per cent to protect the business as a going concern, I will do that; that is what I am paid to do. However, I will try to do it in areas and in ways that do not have an impact on the editorial quality or the integrity of our products in the marketplace for the reader, because once I lose them, I do not have a business.

[23] We have brought quite a lot of jobs to Wales. For example, I have brought in to Wales all the credit control jobs for the south-west area, which covers Cornwall and Devon, Oxford, Wiltshire, the midlands and Herefordshire. That has created perhaps 30 roles in Wales. However, equally, I closed a press last year, because we had far too much capacity and my papers are all printed in either Worcester or Oxford. So, as a group, we are trying to be sensible and take the necessary actions, but we are also trying to share some of that pain in the sense that we might bring some jobs in a particular function here while other jobs may go outside, and, as I said, some I am outsourcing to India, and we are still in the middle of that process. That is done to protect the business, and nothing I do will mitigate the losses in revenue, so this is not about trying to maintain previous years' positions of profitability; this is about the business surviving over the next two years.

[24] **Eleanor Burnham:** As a matter of interest, what have you outsourced to India?

[25] **Mr Steacy:** When someone wishes to place an advertisement, we have staff who create the advertisement visually, creatively and technologically. I can get that done overnight at half the price elsewhere in the world. I am outsourcing that, and I make no—

[26] **Eleanor Burnham:** That is very distressing.

[27] **Mr Steacy:** Well, it is very distressing, but—

[28] **Eleanor Burnham:** Is it in that area that you have lost those local jobs?

[29] **Mr Steacy:** Yes, but at the moment I am trying to protect the remaining 80 per cent of my staff, and if I did not take those actions, Eleanor, I would have to make even more people redundant, which would start to have an impact on the integrity of our products in the marketplace, and that is somewhere I definitely do not want to go.

[30] **Eleanor Burnham:** I was intrigued by that, so thank you. We have heard from other witnesses about the weaknesses of the current rules governing cross-media ownership—and you will have read their testimony. Do you think that these rules should be relaxed, and, if so, what would Newsquest do? Would you acquire local radio or whatever? We are all very concerned that we are losing jobs at ITV and so on.

9.50 a.m.

[31] **Mr Steacy:** I think that the competition laws are archaic, quite frankly, particularly for these times. When everything is buoyant and good and you have a growth sector, by all means, have lots of competition. I read Bob Franklin's evidence, and I take exception to some of the things that he was saying about our being monopolistic. No, we are dominant in print but, when it comes to competition, the competition laws look only at print; they do not look at the web, magazines, radio, or television. It is almost as though newspapers were a single entity in themselves. You will probably know that Lord Carter is doing an investigation as part of his 'Digital Britain'—

[32] **Eleanor Burnham:** He has been to speak to us.

[33] **Mr Steacy:** Right. There is this impression that we cannot have bigger groups, because they will have too much control over the marketplace, but the reality is that if Gerry does not provide products that our readers want and think are good value, they will not purchase them. If advertisers thought that we were abusing our market position by hiking prices, they would have many other choices and could place their advertising elsewhere. If you try to use your market dominance to drive pricing and you overprice yourself in a market, the competitors will naturally come in. There are currently many entrepreneurs who launch magazines, and the classic example of such a magazine is *Welsh Motorsearch*, which is run by two local people. That now has rather a large slice of the motor advertising market. So, our aim is always to provide a great service and great value, and when you do not do that, as with any business, people go elsewhere.

[34] **Eleanor Burnham:** Indeed. We are concerned about there being less plurality in journalism on a local level. I was listening to a Radio 4 programme last week, and the assertion made on that programme was that the *Metro* free papers killed off a lot of regional papers, because people get those for free.

[35] **Mr Steacy:** I do not think that it killed them off. Gerry will probably come in on this in a second. On your first point about the plurality of news, I do not influence what this man next to me puts in any of our papers or in any of the papers that I am responsible for daily or weekly. I never go to a conference and say, 'This should be our stance'. If I did, he would walk out of his job. He would just say, 'Excuse me, but that is my job, not yours'. Actually, you may not be that brave, Gerry, but we would certainly have a bloody good argument. [Laughter.] Groups do not interfere or set the editorial tone, content or direction. That is the perception in people's heads, but it is nonsense.

[36] **Eleanor Burnham:** There is a lot of cutting and pasting, however. We see it in north-east Wales. The Flintshire, Denbighshire and Wrexham editions of the *Evening Leader*, for example, are almost the same, although they may have one or two pages that are slightly different.

[37] **Mr Keighley:** There are just so few journalists compared with the number in the past. They simply cannot report on more news in a local sense. Over the years, we have cut down from a certain number. I said to Gavin two years ago that I thought that we were virtually down to the minimum number that we could have to produce the sort of newspapers that I

want to produce. That is where we are now and, hopefully, that is where we will stay.

[38] What you said about the *Metro* was interesting. The *Metro* was a brilliant concept. It gave people in London, in particular, a product for the tube that they did not have before, and it showed—

[39] **Eleanor Burnham:** It goes well beyond London.

[40] **Mr Keighley:** I know, but it showed existing publishers that they had allowed somebody into a niche in the marketplace. It is a very competitive business. It is not public sector; it is private sector, and people will find an opening wherever they can. I read in the *Financial Times* the other day that the *Metro* is struggling and is now going to pull its claws in. So, even a product as powerful as that is suffering in the recession.

[41] **Mr Steacy:** Just to be clear, the *Metro* started in Europe—

[42] **Mr Keighley:** Well, it started in Sweden.

[43] **Mr Steacy:** Is Sweden not in Europe?

[44] **Mr Keighley:** Yes. [*Laughter.*]

[45] **Mr Steacy:** I am just checking my geography A-level. [*Laughter.*] So, *Metro* started in Europe and in Sweden initially. It was and is a big threat to indigenous newspapers in any country in Europe. Quite rightly, UK publishers said, ‘This is going to come to London and probably to Birmingham, Manchester and Glasgow, because the publisher wants to access a high-density populace and provide a 20-minute read for the train into work or from work’. Quite rightly, strategically, the UK publishers said, ‘It is going to come, so we may as well do it ourselves’. It is not so much that they did it to try to kill the regional press; they have done it to protect their overall position in the UK market, because if they did not do it, somebody else was just about to come in and do it. That is why it happened, Eleanor.

[46] **Eleanor Burnham:** The Newspaper Society has expressed concern about regional newspapers losing money, because some local councils have created their own titles. Do you share that concern?

[47] **Mr Steacy:** Absolutely. To be honest, the Newspaper Society is taking this up nationally. For example, in Newport there is *Newport Matters*. There is nothing wrong with councils producing their own PR machines; that is fine, and I have no issue with that at all. I would say, ‘Please go ahead’, as newspapers do not always agree with what councils are saying and what they are doing. It is their job to reflect the view of the community, and to put an objective slant on matters. However, it is different when they say, ‘If you wish to advertise in this paper please phone this number’: I am sorry, but in my view it is not the role of local councils to produce, or to try to produce, products that actually make money. If they wish to spend their budget on marketing themselves and what they are doing, getting information into the community because they feel that the local newspaper is not being supportive, for whatever reason, that is fine. However, to start having advertising is wrong—it is not their role. So, that is being taken up nationally.

[48] When I was managing director of the *Western Mail and Echo*, Cardiff launched its own newspaper. That is fine, if the council feels that it needs that to get its message out into the community about what a good job it is doing, that is great, but it should not try to bring advertising into it. Put your own advertising in it, because my guess—and it is only a guess as I do not have research—is that probably 50 per cent of those newspapers that come through the door are put in the bin, as people will say, ‘I am not interested; life is too busy’.

[49] **Eleanor Burnham:** Is that not sad? How do we involve democracy in this? There was a fascinating article in Friday's *Independent* on this very issue of the lack of democracy and the lack of information. That is what is happening.

[50] **Mr Keighley:** I take issue with the idea of councils producing objective newspapers. [Laughter.] Councils are producing newspapers that reflect the political opinion of the leading party and its policies. In one case in Newport, a recently opened Indian restaurant was offered a full-page advertisement in *Newport Matters* for £150. The key point there, to my mind, is that a publicly funded PR machine tries to take money away from the private sector by using public money to muscle its way in to our business. That is completely wrong.

[51] **David Lloyd:** That is a point well made. Alun has the next few questions.

[52] **Alun Cairns:** I agree with many of the points that you made, which leads us on to advertising per se. Do you detect changes in how public notices are advertised, and how local government, the Assembly Government and the Assembly Commission advertise? How important to you is that potential threat?

[53] **Mr Steacy:** Public sector advertisements are important, whether they are for jobs or public notices. What we hear is that they say that they will not put them in print any more, but that they will put them on their website. They flag up that there is a public notice, but tell people to go to their website for the detail. So, that does impact on us. One thing that is a real irritation for me is public notices that relate to, say, Newport, not going into the Newport papers, even though we have the vast majority of the readership, but being put in the *Western Mail* instead, which sells 10 copies. It is easy for the agency to say, 'We will shove it in the *Western Mail*; all of you probably read the *Western Mail* but probably do not read the *South Wales Argus*. It is in there, everyone can see it, so that is good'. I have asked on a number of occasions. 'What is going on?'. We had an example two months ago of one such case in west Wales.

[54] In relation to spending your money smartly, the *Western Mail* has this title of 'national newspaper of Wales', but that is complete dinkum poop, quite frankly. It is a complete nonsense. Therefore, I would ask that people be sensible in placing advertisements in publications that actually reach the public. That is the whole point of public notices. Every time that that happens, I will complain and I will write to Rhodri, asking him to ask someone to review this. When we approached the agency, the next week the advertisement was in our paper.

[55] **Alun Cairns:** I have no doubt that the sub-committee might want to report on that.

[56] **Mr Keighley:** I have spent nine years banging my head against a brick wall on this one. I am on record several times, at the Assembly and with the Welsh Assembly Government—when I have come down to speak to various Ministers and civil servants—pleading for notices that appeal for local members of public bodies, for instance, to be placed in our newspaper and other regional newspapers—and not just the *South Wales Argus*, but the Wrexham paper and our papers in west Wales, because our readership is perhaps 20 times that of the *Western Mail* and also represents a different cross-section of society.

10.00 a.m.

[57] **Alun Cairns:** I would like to press you on that. Let us accept that there was a change in strategy for public notices and so on, but what about job adverts, for example? The Welsh Assembly Government spends a fortune advertising jobs. What if the Assembly Government was to change its strategy to advertise the website where people will find jobs? What impact

would that have on you financially? You might benefit from one change in strategy, but what about the drawback from the other?

[58] **Mr Steacy:** Anything, particularly in the current environment, that takes away revenue will have a big impact. Job advertising is a significant amount of our revenue, and always has been.

[59] **Alun Cairns:** You do not get many Welsh Assembly Government job advertisements now, do you?

[60] **Mr Steacy:** No, we do not get many, but if you keep on taking more away, then it has an impact. All we would ask for is fairness and applicability. It strikes me as unfair whenever I see Assembly jobs advertised in the *Western Mail*. By the way, I used to be the managing director of the *Western Mail*; I love it to bits, so this is not a slight on the *Western Mail*. However, I would like to see it being spread around, because those who work in the Assembly do not come only from Cardiff. Surely, you guys want people to come from different parts of the country so that you have the plurality of employees that reflects what is going on across the country. We are asking for fairness. If you create a strategy that says, ‘That is where we are going’, then that is where you are going and I cannot stop you from going there, but it will have an impact upon regional press.

[61] Let us leave the Assembly aside for a second. Obviously, the web has had a big impact. However, that is part of nature. Things move on. If you look at estate agent advertising, the likes of Rightmove have taken huge swathes of revenue from local estate agents. However, local estate agents will continue to advertise with us, because that is how they get new leads and new instructions. We have had to act in a way that has obviously affected profits dramatically in property advertising by reducing our rates to keep these people in business, because they are going out of business left, right and centre. So, we always react and try to work with our customers in the hope that it will come around. However, there is no doubt that a lot of our revenues are moving structurally. We cannot stop that, no matter how good a newspaper we produce.

[62] The assertion in Bob Franklin’s paper on resources that the circulation of papers and the quality of journalism are inextricably linked is nonsense, quite frankly. I know that because, in my dissertation for my MBA, I did an analysis and looked at the future of regional evening newspapers in the UK. When I looked across the different groups and the different strategies that they used—such as whether they had twice the amount of editorial content in their paper, whether they were half the price, or whether they spent more on marketing—the trend in the UK with regard to reading newspapers did not make a button of difference. So, you have to look at the facts and see what is going on. The *South Wales Argus*, to Gerry’s credit, is probably the most successful regional evening paper of the last 10 years. In a comparison of any paper’s performance with its performance 10 years ago, his would be the top performer. Is that all down to Gerry and his team?

[63] **Mr Keighley:** Yes. [*Laughter.*]

[64] **Mr Steacy:** Gerry would say it is, but let me put it in context.

[65] **David Lloyd:** The editor of the *South Wales Evening Post* is giving evidence after you.

[66] **Mr Steacy:** He is much more successful than that.

[67] Obviously, it has to be a paper that people want. However, because we worked very hard in that business—even before I joined it—over half of the sales are of papers that are

delivered to people's doors every night. So, it is a habit. The strategy that was developed by Gerry and the marketing department 10 years ago has worked wonderfully and has kept him in a much stronger position. So, it is not just about pages of editorial content or quality.

[68] **David Lloyd:** Joyce will ask the last few questions. If there is time, Eleanor might ask a very short, laser-focused supplementary question.

[69] **Joyce Watson:** I would also like to ask a supplementary question, Chair, with your permission. You have stated quite clearly that there is a need to advertise jobs and public appointments in all papers and I fully support that.

[70] **Mr Steacy:** It has to be relative.

[71] **Joyce Watson:** Obviously, it has to be relative, and I support that. You drew our attention to councils producing their own independent-of-thought magazines and I share your views on that too. All that being equal, the thing that is causing you problems at the moment is the lack of advertising. I am going to put an allegation to you that is not mine, but I have heard it said. As an independent newspaper, if you are overly reliant on a local authority or the Welsh Assembly Government—I am not accusing you—could that make you less independent and more dependent on the people who are feeding you?

[72] **Mr Steacy:** Let me answer that question in two bits. We are not overly reliant on that income; it is just another revenue source for us. In the good times, if all the council advertising and all the Assembly advertising went, we would not go out of business, so we are not absolutely in bed with the public sector, or in need of the public sector money. It is helpful, but it is not the be-all and end-all of our business and it never should be.

[73] Does that in any way influence Gerry's editorial? Does the commercial aspect impinge on what we might report? Never in a fit. If it did influence him, I would sack him without even thinking about it. I will give you an example, and it is not about a local council. I will tell you about something that happened when I was at the *Western Mail*. There was a big motor dealer who spent an awful lot of money with us—somewhere in the region of about £300,000 a year, so he was a big advertiser. He was done for clocking cars and the editor came to me and said, 'Listen, just to let you know, I've got a bit of an issue here because this is a £300,000 story'. I insisted that he put it on page 1, not bury it on page 3—on page 3 it would not have really been buried, so maybe I should have said 'page 10'. It was the lead story. Once we lose our integrity to the reader, in my view we would be out of business—we would have lost our place in the community. That advertiser pulled his advertising. There was a similar incident with Cardiff Council when we had a real row with Russell Goodway about his allowances. The *South Wales Echo* had a real spat with the council and although I cannot remember the exact figures, the council was probably spending in the region of £0.5 million a year and we knew that we were going to lose that revenue. That does not matter, because, again, you do not have a business if you do not have that integrity. Gerry might want to add to that.

[74] **Mr Keighley:** At the end of the day, you cannot be on anyone's side—you have to be on the reader's side. That is the first and last rule, whether we are talking about football clubs, political parties, advertisers or whatever. In your mind, and in your conscience, you have to be on the reader's side. That is where I come from every time.

[75] **Joyce Watson:** I asked the question because there are two sides to every story and I thought that it was worth giving you an opportunity to answer it, for your sake. The Culture, Welsh Language and Sport Committee reported on English-language newspapers in 2006 and recommended that the Welsh Government review the provision of publicly funded training courses for journalism, in both further and higher education. What could the Welsh

Government do, if anything, to help you as an employer?

[76] **Mr Keighley:** It costs youngsters £3,000 or £4,000 to go through Cardiff School of Journalism to achieve the level of pre-entry qualifications that I need and can readily get. So, I would appreciate anything that you could do to help those young people—they are usually postgraduates, so they have already done a degree in something else. We need them to be trained up to a certain level to get them to the stage when they can come in and have a further 18 months of training before they are ready to take the seniority exam. They need to do a year at the Cardiff School of Journalism or a similar centre accredited by the National Council for the Training of Journalists somewhere else in the UK.

10.10 a.m.

[77] On training grants in our business, I would take anything that was on offer because training is costly, not only in money but also in time. It takes away not only junior but also senior members of staff to supervise trainees. We also support our company's nationwide training scheme, which means that I have to send managers, throughout the year, to places like Darlington and Oxford and so on to supervise other trainees from the Newsquest group because we have a group training ethic, which is second to none in the country. So, training is very important. What I am always concerned about, as a senior manager, is training beyond that initial level, namely ongoing training—taking people out of their everyday working lives and allowing their potential and skills to grow. That is extraordinarily difficult these days.

[78] **Joyce Watson:** The Welsh Assembly Government funds some Welsh-language journalism. In your view, should there be funding for English-language journalism in the commercial sector and, if so, in which areas would you like such provision to be made?

[79] **Mr Keighley:** In the areas that I just described. I suspect that there are vastly more English-language journalists working in Wales than there are Welsh-language journalists. I think that we have to look at this proportionately. We have a Welsh-language newspaper in Teifside, but it is the only one that we produce. We have certain Welsh-speaking members of staff, but in general we are English-language media.

[80] **David Lloyd:** A yw pawb yn hapus? **David Lloyd:** Is everyone happy?

[81] **Eleanor Burnham:** Do you personally deliver all of these newspapers?

[82] **Mr Steacy:** Can you not tell from looking at my body? [*Laughter.*]

[83] **Eleanor Burnham:** I presume that they are delivered for free. You were talking about your huge success and—

[84] **Mr Steacy:** Sorry, what are you referring to?

[85] **Eleanor Burnham:** Your response to Alun Cairns, but I was not allowed to ask a supplementary question at the time.

[86] **Alun Cairns:** I think that Eleanor was referring to the structure of the paper and how people receive it.

[87] **Mr Keighley:** The papers are paid for, but they are delivered to the customer for free.

[88] **Mr Steacy:** If you buy more of something, you should get it cheaper, so the whole point is that if you take the paper six days a week, you get it cheaper and you get it delivered to your door; we have a particular network to do that.

[89] **David Lloyd:** Diolch yn fawr i Eleanor yn arbennig am gwestiwn arall pwerus i gloi'r sesiwn hwn. Diolch i Gavin Steacy ac i Gerry Keighley am eu tystiolaeth ac am eu hatebion bendigedig. Yr oedd yn sesiwn dda iawn. Bydd y clerch yn anfon trawsgrifiad o'r dystiolaeth atoch er mwyn sicrhau eich bod yn hapus gyda'r trawsgrifiad a'n bod wedi cofnodi'r hyn yr ydych wedi ei ddweud yn gywir oherwydd mae hwn yn ymchwiliad swyddogol ac mae'n bwysig ein bod yn cael y dystiolaeth yn iawn.

David Lloyd: Thank you to Eleanor in particular for another powerful question to close this session. Thank you to Gavin Steacy and to Gerry Keighley for their evidence and for their excellent answers. It was a very good session. The clerk will send a transcript of the evidence to you to ensure that you are happy with the transcript and that we have accurately recorded what you said because this is an official inquiry and it is important that we get the evidence right.

[90] Trown yn awr at ail ran y sesiwn groesholi. O'n blaenau mae'r tyst nesaf, Spencer Feeney; croeso ichi, Mr Feeney. Ef yw prif olygydd South West Wales Media Cyf. Mae rhai ohonom yn ei adnabod fel golygydd y *South Wales Evening Post*. Yr ydych wedi clywed naws y sesiwn dystiolaeth. Mae'r is-bwyllgor yn cynnal ymchwiliad i natur y papurau newydd yng Nghymru, ac yr ydym wedi bod yn cymryd tystiolaeth ers rhai wythnosau. Hwn yw'r diwrnod olaf y byddwn yn cymryd tystiolaeth mewn cyfarfod fel hyn.

We now turn to the second part of our cross-examination. Before us we have the next witness, Mr Feeney; welcome, Mr Feeney. He is the chief editor of South West Wales Media Ltd. Some may know him as the editor of the *South Wales Evening Post*. You have heard the gist of the evidence session. The sub-committee is conducting an inquiry into the nature of newspapers in Wales, and we have been taking evidence for some weeks now. This is the last day of evidence taking in a meeting such as this.

[91] Gyda hynny o eiriau o groeso, mae nifer o gwestiynau wedi eu paratoi, ac fe awn yn syth atynt, os yw hynny'n iawn gyda chi. Gofynnaf fi y cwestiwn cyntaf.

With those words of welcome, we have several prepared questions, and we will go straight into them, if that is all right with you. I will ask the first question.

[92] Clywsom ddigon o dystiolaeth y bore yma ac yn yr wythnosau blaenorol ynglŷn â'r sefyllfa ariannol fyd-eang argyfyngus. Sut yr ydych chi fel grŵp o bapurau newydd wedi cael eich effeithio gan y sefyllfa ariannol bresennol? Mae eraill yn dweud wrthym eu bod wedi colli llawer o arian hysbysebu; a ydych chi yn y sefyllfa honno?

We have heard enough evidence this morning and in previous weeks with regard to the disastrous global financial situation. How have you as a newspaper group been affected by the current financial situation? Others have told us that they have lost a great deal of advertising revenue; are you in that position?

[93] **Mr Feeney:** We are in exactly the same situation as everybody else. Nobody is exempt from the effects of this recession. All our main advertising revenue streams—jobs, cars, and houses—are at least 30 per cent down year on year. Compound that with our ongoing costs and you have parts of our industry looking at a fall in profit of 70 per cent year on year. You do not need to be the boss of RBS to work out that those sums do not add up, and the industry, as it is currently structured, is unsustainable.

[94] **Alun Cairns:** Is it fair to say that your papers, particularly the *South Wales Evening Post*, have fared better than most as regards the drop in circulations and sales? You have gone to an earlier print run, which leaves the paper on the news-stands far longer, but the falling sales that you have experienced are nowhere near the falling sales that so many other papers have experienced. Does that put you in a stronger position to cope with the downturn? What are the consequences of being in your position?

[95] **Mr Feeney:** It is true that the fall in sales of the *Evening Post* has been less steep than all the other daily papers in Wales. Our daily sale is considerably more than that of any other daily paper in Wales. The decline in our circulation over the last nine months has been steeper than anything that I have experienced in the seven years that I have been editor of the paper. Given the situation facing us now, it is nice to have the extra sales, but they are no safety net over what anybody else has.

[96] **Eleanor Burnham:** In the ‘Digital Britain’ interim report, the UK Government suggested that in order to decide whether any change to the merger regime is desirable and necessary, it would invite the Office of Fair Trading to undertake an exploratory review across the local and regional media sector, and make appropriate recommendations. Do you believe that any of these merger regulations should be relaxed, and what impact would this have on local markets in Wales? Do you think that this would reduce the priority of journalism at a local level?

10.20 a.m.

[97] **Mr Feeney:** Inevitably, the whole merger structure has to be reviewed. Media ownership rules have to be looked at again. The consequence of the recession and the effect that it is having on the regional press is that titles will close editions and companies will close titles. I have no doubt that, in a year’s time, there will be fewer newspapers in Wales than there are now. Some newspaper chains will close companies. Beyond that, you will be looking at newspaper chains having to merge to survive. At the moment, there are four big newspaper chains in Britain, namely Northcliffe Media—which owns my company—Trinity Mirror, Newsquest and Johnston Press. There are plenty of financial analysts who will tell you that the big four will have to become the big two to survive.

[98] When you consider that the daily paper in Swansea is owned by Northcliffe, the daily papers in Cardiff are owned by Trinity Mirror and the daily paper in Newport is owned by Newsquest, you can quickly see a situation where you will be faced with the possibility of two of the three city newspapers being owned by the same company. As we are at the moment, that would be difficult, and I understand the concerns about monopolies and having plurality of voices. I would say that fewer voices are better than none, and I do not think that people should underestimate the severity of the financial problems facing these companies. In my view and in many analysts’ view, it is not inconceivable that large newspaper chains could founder.

[99] **Eleanor Burnham:** Democracy also needs to be sustained, and there was an interesting article in *The Independent* on Friday about the state of democracy and the reliance on regional newspapers beyond the BBC, particularly now that ITV has almost gone. Is there a danger of a concentration of media ownership in certain areas?

[100] **Mr Feeney:** There would be a danger if the independence of the editors were compromised, but in my experience that has never happened. No-one at Northcliffe has ever rang me up and said ‘Here is the editorial line for you to pursue’. I am sure that the editors in Cardiff and Newport would say the same thing, so I do not think that the ultimate ownership of the newspaper would have that much of an effect.

[101] **Eleanor Burnham:** You could have more cut and paste journalism, because we already have this—

[102] **Mr Feeney:** No, not necessarily. Just because two newspapers in different cities are owned by the same company, it does not mean that they would share copy. There would be no sense in the *South Wales Evening Post* in Swansea sharing content with the *South Wales Echo*

and the *South Wales Argus*, because people in Swansea would have no interest in the local news of Cardiff and Newport.

[103] **Eleanor Burnham:** It goes on in north-east Wales, because most of the *Evening Leader* in Denbighshire, Wrexham and Flintshire is cut and pasted from one to the other, and perhaps you get one or two pages that are slightly different.

[104] **Mr Feeney:** I suppose that you could argue the same about any daily paper as it is set up in its current edition structure. For instance, we produce three editions a day of my paper—one for Swansea, one for Neath Port Talbot and one for Carmarthenshire—but it is not the case that all of those editions are 100 per cent changed, because the core paper will be the same. We will probably change two, three or four pages of local news, and that applies across the industry. No newspaper company produces different editions with content that is 100 per cent different.

[105] **Eleanor Burnham:** Moving on to the training of staff, what are your current arrangements, especially in developing multimedia skills, and what could the Welsh Assembly Government and local government do to help in this matter?

[106] **Mr Feeney:** All of our journalists are multimedia journalists now. All of our reporters are fully trained in shooting video reports, for example. All of our production journalists are fully trained in editing video reports and slide shows. Our production department throughout the day produces content for our print platforms and our online platforms. The same people do both jobs.

[107] **Eleanor Burnham:** What impact has that had on them? In the *Daily Post* earlier this week, Tom Bodden wrote about his experience of going out with cameras and so on for the first time. Is this something that will naturally evolve and journalists will have to be multimedia journalists, whether they resist it at the moment or not?

[108] **Mr Feeney:** I have not had any resistance. That is the first thing that I should say. None of my journalists have shown any resistance to it; they have all embraced it and they all enjoy it. They all enjoy the fact that it gives them immediacy—well, I say immediacy, but it takes time to shoot and edit a video. It will take a day to get a video report done, but it is quicker to get straight news reports online than ever was the case for a printed newspaper, so there is no resistance. Moving forward, all regional journalists will be multimedia journalists.

[109] I do not know what the relationship between print and digital will be. No-one knows. It is constantly being reviewed. My newspaper has just started a three-month trial whereby we have radically changed the volume of news that we are running on our websites, because of the recession and the effect that it is having on newspaper revenues, which still make up the massive part of the company's revenues. Questions are being asked about the volume that we put on our websites and whether that is cannibalising the newspapers and is a factor in the decline of newspaper sales. Two years ago, when revenues were healthy, those questions were not being asked, or if they were being asked, they were not being addressed, but they are being addressed now. So, moving forward, the relationship will be fluid, but it will be multimedia.

[110] **Joyce Watson:** Do you provide support for media literacy and training in digital media skills to people in the voluntary and community sectors, and, if not, would you consider doing that?

[111] **Mr Feeney:** Are we training people in the community?

[112] **Joyce Watson:** Yes. Do you provide support for media literacy? You rely on local

stories and voluntary organisations and local communities would perhaps feed them to you, so would you provide any training in media literacy, especially in light of the changes that we have just discussed, for them to learn digital media skills? If not, would you consider doing so?

[113] **Mr Feeney:** It is not something that we do at the moment. As to whether we would consider it, it is highly unlikely in the current climate that we would take on such a cost. I am not sure whether we have the skills to do it, either. It is not an area that we have gone into.

[114] **Alun Cairns:** I want to talk about advertising commissioned by the public sector, particularly the Welsh Assembly Government, the Assembly Commission and local government. To begin with the Assembly Government and the Assembly Commission, bearing in mind that yours is the highest-selling daily newspaper—to your credit—do you feel that you get a fair slice of the advertising for jobs, public notices and so on? How would you suggest that the commissioning of such advertising could be enhanced?

[115] **Mr Feeney:** No, we do not get a fair share at the moment. I think that you place most of your advertising with the *Western Mail*. I do not know why you do that, because the *Western Mail* is not terribly well read any more—and I am sad about that, because, like you, I think that it is important that we have several strong newspapers in Wales. If nothing else, it is good for job creation for journalists. However, the *Western Mail* is not strong at the moment and I do not think that you should place all your advertising there. On how you could enhance that, you could give it all to me if you want, but I guess that Newport and Cardiff might have something to say about that. [*Laughter.*] You have to share it out. Ideally, you should be placing your job advertisements with all the daily papers in Wales. As for weekly papers, I do not know—I suppose that it depends on the job. You want to place your advertisements where they will get the best response. Placing them in a paper that is not the best or even the second-best selling paper in Wales does not seem to me to be a good model for getting the best response.

10.30 a.m.

[116] **David Lloyd:** On the back of that, on the circulation in Swansea, how do the sales of the *South Wales Evening Post* and the *Western Mail* compare?

[117] **Mr Feeney:** There would be no comparison at all. The *Evening Post* sells 47,000 copies a day, and I would have thought that the *Western Mail* sells a couple of thousand copies in Swansea.

[118] **Alun Cairns:** The response that you gave on advertising is one that we have heard from a lot of local papers, which are concerned about the advertising—

[119] **Mr Feeney:** Perhaps you would not hear that from the *Western Mail*.

[120] **Alun Cairns:** Its representative is giving evidence after you, so we will see. I wish to pursue a different line of questioning in relation to strategy. With the advent of multimedia there is far more competition for newspapers. It seems to me, from the broad analysis that I have conducted, that successful newspapers are either very local—and I suspect that that is the basis of your editorial strategy—or very high-end, like the *Financial Times*, which is aimed at a different market and can therefore charge a premium rate. Is that a fair summary of the options available for newspapers: you either focus very locally or you aim at a very different market so that you can charge a premium?

[121] **Mr Feeney:** If you are the local or regional press, then your aim is local. There is nowhere else to go. Obviously, the national press is different, and has its own discrete

markets. For us, whether it is print or digital journalism, the focus has to be local.

[122] **Alun Cairns:** You are obviously very successful with daily sales and your output, but I am trying to tease out what you are doing. I read the *South Wales Evening Post* regularly, so I know that its thrust has become more local over the last three to five years, rather than looking at a wider regional context—is that fair?

[123] **Mr Feeney:** Our region extends from Port Talbot to Burry Port, and that is what we focus on. Part of that intensely local focus came about as a result of our switch to overnight printing. At that point, I decided that I would no longer run any national or international news, because the national and international news stories that might be covered in a local paper are ones that are fast-moving, so that is no good for an overnight print. A morning paper could still carry national or international news, because people expect a morning paper to be up-to-date as of the previous night. With our paper, it is quite different—even though we print overnight, a large part of our sale is home-delivered. We have the largest percentage of home-delivered copies in the UK, so even though we are putting the paper to bed at 10 p.m. and it is on sale at 7 a.m. the next day, many of our readers still receive the paper in the afternoon, so to them it is still an afternoon or evening paper. It became a circle that we could not square, so we decided to take all that kind of news out, and, of course, it is replaced by more local news.

[124] **Alun Cairns:** Would you say that that strategy has been successful? I would, because I know the paper, but to place it on the record—

[125] **Mr Feeney:** Absolutely, because, moving forward, newspapers will have to become increasingly localised and focused on their community if they are to survive. It is almost the case that anything the readers can get elsewhere, you should leave them to get elsewhere. Then you can just concentrate on your unique selling point, and, for us, that can only be local news, local events, and local advertising.

[126] **Alun Cairns:** Thank you—that is helpful.

[127] **Joyce Watson:** The Welsh Assembly Government funds Welsh-language journalism to the tune of £300,000 a year. Do you think that it might be appropriate for there to be public funding for English-language journalism in the commercial sector? If so, how do you think it should be allocated?

[128] **Mr Feeney:** The short answer is ‘no’. We are commercial bodies; we are independent. I would not feel comfortable if you were giving me money to run my newsroom. Even if I remained sturdily independent, to an outsider I could be seen to be compromised. There may be scope for public funding in training journalists because I am conscious of the fact that it is very hard now, for example, for a bright kid on a council estate to get into journalism. We do not want all of our papers to be staffed by kids whose parents could afford to put them through postgraduate training courses.

[129] We had a very successful independent training course in Swansea that was aimed at graduates—we said that it could be for people leaving school after their A-levels or people leaving university after graduation. For the three years that we ran it, we always chose someone who was coming out of university, but these were people who had not done journalism and had not gone to Cardiff’s postgraduate school of journalism; they came straight out of university and we put them through a three-year training programme that we funded. It was very successful and the three people that we chose are now working on our staff and they are three of the brightest people that we have. That training scheme has now stopped; there is no money to fund it. If you came along and said to me, ‘We will give you £5,000 a year to restore that training scheme’, I would be very interested in that. It would be a useful way to spend public funds. However, as for asking, ‘Can we give you some fivers in an

unmarked envelope to keep the newspaper going?', my managing director might take a different view, but I think that I would be uncomfortable with that.

[130] **Joyce Watson:** I think that we would be too. For the Record, which is being kept, that is not what we had in mind. [*Laughter.*] Thank you.

[131] **David Lloyd:** Gwelaf nad oes cwestiynau atodol eraill. Diolch yn fawr, felly, Mr Feeney am eich atebion gloyw. Bydd y clerc yn anfon atoch drawsgrifiad o'ch tystiolaeth er mwyn i chi ei wirio i sicrhau eich bod wedi dweud yr hyn yr oeddech yn bwriadu ei ddweud ac ei bod wedi'i gofnodi yn gywir. Diolch yn fawr am eich presenoldeb.

David Lloyd: I see that there are no further supplementary questions. Therefore, thank you, Mr Feeney for your excellent responses. The clerk will send you a transcript of your evidence for you to check to ensure that you have said what you intended to say and that it has been recorded correctly. Thank you for your attendance.

[132] **Mr Feeney:** May I just make a supplementary comment?

[133] **David Lloyd:** Yes.

[134] **Mr Feeney:** Even though ours is the largest-selling paper in Wales, I understand that you do not have any copies of the *Evening Post* at the Assembly. I think that you have several copies of the other daily newspapers in Wales, but none of the largest-selling paper. I just think that that might be something that you might wish to consider.

[135] **David Lloyd:** We will bear that in mind.

[136] **Alun Cairns:** It came out in answer to a written Assembly question that I tabled to the Assembly Government that it does not buy any copies of the *Evening Post*, although it does every other newspaper in Wales. I will make that information available to the sub-committee for consideration in its report.

[137] **Mr Feeney:** It would be a pity to deny yourselves the best journalism. [*Laughter.*]

[138] **David Lloyd:** Hoffwn groesawu cynrychiolwr Trinity Mirror i'r bwrdd i roi tystiolaeth, a hynny ar ffurf presenoldeb Sara Wilde, rheolwr-gyfarwyddwr rhanbarthol Trinity Mirror. Diolch yn fawr i chi am ddod yma, a chroeso i chi. Fel y clywsoch, mae'r is-bwyllgor hwn yn cynnal ymchwiliad i gyflwr y diwydiant papurau newydd yng Nghymru. Buom wrthi yn cymryd tystiolaeth ers rhai wythnosau, a'r cyfarfod hwn yw'r cyfle olaf inni dderbyn tystiolaeth. Paratowyd cyfres o gwestiynau. Yn sylfaenol, yr un math o gwestiynau a ofynnir i bob tyst, felly os ydych yn hapus, awn ymlaen at y cwestiynau.

David Lloyd: I welcome the representative of Trinity Mirror to the table to present evidence, in the form of Sara Wilde, who is the regional managing director for Trinity Mirror. Thank you for your attendance and welcome to the meeting. As you will have heard, this sub-committee is conducting an inquiry into the state of the newspaper industry in Wales. We have been taking evidence for some weeks and this is the last meeting in which we will receive evidence. A set of questions has been prepared. Essentially, the same sorts of questions are asked of every witness, so, if you are happy, we will proceed to the questions.

10.40 a.m.

[139] **Ms Wilde:** Yes, that is fine.

[140] **David Lloyd:** Mae gan Eleanor **David Lloyd:** Eleanor Burnham has the first

Burnham y pedwar cwestiwn cyntaf.

four questions.

[141] **Eleanor Burnham:** Good morning. I am an Assembly Member for the North Wales region, so I have a particular interest in your region. My question is on the combination of Wales and north-west England as a region within Trinity Mirror plc, with its headquarters in Liverpool, which I love dearly. Many people believe that you have downgraded the status of Media Wales. Do you agree with that assertion?

[142] **Ms Wilde:** Absolutely not—just to get the proceedings off to a very good start. [*Laughter.*] I believe that Alan Edmunds, publishing director of Media Wales, was here recently and I am sure that he will have given you his unedited—for an editor—account of his role and how he believes that we will continue to drive our business interest in Wales. In my pre-circulated note, I have tried to give you some different reflections from Alan's, perhaps ones that you could get only from me, and that is to address some of the wider matters going on but specifically the points such as that which Eleanor has just made.

[143] We are navigating our way not just through the economic conditions, about which you will have heard—and you could probably wallpaper this room with all the newspaper coverage devoted to the economic conditions—but also through a lot of general media changes that have been going on for many years. It is true that the recent changes that we have made have brought a different structure to bear on running our overall Welsh media interests and specifically, in the case of south Wales, our Media Wales business. However, I do not lack confidence in our ability to keep driving the right business interests, because those very distinct business units have strong local management on the ground, led by strong and ambitious publishing directors like Alan and Rob Irvine in north Wales, who work with me in a wider regional business structure.

[144] The region that I run transcends Huddersfield, Merseyside, Cheshire and Wales in its two distinct business units of north and south Wales. That may sound like a difficult remit, but it is made easier by having clear strong management in each business, driving forward the publishing agenda and strategy, and enabling me to get the best benefits of scale across the regional business. In the context of Wales, that will allow us to bring in resources to benefit the business, which, in all honesty, we would have struggled to do if we had remained a single entity within the wider structure of Trinity Mirror plc. That might also play to wider questions that you may have about media regulation and the whole context of scale versus independence these days. However, I am confident that, although it is a different structure, we will continue to run our business based on the distinct needs of each market. That is essential to our publishing performance. I am also confident that, in my own business priorities, I will be clear not only about our publishing and business strategies, but also about our role of engagement. We are a major business and employer. Even with our reduced profits, we are still a significant business, but we are also a media company and, as such, we have wider responsibilities for engaging in general commerce, if not in even wider issues with regard to the markets that we operate in.

[145] **Eleanor Burnham:** Obviously, you have a much more rapacious business model compared with that of one group that came before us, namely Tindle Newspapers Ltd, which does not have any shareholders to worry about. We have heard that you have been run on a very profitable basis, of about 33 per cent profit, which is unheard of by others. In that context, do you think that this new structure will improve the issue? You are talking about business, but surely your customers are also important, and a lot of people in north Wales would feel that they have been downgraded. Do you believe that the two divisions can work better together, not just for the shareholders but for the customers? They are part of the equation.

[146] **Ms Wilde:** The primary benefit of our approach to this business structure is about our

marketplaces and our performance on the ground. We have changed nothing in our north Wales business. That has been run by the publishing director, Rob Irvine, for probably the last 12 to 18 months. In a way, we have adopted a similar approach in Media Wales, and it is my view that our business in Media Wales will now benefit from getting even closer to our customer base. Our paid-for advertiser customers are increasingly looking at readers and consumers. We have to be geared up, structurally as a business, to get a lot closer and respond, and that is where some of the benefits of scale come from. In the near term, we need to continue to protect and support our newspaper business, and, increasingly these days, that means that you have to innovate. You cannot remain as you have always been, so you need good resources, marketing intelligence and business development to allow you to test and trial things for your customer base.

[147] **Eleanor Burnham:** So, how are you addressing the impact of the recession on Trinity Mirror plc and your operation in Wales?

[148] **Ms Wilde:** As I laid out in the paper, Trinity's return-on-sales performance has not necessarily been the best in the industry, although it has been in the top quartile over the past couple of years. However, return on sales is just one measure and is not always a very indicative measure of the cash profitability of a business; most people look at return on sales as an operating profit level. However, if you look at a broad spectrum of the publishers, you will see that Johnston Press plc has been the out-performer in the newspaper industry in return on sales for a very long period. There has been a range, which has gone from the people that are at 10 to 12 per cent ROS at the bottom of the spectrum to those that are at 40 per cent ROS at the top. Trinity, even with its own business interests, depending on the portfolio, has a very varied return on sales. These are historic figures. If you have a lot of free newspapers in your group, you will have a lower return on sales, because of the nature of that business model. If you have predominantly paid-for newspapers in your group, you will have a higher ROS. If you publish newspapers predominantly around metropolitan cities rather than smaller areas, you might have a higher ROS. Return on sales has been massively eroded over the past couple of years, and I would be surprised if anyone in the newspaper business—at a regional level, and not necessarily at a national level—had more than a 15 per cent margin. It will probably be nearer to 10 per cent going forward, certainly through the economic downturn. That is the type of margin that I think we will be able to achieve.

[149] **Eleanor Burnham:** How many redundancies are you expecting in Wales, and what impact will they have on your titles and the number of editions that you publish? What further consolidation of newspapers do you envisage?

10.50 a.m.

[150] **Ms Wilde:** I will answer the question in two ways, if I may. Globally, you cannot go a day without seeing some prediction of what will happen in the print media. Many of us are also looking at the comments that are coming out of the States and wondering whether what is happening there is a predictor for what will happen here in the next 12 months. Finding our way through the noise and determining what the real answer might be is still something of a challenge during a downturn, given that we are not sure where the bottom of the downturn will be. I believe that, ultimately, across the wider geography—and not just in Wales, but across the UK—there will be a sharp contraction in the number of titles and editions. I also think that it will not just be a question of the number of titles, but of what the titles need to become in future to retain relevance for consumers and advertisers. That is not just an issue of advertising depleting because of the downturn, but of being fragmented.

[151] On what I see happening in the context of Wales, in the first instance, our business took very early action last year to deal with what we anticipated to be a reduction in advertising revenue of the order of 30 per cent in 2009. We took action early, but it was not

easy by any means. Redundancies are deeply unsettling and deeply regrettable, on a personal as well as a business level. We took a range of actions around our cost base, which has given us a degree of road this year. That is, it has given us the space to try to continue to make a transition with the business, to work out the answers to the questions on the nature of the portfolio, in print and online, that we will need to offer advertisers and readers, and to work out what is the attractive profit or return that we can get from that portfolio in future.

[152] I think that there will be slightly less contraction in our marketplaces over the next couple of years in Wales, because we do not have the long tail of product that we have in other parts of the UK. We have a fairly tight portfolio in relation to the number of titles, here in south Wales and in north Wales. In some of the markets across the UK, particularly around free newspapers, the numbers of titles are greater, almost prolific, and I think that they will be particularly challenged. However, in our own business, I envisage having to make changes to the portfolio. Perhaps contraction will not be so much of an issue this year, but looking to next year, I will have to think about the viability of some titles and which models we can develop to make our products viable.

[153] On redundancies, yes, the business will continue to streamline, but for this year and the lead in to next year, I do not envisage a major review or reduction in our head count.

[154] **Eleanor Burnham:** Last Friday's *The Independent* asserted that the *Liverpool Echo* and its sister papers, which are obviously part of your business, could be restructuring, which could involve 78 redundancies. Do you agree with that figure, and, if so, what impact would that have on Wales?

[155] **Ms Wilde:** Across the whole of the region last year, we took a lot of action very early on. Although I have not read that particular article, I know that the numbers being quoted in it relate to the business decisions that we took last year, which are now in the final phase of implementation. In the context of Liverpool, which is a very large centre in Trinity, we took some big decisions last year to do with the transfer of printing to Oldham, one of the other Trinity Mirror centres, and to do with editorial work. We streamlined our operation by removing a great deal of duplication. We integrated the newsrooms across a plethora of products, but we did that in a very strategic way. I do not mean to belittle the impact on people of reducing jobs, and I do not say it lightly at all, but the end outcome of the changes that were made ensured not only that some of our print media was more viable, but that, fundamentally, our online media would receive the attention that it required, both in depth of content and in the breadth of our ability to continue to grow an audience online. So, in all instances, I think that we have attempted to deal with the very peculiar impacts of the recession, which have come faster and sharper than I have ever experienced in business life. However, we have attempted to deal with them not only with veracity of reduction, but with our minds on where it will take us. Will it take us to something that is more sustainable and more future-proof for our business? You cannot plan for the future and not take action in the short term, because you will run out of road. However, at the same time, the recession will end—they do not last forever. Our business needs to operate into the future and needs to continue to be strong. It will have to be different, but that does not mean that it cannot be successful. That is what we are trying to navigate our way through at the moment.

[156] **David Lloyd:** Mae'r cwestiynau **David Lloyd:** Alun Cairns has the next nesaf dan ofal Alun Cairns. questions.

[157] **Alun Cairns:** Thank you, Ms Wilde. Recent press reports have indicated that there has been a 22 per cent decline in year-on-year profits for Trinity Mirror, which closed 27 papers last year and sold another four. Revenue for newspapers reduced by between 30 and 40 per cent in the first two months of this year. Analysts suggest that a third of newspapers could close by 2013. From the evidence that we heard earlier, it appears that it might even be

a tighter timescale, according to the managing directors of some newspapers. Do you agree with that? How will this impact on your operations in Wales?

[158] **Ms Wilde:** My response will be similar to my previous comments. Again, on the predictions of where this will take print in the next couple of years, I was reading one American news site yesterday that predicted that 85 per cent of all newsprint titles will close by 2011. The research base was one man. [*Laughter.*] However, directionally, there will be a contraction.

[159] As to the degree and the timescale, it will come down to two things. The first is the action that businesses have already taken and continue to take, not just to maintain their profitability, but their liquidity. That is the key issue for many groups at the moment. They may be able to continue to make profit, and certainly healthy operational profit, but possibly less cash profit because of taxation costs, pensions and so on. However, the way that the markets are operating financially, it is probably the question of liquidity that will give businesses a problem. That is what I meant when I talked about running out of road. If you have taken the right action and can manage, maybe, your cash position over the next 12 to 18 months, it is then down to your ability for concentration and innovation around your print and online media to develop those forward models. We will come out of a recession and we will have reduced our operating base and streamlined our workforces. At the end of the day, that has an end point to it. You cannot get to the point where you have only one person in your company. So, it has to be about your belief about revenue, to come back to your point about customers; it is about what they want, when they want it, what they will pay for it.

[160] **Alun Cairns:** I would like to press you on this. I would like to go back to the predictions. You said that 85 per cent of titles may close.

[161] **Ms Wilde:** It was not I who said that. [*Laughter.*]

[162] **Alun Cairns:** No, but this is a serious issue. You reported that you had read that 85 per cent of the titles could close. We have also read certain predictions. I need to press you further. What could this mean with regard to your operation in Wales? That is what we are primarily focused on. Could it mean the consolidation of some of the newspapers? Does it mean that a third of your newspapers could go in Wales, if my prediction was right? If the prediction that you reported was right, it could well be that your output would be slashed completely. What, in the short term, do you see as being the realistic picture in Wales?

[163] **Ms Wilde:** Across both north and south Wales, if I take the short term as being just this year, if the market falls lower than we have predicted—and we have predicted that our revenue will fall by 30 per cent this year—then that will potentially render non-profitable, at a contribution-to-earnings level, maybe two or three of our weekly titles across the whole of Wales.

11.00 a.m.

[164] We are looking at those titles at the moment to see whether there are things that we can do in relation to the delivery base and how we deliver. For example, in Denbighshire, we have been trialling some changes to distribution in some areas, by making the product available in outlets rather than direct-to-home. The profitability of the free-newspaper model is quite distressed at the moment. There is a high cost involved in delivering door-to-door. So, we have been trialling some slightly different models with some of those weekly newspapers. However, the vast majority of our titles are still high performers in their contribution. The overall contribution that we are making is significantly less, but their relative importance to us is, obviously, still there. So, this year, the main activity that we currently have under play is looking at trialling, changing and innovating some trials in relation to distribution. We are

doing some work with regard to the *Cardiff Post* at the moment to see whether we can redevelop and reinvigorate it as an advertising proposition.

[165] Looking forward to next year, and thinking about the slightly more medium and longer term, newsprint sales are forecast to rise by 15 per cent next year, and that is clearly part of our current forward planning and thinking. We have not finalised our plans, because the first people who we would talk to about those plans would be staff and customers. However, I think that we will probably see some contraction next year in our newspapers. I do not think that that will be in the order of a third, because, as I said earlier, our Welsh portfolio is actually a tighter portfolio than those in other parts of the UK. There is less of a long tail of product in this market. We might be looking at a 10 or 15 per cent contraction in our activity. That may not relate to the number of titles that close, but to the overall coverage of those titles, the editions and their distribution. In other parts of our region, that contraction could be larger, because the view about next year depends on where we think advertising will settle this year. However, what I do know is that we are also, at present, ensuring that we continue to invest in our print model. There will be fewer titles, but we cannot assume that the ones that continue have to stay the same; they also have to change and find their future relevance in a market that is more fragmented.

[166] **Alun Cairns:** I need to press you on a few things that you said. You talked about a contraction in activity next year of 10 to 15 per cent, which could result in the consolidation of titles, and the closure of some titles. That is based on a 30 per cent reduction in advertising this year. If that reduction in advertising is greater, when would you expect to see the consolidation? Would that be this year, or would you still say that that would be next year?

[167] **Ms Wilde:** If the fall in advertising were to happen next week, and it was suddenly not 30 per cent, but 60 per cent, it would be this year. If, over the course of this year, we think that the issue is more about what will happen next year, then I envisage more of the changes taking place next year. In fairness, our concentration at the moment in relation to the business is on customers and revenue, rather than on product contraction, because we think that we are going to run out of road on just contracting things.

[168] **Alun Cairns:** If it is 30 per cent—if your assumption is accurate—

[169] **Ms Wilde:** That is based on current forecasts.

[170] **Alun Cairns:** If your assumption is accurate, when would you expect to be in a position to make announcements on the contraction that will probably happen, in light of your response, next year?

[171] **Ms Wilde:** If we take any particular action on a title—if we decide to close it, or to fundamentally change it—the first people we would speak to would be staff and customers. We are not—

[172] **Alun Cairns:** When would you expect to be able to make an announcement?

[173] **Ms Wilde:** If I had a crystal ball, I might possibly know. Quite honestly, I do not intend to close any titles this year, and I am reviewing options for next year. This year, I do intend to get a hell of a lot closer to our customer base to ensure that the products that we know that we will always sustain in the market are well looked after. We will also start to reinvigorate the role that they play for advertisers and customers. The first announcement that we make this year will likely be a positive one about something to improve and expand our reach in print. It will be quite a strange thing, I am sure, when we make that announcement, given the context of the market.

[174] **Alun Cairns:** That brings me on to the next question. Thank you for that answer. The National Union of Journalists says that Trinity Mirror is stripping out revenue for shareholders and not reinvesting enough. What is your view on that? With the Cadeirydd's permission, I have other questions about strategy.

[175] **Ms Wilde:** Trinity Mirror is a plc, and shareholders are investors in the company. Over the last few years—gosh, let us just take the last five years—those shareholders have probably lost considerable amounts of money investing in Trinity Mirror, as they probably would have done had they invested it in certain other media stock that has gone down in share price. We come back to the argument on return on sales. Trinity has continued to invest, partially in its digital acquisitions, which are vital to its forward growth and which are also contributing to more positive current earnings—if you have more of those pure-play digital assets, then you have a better revenue position at the moment than if you were just a newsprint, classified, advertising independent. It has continued to invest in pieces of transformational activity, about which Alan probably gave you chapter and verse, even in the context of Media Wales, where we invested through our change in multimedia in the newsroom last year. We invested in cutting-edge technology for our online business aspirations in Wales in the form of studio facilities, editing suites and up-skilling in multimedia skills. These are all important investments.

[176] You could—I am sure that people do—make a career out of analysing and assessing the paths taken over the last 30 to 40 years in this sector of the media. In fact, you could do similar in most business sectors. All I know is that, where we are now, looking forward, it would be a great travesty, not only for our business, but also for communities, if beyond this recession, we end up with the large-scale demise of newspapers. Newspapers have to change, but they also have to reinvent themselves in a multimedia environment.

[177] **Alun Cairns:** I accept that there are two agendas, one being the recession, while the other is the breaking down of the current market for news and journalism. The way I interpret the NUJ's statement and claims is that there are broadly two strategies. I pursued this line a little with Mr Feeney earlier. There are two strategies for newspapers: you can either go very local, which is what many local papers are doing, such as some of the papers under Celtic Press, which focus very locally, and there is an argument that that is a successful approach; or you go high-end, to the premium market. If we focus on the *Western Mail* and the *Daily Post*, as newspapers, are they caught between two stools? They are not very local, by their nature, because they are national newspapers, but neither are they high-end. I am playing devil's advocate, to a certain extent. Part of the problem is also, according to the NUJ's claims, that we are not investing in journalism, so that we are not providing analysis or the highest level of journalistic reports that we could, which would allow you to charge at a premium and get at a more lucrative market.

[178] **Ms Wilde:** In fairness, our editors would disagree—

[179] **Alun Cairns:** I was playing devil's advocate to try to tease the answers out.

11.10 a.m.

[180] **Ms Wilde:** I am sure that if you were to put that to Alan, you would have disagreement on that point. I am not entirely sure that at a regional media level—I am not talking about a national level—what the forward notion of consumers paying a premium will be. I say that in all honesty because of the changes around the internet and the expectation to consume free content. That is not just about changing how and when people consume, it is also about changing what they might consider paying for in the future. On our daily newspapers such as the *Daily Post* and the *Western Mail*, those are very different products in any case so they cannot be decried as being the same thing in the same space. The *Daily Post*

is the de facto mass market regional newspaper for north Wales—it outsells all other newspaper products in north Wales, and it is probably more similar to the *Liverpool Echo*, although it is a morning paper. We do not have two daily papers in that space. However, we have two daily papers in this market, namely the *Western Mail* and the *South Wales Echo*.

[181] **Alun Cairns:** May I press the point? To clarify what I am saying, there is quality among the journalists and the editors but because of the lack of investment in sufficient numbers, those journalists do not have the time to develop deeper research to offer the reader a different perspective. It is because you, as managing director—to play devil’s advocate again—have been salami-slicing the number of journalists in the *Western Mail* for example, which effectively leaves very good journalists so stretched that they do not have that opportunity. That is how I interpret what the National Union of Journalists is claiming when it talks about stripping out and a lack of investment in journalism.

[182] **Ms Wilde:** We would come to an amicable disagreement on that point. I do not think that our editors would feel that we have degraded the quality of journalism. I come back to the relevant point that I made about consumers and what they are prepared to pay for. If you lined up a whole host of regional and national newspaper publishers, you would see all types of different models from the number of journalists to the overall headcount, marketing strategies, pricing strategies, cost-cutting strategies, and so on. However, you probably could not put more than a couple of percentage points between the sale performances of all of those newspapers over a longer period of time.

[183] I conducted a study about 12 months ago where I looked at all of the UK regional media in different clusters of evening, regional, morning or weekly newspapers, and so on, over a 20 year period. They all had very different investment strategies and headcount levels, or a focus on advertising rather than editorial content, and so on. They were different models, but there was very little difference over a long period in the readership performance. Some are doing slightly better than others, but not necessarily materially. The greater issues, which we as a company are also dealing with proactively, are what consumers want, what they are prepared to pay for, what they will consume online and in print and how we can make sustainable business models around that in the future. If I were to hire more journalists and spend more on marketing and a range of things around my best title, over the long term it may not influence the size of the readership because lifestyles, habitual changes, consumption of online media—

[184] **Alun Cairns:** I will just make a statement—because I do not want to pursue this point and I have a final question—that in a service industry, the core asset is the people, which are your journalists. If your core asset loses its quality, effectively, you do not have much of a service left to provide. That is my concern—I cannot speak on behalf of others. However, that is the risk that we are always trying to balance, irrespective of what business model exists.

[185] Let us come back to what is, hopefully, a good-news announcement. You said earlier that the next announcement could be a good-news announcement for Wales. What more can you tell us about that and when you are likely to make it?

[186] **Ms Wilde:** I will hire you. [*Laughter.*] I will not be drawn on the subject of the announcement; we are still working on it.

[187] **Alun Cairns:** When will you be in a position to tell us more?

[188] **Ms Wilde:** In the next month or two. I do not want you to be disappointed when you read it, because I will not be announcing that I am launching a new daily newspaper or whatever. It comes back to what I was saying earlier, which is that I have a job that I must

continue to do, which is to change the business model of the company. Already, advertising revenues for this year are half of what they were in 2007. Where they come from is also changing, because we continue to see growth online, so we are still achieving year-on-year growth online, while print is in decline. If you map that out, the business model in a couple of years will be very different. The cost base that we had a couple of years ago was for a print-centric business, not for something more diverse and smaller. That is still my primary job, to work out what that means for affordability, what type of structures we can have, how we will use resources and what the people impacts of that will be going forward, with the aim of looking at how we can drive further efficiency.

[189] The bedrock of all of that is asking: why we are here; what proposition we can offer people living in Cardiff or in Llandudno; what that is doing to allow us to build an advertising business on the back of it; and what we need to do differently in the future to ensure that we are still here, still relevant, still able to play our part in the wider fabric of the communities in which we operate. We must also do that with a financial return that is attractive enough for people to continue to want to invest in us and for us to have enough return to continue to invest in ourselves. In a sense, what I am saying is that I cannot stop changing the model and reduce the overall infrastructure-related costs of my business, but I very much have to concentrate on revenue, on customers and on being relevant, otherwise I will not have a long-term business.

[190] **Alun Cairns:** However, I cannot argue strongly enough that you must not forget about your core asset, otherwise you will not have a business model.

[191] **David Lloyd:** You have made that point.

[192] **Joyce Watson:** In 2006, the Culture, Welsh Language and Sport Committee reported on English-language newspapers and recommended that the then Minister for Education, Lifelong Learning and Skills reviewed the provision of publicly funded training courses for journalists in both further and higher education. Do you think that the Welsh Government could do more to help the sector, and if so, how? What assistance would be useful in the provision of training for your staff?

[193] **Ms Wilde:** There are possibly things that we could do better through collaboration in this area, and I hinted at that in the paper that I pre-circulated. We have Welsh-language content in our main titles, the *Daily Post* and the *Western Mail*. Last year, we also launched—it is on a small scale—a Welsh-language-only current affairs website. We did so because we came forward as part of the tendering process for the Welsh-language website. We were unsuccessful in winning that tender for our north and south Wales businesses—both businesses put in a tender under that process—which was deeply disappointing, because that was a collaboration with which we could have done something effective.

11.20 a.m.

[194] Nonetheless, we launched one ourselves. The website does not attract a huge audience—around 1,000 visitors a month. We are currently looking at that in light of its ability to take a pan-Wales content because, at present, it is run out of the *Daily Post* in north Wales rather than for wider Wales. I have been discussing that with Alan Edmunds to see how we would develop it further and make it meaningful for all Wales, rather than just for north Wales. In both businesses, more so in north Wales, and even internally, the question of bilingual staffing levels and the Welsh-language content is something into which we put time and focus. However, there are things under collaboration that we could possibly do more of if there was, maybe, a joint approach on training—that is something that we would welcome. I made the comment about media literacy as well as the Welsh language. As a company on our own, with the commercial storm that we are in at present, it may sound a little odd that I am

still talking about those things. I can totally understand why other businesses would say, ‘Not us; not now. We just have too many issues’. However, on partnerships we could consider how we, as a private sector media business, could work with the public sector—with the third sector, perhaps—looking at issues around the Welsh language, how we encourage and get more interaction with the language, particularly around our online activity, which would be an ideal route for that, or indeed around the wider issue of media literacy. We would be open to the idea of getting around the table to discuss whether there were sensible things that we could do in partnership.

[195] **Joyce Watson:** That is fine. My question was not really about the Welsh language, therefore, you have answered a question that I was going to ask—

[196] **David Lloyd:** You are telepathic. That is excellent.

[197] **Joyce Watson:** I will therefore bring you back to the question that I was going to ask. [*Laughter.*] Interesting as the answer was, the question that I asked was—but perhaps I did not make it clear enough—could the Welsh Government do more to help the sector in providing publicly funded training courses for journalism in higher and further education?

[198] **Ms Wilde:** Possibly around the area of upskilling on multimedia—that is one of the points that I made in my paper. We will continue to put our own investment into training. However, upskilling on multimedia is something that we need to continue to do. If there was a joint process or a different kind of funding opportunity that would allow us to upskill even further around multimedia, that would be welcomed. If there was training support or funding for such support around the Welsh language, I think that we would find that attractive. Therefore, in answer—finally—to your question, yes; all things should be considered. There are bigger things that I think are supportive of this media sector at present than that point that I laid out in my paper, but it would not be unhelpful.

[199] **David Lloyd:** Time is moving on.

[200] **Joyce Watson:** It is, so I will just ask a pointed question and we need to have a good, pointed answer. You have put emphasis on developing online brands but, as you have said, revenue is extremely small, compared to your mainstream source of revenue from advertising in papers—recent reports suggest, on average, 3 per cent. Are there profits to be made in new media?

[201] **Ms Wilde:** If you asked Google, I think that it would probably say that there are big profits to be made. That is the challenge for us: to find our own niche in that market. Without question, people are making money out there. On whether there are traditional media companies providing traditional media online making money purely from that online media, very few are making anything material. Where people are making money is in a lot of the transactional areas—the recruitment websites, the property search sites. That is where a lot of the money is being made. We are also making a profit in those areas; it is a small profit, but a profit nonetheless. Our pure play digital businesses, which Trinity Mirror owns, are making a profit out of those predominantly classified areas. What we are all wrangling with—when I say ‘all’, I am thinking generically about the whole sector, here and in the United States—is how you make material money from doing what you currently do in print. That is, how do you take the print content, the news and information, and that job of dissemination, and monetise that online? We already know that it is very different to how you do it in print. You build an audience and monetise it in a different way; there is not the same advertising base online. That is a formative area at the moment.

[202] **David Lloyd:** There are five minutes left, and two questions. Eleanor is next.

[203] **Eleanor Burnham:** On advertising, a lot of people who are not in your camp think that perhaps you have too much of the Assembly Government's advertising revenue. That is a contentious issue. In view of that, and in the context of the financial pressures, what is your view?

[204] **Ms Wilde:** My view is that the public sector should continue to support regional media by placing its advertising in print, as well as, increasingly, online. That is a first, generic point; it is not just about Trinity Mirror. I make the point in my paper that it is a revenue stream that we receive at the moment, and we do a job in return for it, in responses and communication.

[205] **Eleanor Burnham:** A lot of people would contest that, because your coverage is not as good as some of the other papers, or is not as geographically—

[206] **Ms Wilde:** I will come on to that in a moment. My first point is that we should all continue to receive that advertising revenue. On where you place that advertising, I think that any part of the public sector should advertise where it gets results. Quite frankly, I would stand my media up in our market against anyone else's media. If there is something that we are not supplying by way of response or results, I would like to know about it and to do something about it. If you were to choose one title for your advertising, it would be the *Western Mail*, because it has the widest geographical coverage.

[207] **Eleanor Burnham:** But does it have the widest circulation?

[208] **Ms Wilde:** I said that it has the widest geographical coverage. In Swansea, as my friend Mr Feeney said, the *Western Mail* does not have as deep a coverage as the *South Wales Evening Post*, but then, if you were to advertise in local papers you would have to buy into lots more products. The choice becomes response-driven. That is a dialogue that I would welcome, and I would be confident that we could supply unrivalled coverage.

[209] **David Lloyd:** Alun has the last question.

[210] **Alun Cairns:** That is a positive answer, but what worried me a little was that you said—I am paraphrasing poorly, but you certainly said that the public sector should support regional papers. Do you see the *Western Mail* and the *Daily Post*, but primarily the *Western Mail*, as regional papers or national papers?

[211] **Ms Wilde:** Clearly, the *Western Mail* is a national paper for Wales. I talk about our region because, in infrastructure terms, it is a regional newspaper for the publishers. However, the *Western Mail* is a national newspaper. When I talk about support, I am not talking about patronage. We give something back.

[212] **Alun Cairns:** I recognise that.

[213] **David Lloyd:** On a final, technical point, your paper gives figures for average issue readership. How many readers per issue does that represent?

[214] **Ms Wilde:** An average issue readership is defined, for daily papers, on the numbers who have read it in the last seven days. For a weekly it is those who have read it in the last week, and so on. It is the general currency that the whole industry uses. It is the way of calculating what your circulation is in readership terms. All of the groups use that same currency.

[215] **Eleanor Burnham:** Does it mean how many people have purchased it, or how many read it, perhaps after it has been passed on to them?

[216] **Ms Wilde:** It is the readership, and it is based on sampled research in line with research standards, so it is not a made-up figure.

11.30 a.m.

[217] **David Lloyd:** Mae ein hamser ar ben, ond cyn i'm cyd-Aelodau adael, hoffwn ddiolch i Sara Wilde am ei thystiolaeth. Ms Wilde, byddwn yn anfon copi o'r trawsgrifiad i chi fel bo modd i chi gytuno bod ein cofnod o'ch tystiolaeth yn iawn. Nid oes hawl gennych wydroi cwrs hanes drwy ailysgrifennu eich tystiolaeth, ond cewch nodi a yw'r hyn yr ydym wedi'i gofnodi yn gywir ac ar hyd y llinellau y buom yn eu trafod y bore yma. Diolch yn fawr am eich tystiolaeth a'ch presenoldeb.

David Lloyd: Our time is up, but before my fellow Members leave, I thank Sara Wilde for her evidence. Ms Wilde, we will send you a copy of the transcript so that you can agree that your evidence has been reported correctly. You cannot change the course of history by rewriting your evidence, but you can note whether what we have recorded is correct and along the lines of our discussion this morning. Thank you for your evidence and your attendance.

[218] **Ms Wilde:** Thank you very much.

[219] **David Lloyd:** This is the last physical meeting of this sub-committee, so we need to—

[220] **Eleanor Burnham:** Are we not meeting to assess all of the evidence?

[221] **David Lloyd:** We are out of time.

[222] **Eleanor Burnham:** It is the testimony part that is finished, not the consideration.

[223] **David Lloyd:** I am coming on to that, Eleanor. This is the last physical meeting, that is, the last one at which we will be bodily present—

[224] **Eleanor Burnham:** For testimony.

[225] **David Lloyd:** It is our final meeting. We will have to agree the content of our report out of committee, because this sub-committee was set up within a rigid timeframe, and we have just come to the end of it.

[226] **Eleanor Burnham:** That is news to me; I thought that we were going to be—

[227] **Alun Cairns:** Let him get on with it.

[228] **David Lloyd:** That was a statement of fact. The Broadcasting Sub-committee was to run for three months, and this is the end of sports. We will therefore need to agree our report out of committee, so we will circulate it to you in the next few days and weeks. Is everybody in agreement?

[229] **Eleanor Burnham:** When will we then look at the draft and the final version?

[230] **David Lloyd:** When it appears on your e-mail system, Eleanor.

[231] **Eleanor Burnham:** Will that be within the next couple of weeks?

[232] **David Lloyd:** Presumably so.

[233] **Eleanor Burnham:** When does the report have to be finalised and produced?

[234] **David Lloyd:** That is a matter for the parent committee. There is not a rigid deadline from that point of view but, doubtless, the parent committee will suggest one very shortly.

[235] **Eleanor Burnham:** Thank you.

[236] **David Lloyd:** Diolch yn fawr i'm **David Lloyd:** I thank my fellow Members
cyd-Aelodau a'r swyddogion am eu and officials for their attendance. That is the
presenoldeb. Mae'r cyfarfod ar ben. end of the meeting.

Daeth y cyfarfod i ben am 11.33 a.m.

The meeting ended at 11.33 a.m.