

**NewsBrands Ireland
and Local Ireland**

**Pre-Budget Submission
to the Department
of Finance**

June 2022



Executive Summary

The ability of the news publishing industry to perform its crucial democratic role is challenged by the structural forces that constitute an existential threat to the industry, in particular the decline in print circulation and advertising revenue and the increasing power of digital platforms.

While news publishers are fully committed to the digital transition, the digital news ecosystem rewards the distribution of content by platforms vastly more than its creation by publishers. Against this backdrop, it is important that public policy supports the viability of the sector, both in print and online.

We are enormously grateful for the support of the Minister for Finance in previously maintaining the 9% VAT rate for printed newspapers and also reducing VAT on digital publications to 9%. However, Ireland's VAT rate for newspapers remains among the highest in Europe, and Ireland is one of a minority of countries that do not provide any form of economic support to news publishing.

The most most significant decision that the Minister for Finance can make to support the industry with the many challenges it faces would be to avail of the recent change in the EU VAT Directive to introduce a new zero rate for print and digital newspapers.

We estimate that a 0% VAT rate would have a full-year cost of €18 million to the Exchequer. In the absence of a 0% VAT rate, Ireland would increasingly become an outlier in Europe in its support for the news publishing industry.

Given the challenges the sector faces, its importance to our democracy, and the absence of direct economic support, the introduction of a 0% VAT rate is crucial to the future viability of the news publishing sector in Ireland.

Introduction

NewsBrands Ireland is the representative body for all national newspapers, print and online. Its remit is to promote the vital contribution made by its members' trusted journalism to society and democracy, to convey the commercial power of news brands' audiences to advertisers, and to work towards a fair and balanced legislative framework that supports public service journalism and brings Ireland into line with other EU countries.

Local Ireland is the promotional brand of the Regional Newspapers and Printers Association of Ireland, formerly the Provincial Newspaper Association, founded in 1919, and the oldest newspaper association in Ireland. Local news publishers are vital to the communities they serve. No other media can consistently deliver high quality, professional content at such a hyperlocal level.

The journalism produced by the member news publishers of NewsBrands and Local Ireland is read by 4 out of 5 adults, 82% of the population, and plays a crucial role in our democracy. It is important for democratic debate and provides a diverse range of voices that reflect views across society on public affairs. However, our ability to stimulate debate and investigate freely is increasingly being challenged by the structural forces that constitute an existential threat to the industry, in particular the increasing power of digital platforms, the decline in print circulation and the decline in advertising revenues. Against this backdrop, it is important that public policy supports the production of professional, quality journalism, the viability of the sector, and its ongoing digital transformation.

We welcome the opportunity to make this pre-Budget submission to the Department of Finance in advance of several decisions by the Government that will have significant repercussions for our industry.

The imminent report of the Future of Media Commission and the recent Cabinet approval for the preparation of new legislation to reform Ireland's defamation laws represent opportunities for the Government to respond appropriately to the radically uncertain environment the news publishing industry currently faces. While we view these reforms as crucial, they are not sufficient in themselves to ensure the viability of the sector.

With the many challenges the industry faces - whether this is the global tech giants' dominance of the digital eco-system, changing consumption patterns, the transition from print to digital or draconian defamation laws - we believe that the most significant decision that the Government can make to support the industry would be to avail of the recent change in the EU VAT Directive to introduce a new zero rate for print and digital newspapers.

In this submission, we outline the existential threats the industry faces, the importance of its role in Ireland's democracy and why reducing the VAT rate will be so critical in enabling us to meet these challenges and preserve a free and independent press.

Newsbrands Ireland and Local Ireland Total Media Audience

**Total
Print**

**2.74
million**

69%

**Total
Digital**

**2.67
million**

67%

**Total Print
& Digital**

**3.25
million**

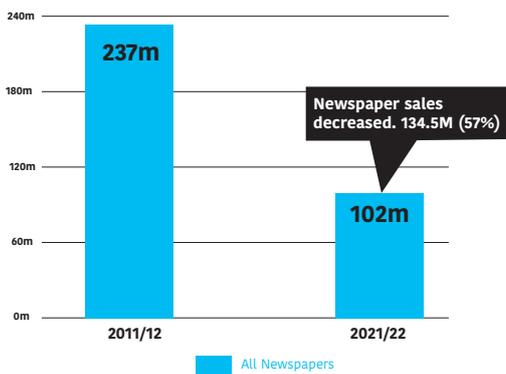
82%

The Current Position of the News Publishing Industry

It is ironic that at a time when Irish citizens are hungrier than ever for quality news and news publishers are reaching a wider audience than ever before, the news publishing business has never been more economically challenged.

Three inter-related 'megatrends' have disrupted news publishing: the rise of digital platforms and the decline in both print circulation and advertising revenues. Print circulation has declined for a decade. The estimated total Irish daily newspaper print circulation from January to June 2022 was 239,545 for weekdays (down from 566,823 in the same period in 2012), and 416,794 for Sundays (down from 865,018 a decade ago).

All Newspaper Sales in Ireland - 2021/22 v 2011/12



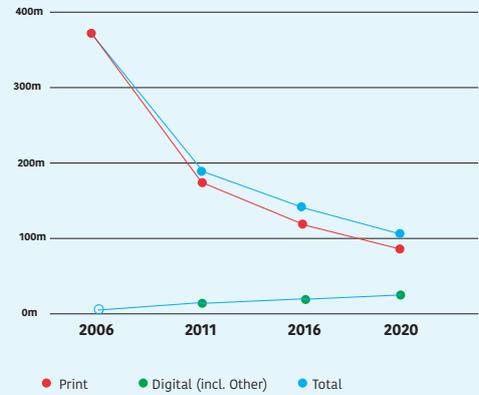
At the same time, the audience for news publishing has never been higher, with a total 'reach' of 82%, 4 out of 5 adults, across our print and digital platforms in May 2022¹. Unfortunately, this growing audience has been difficult to monetise and has therefore not led to greater economic viability. Since 2006, advertising revenue for the news publishing sector has been in significant decline. The total estimated advertising revenue for the news publishing industry in 2020 was €92.3 million, down from €178 million in 2011. This represents a decrease of 48% in the past decade.

Within this, print advertising decreased from €171m in 2011 to €79m in 2020². While digital advertising has increased from €11m to €26m over the same period, it falls far short of compensating for the €92 million declines in print advertising.

The total estimated circulation revenue in 2020 was €168 million, of which €15 million was digital subscriptions. For every €1 that news publishers

have lost in print revenues, they gained at most 10 cents in digital revenues. Instead, the vast majority of digital advertising revenues flow to Google and Meta.

Advertising Revenue €m 2006 - 2020



In addition to these megatrends, the aftermath of the pandemic has been more challenging for the news publishing industry than the pandemic itself. While public health restrictions were in place, circulation was robust and digital audiences soared which increased programmatic revenues, government advertising was positive and very welcome economic supports were in place.

Coming out of the pandemic, the cost of living crisis is putting pressure on circulation, while digital audiences are contracting as people are spending less time on screens. On top of this, reduced capacity and increased demand for paper and packaging products due to the huge upsurge in eCommerce, means that newsprint prices have reached historic highs³. This is in addition to significant price increases in the cost of other raw materials, in particular ink⁴. Covid placed a particular burden on local and regional news publishers. In 2020, during the first year of the pandemic, advertising revenue fell by on average 22%. In the absence of Covid-related Government advertising, the fall would have been 33%.

¹ REPUBLIC OF IRELAND TGI 2022R1-©KANTAR. Reach is defined as reading a print title or visiting a website or app once a week.

² BDO 2021 Survey for NewsBrands

³ [Newsprint prices reach historic highs in Europe - Fastmarkets](#)

⁴ [More Price Hikes Hitting the Print Industry](#)

Before the pandemic, 91% of the advertising revenue for local and regional newspapers came from local businesses so the closure of so many local businesses during lockdown had a very negative impact on the sector. The recovery since 2020 has been muted and it is unlikely that local advertising will recover to pre-pandemic levels. Overall, 16 local paid-for newspapers have closed since 2010, and employment in local news publishing is down 50% over the past twenty years.

Given the ongoing challenges faced by physical retailers across Ireland, it is also important to note the continuing contribution of newspaper sales to that sector. B&A research commissioned by NewsBrands in 2019 found that newspapers continue to play an important role in driving profit for retailers. Newspaper purchasers buy additional items in the shop when buying their newspapers, spending an average of €14 per trip. Overall, this generates an estimated €1.9 billion annually in direct and indirect sales to the retail sector.

Furthermore, it is estimated that margins on sales of newspapers contribute over €50m annually. As such, newspaper sales are a core revenue generator for the retail sector, which has a presence in every community.

Newsroom Investment

Notwithstanding the economic challenges it has faced in the past decade, the industry continues to make a strong contribution to employment in Ireland, directly employing 2,560 staff across news publishing, printing and distribution, which also makes a significant contribution to the Exchequer.

The annualised payroll costs for staff directly employed in the industry amounted to €141.9m in 2020 of which €104.7m (74%) relates to publishing activities. Editorial writing, production and support staff make up 55% of all publishing staff and 52% of staff costs. Writing staff make up 40% of the industry employment number and costs.

Editorial writing costs are broken down by category as follows:

- 64% - News & Business
- 19% - Lifestyle & Features
- 16% - Sports

In addition to the significant editorial investment the industry continues to make, it has also invested nearly €20.5 million in capital expenditure since 2016, of which the largest single area of investment was €9.1 million in digital platforms. This has led to significant innovations in the offering that news publishers provide, with an increasing choice of

multi-platform content including podcasts, video news and online events. In tandem with this, the role and responsibilities of journalists have expanded greatly with the transition to digital.

The industry is fully committed to the digital transition and believes that a free and independent press is more critical than ever before as large digital platforms control an ever-increasing share of citizens' attention and the information environment they are exposed to.

The Dominance of Online Platforms in Digital Advertising

A key challenge for news publishers is how to effectively monetise content while large online platforms utilise that content to obtain the attention of consumers and sell some of that attention, through other products and services, to their customers. In the process, these platforms absorb a disproportionate share of digital advertising revenue. Furthermore, even when platforms have agreed to deals to license content with news publishers, the commercial relationship continues to be fundamentally skewed in the favour of the platforms.⁵

This 'inequality of arms' between platforms and publishers persists, notwithstanding the recent transposition of the EU Copyright Directive in Ireland. While this legislation has provided publishers with the legal rights to license the use of their content online by platforms, it does not provide any mechanism to support publishers in their negotiation with platforms or compel the platforms to negotiate fairly. Other EU member states have introduced provision for good faith negotiations, mediation and arbitration as part of their transposition. A code of conduct that applies to news publishers and digital platform when negotiating licensing agreements would go some way to creating a level playing field. A Digital Markets Unit under the auspices of the Competition and Consumer Protection Commission would help underpin the rights of news publishers.

It is clear that the digital news ecosystem rewards the distribution of content by platforms vastly more than its creation by publishers. This was confirmed in a recent study by University of Cambridge economics professor, Matthew Elliot, for the UK News Media Association. ⁶ Professor Elliot found that UK news content is worth around £1bn to the two main platforms, Google and Meta.

⁵ [Facebook Rethinks News Deals, and Publishers Stand to Lose Millions in Payments - WSJ](#)

⁶ [New Academic Paper Finds News Content Drives £1bn In Annual UK Revenues For Tech Platforms](#)

To calculate the value of professionally gathered news, the research sought to estimate how much Google and Meta’s UK revenues would decline without this content. The report estimates that news is worth between £615-840m a year to Google and £235m to Meta.

Despite the clear value that they derive from news publishers’ content, these online platforms share little, if any, of these revenues with the publishers on whose news content they rely. If the public is to continue to be served with high-quality news, the benefits from the investment in journalism made by news publishers should mainly accrue to them, not the platforms. Unlike the digital platforms, local and national news publishers serve the communities that they form an integral part of.

Whilst similar research has not yet been done in Ireland, exactly the same structural factors are present in our digital news market. News publishers invest millions in generating properly sourced and fact-checked news content that is relevant to engaging users and, in turn, captures valuable data for online advertising. Users who engage with news content tend to do so frequently, providing regularly updated data on a user’s current interests and intent. Platforms sell that data to advertisers without having to properly reward news publishers.

According to the Core Media Outlook 22 Report, total advertising spend in Ireland in 2021 was just over €1.1 billion. At €602.9 million, digital advertising comprised 56% of the overall market. With €512.9 million of revenue between them, Google and Meta dominated the digital market, with a combined share of 85%.⁷ By comparison, NewsBrands members’ digital advertising revenues in 2021 were just €33.6m.

Core forecasts that the overall digital ad market will grow by 15.3% in 2022 to €695.1m. Google and Meta will continue to grow by 12.6% and 23% respectively to a combined total of €595.6m. In an earlier Outlook report, Core Media stated “the dominance of the duopoly has a significant impact on the budgets available to Irish online publishers”.

Earlier this year, the EU provisionally agreed to new rules to curb the market power of big technology platforms acting as “gatekeepers”. The Digital Markets Act (DMA) will ban large digital platforms designated as gatekeepers from engaging in certain practices, which are deemed unfair or which otherwise limit the contestability of core platform services. The DMA also regulates the relationships between gatekeepers, advertisers and publishers. For instance, the DMA requires that each publisher

supplied with online advertising services be granted information concerning each advertisement displayed on the publisher’s inventory regarding the remuneration received and the fees paid by that publisher; the price paid by the advertiser; and the metrics on which each of the prices and remunerations are calculated. The gatekeeper is required to provide advertisers and publishers with access to the performance measuring tools and the data necessary for advertisers and publishers to carry out their own independent verification of the advertisements inventory.

We believe that the swift implementation of the DMA will be critical to redressing the balance between news publishers and online platforms. However, it will not in itself be sufficient to enable publishers to remain viable in a digital news environment that remains hugely tilted in favour of the platforms that distribute their content.

The Importance of the Industry to our Democracy

News publishers are pillars of democracy, providing crucial information, insights and perspective to citizens on the events shaping our society. The fact that news publishing face an uncertain future due to the factors described above should be of great concern to policymakers. News publishers can best fulfil their functions in a democracy if there is a rich and pluralistic information environment that is easily available to all citizens.

If, because of economic pressure and the structure of the online market, news publishers cannot maintain reporting capacity at current levels, this will inevitably lead to a less-informed public discourse on social, political and economic matters. In the US, where industry-wide employment fell over 40% between 2007 and 2015, a number of prominent academic studies have shown that reductions in reporting capacity have led to very significant declines in political coverage⁸. No more than anywhere else facing the same structural factors, Ireland is not immune from these trends and their troubling implications for democracy.

Contribution to Education

In a complex news landscape, media literacy is crucial. It means more than identifying ‘fake news’; it is about understanding journalistic processes and their value, how news is presented online and how it is regulated. Irish news publishers recognise the vital importance of news and media literacy to democracy and we run a free news

⁷ [OUTLOOK 22 - Media Forecasts – Core | Marketing Communications Company](#)

⁸ [Peterson, Erik \(2020\). “Paper Cuts: How Reporting Resources Affect Political News Coverage”. American Journal of Political Science](#)

literacy and student journalism programme for secondary schools. [Press Pass](#), which has been completed by over 100,000 transition year students to date, is designed to empower students to recognise responsibly produced news and learn how to produce their own journalism. News publishers also regularly produce special print or online supplements during key periods that serve to inform and educate the population on issues ranging from the annual Budget, Local and General Elections, climate change, CAO options, and historic commemorations such as 1916 or the War of Independence.

Changes to the EU VAT Directive Support the News Publishing Industry

In recognition of the need to modernise rules that were designed over two decades ago, and that no longer reflect the economy of today, in 2018 the European Commission proposed fundamental changes to the existing VAT Directive. These reforms are intended to help the Member States to achieve broader EU policy priorities, including digitalisation.

We welcome the political agreement reached by the Minister for Finance and his Ecofin colleagues on 7 December 2021 to update EU rules on rates of VAT⁹. Following the agreement at Ecofin, EU leaders formally adopted the proposed changes to the VAT Directive (2006/112/EC) at the European Council on April 5th. The Member States must implement these changes into local legislation by 1 January 2025 but can make changes with effect from 6 April 2022.

A key aspect of the reformed Directive is the modernisation of the list of goods and services for which reduced VAT rates are allowed taking into account the digital transformation of the economy. The update of the list was driven by a number of principles, such as the benefit of the final consumer and the general public interest. However, to prevent a proliferation of reduced rates, the Council decided to limit the number of items to which reduced rates could be applied.

Under the new rules, the use of the 0% rate and the super-reduced rate (lower than 5%) is restricted to seven categories, including that of “Certain cultural items” which comprises books, newspapers, and periodicals. As such, the reformed VAT Directive provides the Minister for Finance with the legal basis to introduce a 0% VAT rate for print and digital newspapers in Ireland.

The Urgency of Introducing a 0% VAT Rate for Newspapers in Ireland

Under the reformed EU VAT Directive, the super-reduced rate and the 0% rate can be applied to those categories of goods and services listed in Annex III. Category 6 in Annex III includes newspapers. Under the Irish VAT Act, books currently have a 0% VAT rate within the category of “certain printed matter”, whereas newspapers are charged the reduced 9% rate.

In amending the Irish VAT Act to comply with the Directive, the Minister for Finance will need to align the existing category of “certain printed matter” with the category of “certain cultural items”, under the Directive. In so doing, we believe that the Minister should move to include newspapers in this new category to ensure that the Directive is properly transposed into Irish law.

VAT on newspapers is a tax on information, learning and democracy. Introducing a 0% VAT rate for newspapers would allow us to secure our future by investing in the business of journalism, giving greater value to readers and preserving jobs. While the reformed VAT Directive does not have to be transposed into domestic legislation until 1 January 2025, we believe that it is imperative that the Minister introduces a 0% rate in Budget 2023. The introduction of a 0% VAT rate for newspapers in the forthcoming Budget would be transformational for our sector:

- Reducing the VAT rate to zero will immediately enhance the viability of the Irish news publishing industry and place it in a far stronger position to tackle the scale of the challenges it faces that have been outlined in this submission.
- A zero VAT rate will provide the sector with the financial leverage to continue its investment in the transition to digital.
- It would signal the government’s support for the role of quality journalism in a democracy and an awareness of the democratic deficit that could result from its absence.
- It will facilitate the investment required to ensure citizens have access to fact-checked, trusted journalism.

We estimate that a 0% VAT rate would have a full-year cost of €18 million to the Exchequer. In the absence of a 0% VAT rate, Ireland would increasingly become an outlier in Europe in its support for the news publishing industry. We are enormously grateful for the support of the Minister for Finance

⁹ [Council reaches agreement on updated rules for VAT rates - Consilium](#)

in previously reducing the VAT rate to 9% for digital publications. This reduction led directly to news publishers increasing their investment in improving products for the consumer and in making their digital offering more attractive. Notwithstanding this, Ireland's VAT rate for newspapers remains among the highest in Europe.

Furthermore, a number of comparable countries already have a zero rate. Finally, it is also important to note that Ireland is one of a minority of countries that do not provide some form of direct financial support to the news publishing industry.

Given the huge structural challenges, the sector faces, the importance of its role in our democracy, and the absence of any direct economic support, we believe that the introduction of a 0% VAT rate is absolutely crucial to the future viability of the news publishing industry in Ireland.



Ann Marie Lenihan
 CEO
 NewsBrands Ireland
 E: amlenihan@newsbrands.ie
 M: 086 816 2764



Bob Hughes
 Director
 Local Ireland
 E: bobhughes@localireland.info
 M: 086 835 1605

Current VAT rates and financial supports for newspapers in European countries

COUNTY	%VAT on Newspapers	Financial Support
Austria	5	Yes
Belgium	0	Yes
Croatia	5	Yes
Cyprus	5	No
Czech	10	No
Denmark	0	Yes
Estonia	9	No
Finland	10	No
France	2.1	Yes
Germany	7	No
Greece	6	No
Hungary	5	No
Ireland	9	No
Italy	4	Yes
Latvia	5	Yes
Lithuania	5	Yes
Luxembourg	3	Yes
Malta	5	No
Netherlands	9	Yes
Norway	0	Yes
Poland	5	No
Portugal	6	Yes
Romania	5	No
Slovakia	10	No
Slovenia	5	Yes
Spain	4	No
Switzerland	2.5	No
UK	0	No