



**CO-OPERATIVES UK**

FRESH IDEAS 2

## Good News

A co-operative solution to the media crisis

*Dave Boyle*

“The news media are hungry to produce their output in more financially resilient ways, whilst the public are hungry for a news media they can trust. Co-operatives can do both.”



## Summary

This pamphlet argues that the crisis in the media is a moment of opportunity to bring co-operative structures and business models to the sector, and in so doing, better shore up the social and democratic role of the media through a business model based on using commercial success to provide social benefit.

“Co-operatives are trusted businesses, with a reputation for fairness”

All discussions of the future of the news media (of which there are very many) concede that the status quo cannot and will not survive. The key issue is what new way of producing and consuming news will come to dominate (if one does come to dominate, which is by no means certain).

Co-operatives are well placed because they can deliver the key requirements for media organisations.

- Co-operatives are **trusted** businesses, with a reputation for fairness, unlike newspapers.
- Co-operatives are **resilient**, with a better trading performance by co-operative and mutual businesses than their non-co-operative competitors, from John Lewis Partnership to the Co-operative Bank.
- Co-operatives are **accountable** to their members. Journalist-owned co-ops can ensure decent employment with news ethics less subject to being bent by unscrupulous owners or management, whilst reader-owned enterprises can exercise real control over the direction their news media takes above and beyond the binary choice to consume or not consume.

- Co-operatives enable all those with an involvement in an enterprise – readers, writers, distributors, advertisers – to better **share in the profits**. This is better suited to the collaborative news production which is breaking down the divide between readers and writers.
- Co-operatives give customers **more ways to be engaged** than normal companies. If the finance of news production will be getting readers to become supporters, then co-operatives can offer the stronger relationship in return for a real stake in the enterprise.
- Co-operatives are set up to **enable people to come together** to meet their mutual needs, yet we have been content to have news media's social and democratic role to be provided as a by-product of people working to make a return to shareholders.
- Co-operatives are **more-than-profit** businesses, which have been providing social benefits through being good businesses for over 150 years.
- Co-operatively owned media outlets are more collaborative than many of their competitors, leveraging the combined collective knowledge of their staff to navigate the tough climate for today's media, rather than rely on the strategic decisions made by people who became leaders by their skill in a vanishing world.
- Co-operatively owned media encourages all those with an interest in a publication to take responsibility for its production; finances are not a matter for the accountants but the information that all involved in an enterprise have to be aware of and share responsibility for managing.

The importance of the media to the kind of society we live in and the way in which our politics and government work has meant that the neoliberal era's preference for withdrawing the state from its role has never applied to news, and so the state has historically regulated the private sector media.

The private sector's crisis means it is now looking for support for its business model, which is essentially to say that if they are profitable, they will be able to make the news. The co-operative model flips this by saying that if we can make the news, we can be profitable.

If support and aid is to be given to institutions to help create the news, then it is reasonable and in the public interest that co-operatives are prioritised ahead of large companies whose troubles are more of their own making than because of epochal shifts in technology.

Co-operatives must be created by the people who will co-operate in and through them, and if that desire and demand is not there, then no stroke of a Ministerial pen or intention of policy makers can compensate. But co-operators can be given help such as:

- Favourable regulatory and taxation treatment given to existing owners who seek to gift their publications and outlets to co-operatives.
- People investing capital in co-operative news can be given tax benefits, as can the enterprises they invest in, recognising that it is in the public interest.
- Local authorities can either make their existing in-house publications co-operatives with contract funding or give their funding to locally-owned co-operative publications.
- The BBC could be converted at little cost to make a strong statement about the benefits of accountable, more-than-profit co-operative structures.
- Creating a specialist body to advise communities to quickly and effectively create news co-ops and help convert existing outlets into co-operatives.

# Introduction

## The Opportunity for Co-operatives

The news media are facing a crisis of finance and legitimacy, perhaps the greatest they have faced since the beginning of the media age. The internet<sup>1</sup> is disrupting every part of the previously settled landscape. Time-shifting and personal recording erodes revenues as viewers skip the adverts and as torrents and streams make subscription models vulnerable. Gumtree and eBay are undermining local newspaper advertising revenue, whilst always-live websites undermine the notion that the latest news is what a company decided to print the night before.

The news media have acted as agents of their own misfortune by undermining the bond of trust with readers, which had been the basis of their entire proposition.

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At national level, it's tempting to see the financial and ethical problems as related, where the financial pressures facing newspapers led to ever-more dubious behaviour in the search for a scoop to trump rival titles.

As shocking as the revelations about the invasive practices of the reporters have been during 'hackgate', it can't be said to be too much of a surprise; the puppeteers of *Spitting Image* were depicting tabloid reporters as grotesque amoral pigs back in the 1980s.

At a local level, trust has been undermined by the profit-driven cost-cutting that has taken institutions based on the notion of local presence and a feel for the community and turned them into distantly located, understaffed publications churning out press releases.

The behaviour of the press has been a subject of constant concern for many, many years with three Royal Commissions between 1945 and 1980 and countless inquiries, reviews and investigations since. A major source of concern has been the increasing concentration of ownership in fewer and fewer hands, but there's been a curious blindness to the way that the nature of ownership itself affects news values and practices. Reform proposals have often taken the form of playing the man, not the ball, as if the problem with the media is the character of those who own it, rather than the system which allows it to be owned or controlled by individuals.

The notion of a media owned and produced differently is not a novel one, though the experience has to date been mixed. Just two years after the Rochdale Pioneers opened their store on Toad Lane, the Associated Press was formed in New York. It remains a co-operative, owned by over 1,500 US daily newspapers.

In the UK, the burgeoning co-operative movement resolved to create their own publication, founding the Co-operative Press in 1871; *Co-operative News* continues to this day. In 1927, it acquired the Sunday paper, *Reynolds News*, which it ran as a more mass-market title until it finally closed in 1967 (by then as the *Sunday Citizen*).

In the 1980s, *The News on Sunday* began its brief life as a co-operative; more long-lasting were Mexico's *Excelsior*, run as a worker co-operative national newspaper from 1917 until 2004 when it sold out to private investors, similar to the fate of *Le Monde* which was run as a employee-owned business from its foundation in 1944 until 2010 when debts prompted a sale.

The *Bristol Evening Post* started in 1932 after a public share issue amongst local people keen to see a challenge to the dominant *Evening World* of the Rothermere stable. The shares owned locally began to dilute and in 1998 it became part of the Northcliffe Group.

More optimistically, the *West Highland Free Press* has been worker-owned since 2009, whilst the *Wisconsin Inter-County Leader* has been rolling off the presses since its foundation in 1933. *Ethical Consumer* has been run as a co-operative since its founding in 1987; *New Internationalist* has been owned as a worker co-operative for the last 20 years, whilst *Tribune* is in the process of becoming a co-operative, and would join the *Morning Star*, run as a co-op since 1948.

“At their heart, co-operatives are member-owned businesses, where the people making the decisions are accountable to the owners of the enterprise.”

Despite the fact that some of these publications are no longer with us, it is vital to note that none of them failed because of co-operative structures per se, more mistakes that can affect any business, sometimes generated internally, sometimes because of a changing world<sup>2</sup>.

But what makes the current climate more opportune is the fact that the crisis facing the established media is creating a space which hasn't existed before now. As importantly, such is the scale of the crisis pervading the sector that most acknowledge the way we will produce and consume what we currently call news will change. That co-operatively-owned news media were unable to find a solid footing on a mass scale in the old media world has very little relevance to its possibilities in a new one.

Indeed, whilst media commentators are engaged in a debate about what that future might look like, there is a common strand that it will involve new ways of production that blend the divide between reader and writer, and require new ways to encourage more committed supporters to shoulder a greater burden of the costs. These areas are core competitive advantages for co-operatives, as they are based on equality and power being shared between stakeholders, as against an old media world built on strong hierarchies.

In short, the news media are hungry to produce their output in more financially resilient ways, whilst the public are hungry for a news media they can trust. Co-operatives can do both.



# Co-operatives and News Values

## Accountability

At their heart, co-operatives are member-owned businesses, where the people making the decisions are accountable to the owners of the enterprise, who can only hold one share. In a worker co-operative, that means the employees determine what happens, and share the profits their labour has generated. In a consumer co-operative, customers get a share of the profits their trade has generated, and in both, the shareholders elect the board and hold them accountable.

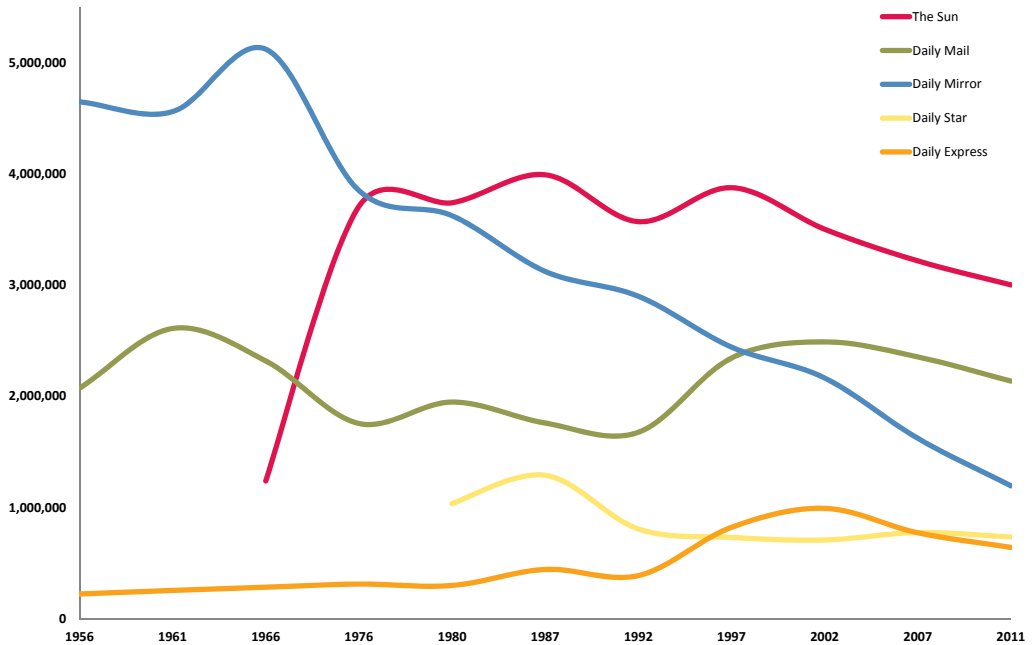
This impacts on the perennial debate over regulation of the news media, where the key dividing line is one's stance on either self-regulation (in the form of managing their own affairs through a trade body like the Press Complaints Commission) or some form of legislative regulation imposed by Parliament.

This seems to be something of a misclassification since regardless of whether it is the industry or the state, both seem to take it as read that the enterprises cannot be trusted to regulate themselves to an adequate level internally.

This is no surprise in many respects, since that failure would be an entirely logical development of the private-investor owned model. For all its self-described market-savvy and acute understanding of its readers, it turns out to be stuck with a radio that can only really tune into one frequency, namely the bottom line.

During the Leveson Inquiry, the media's defence of its ethics and values has been repeated, namely that if readers didn't want this, they wouldn't buy it; the public gets what the public wants. Regulation is both unnecessary and undemocratic to this view, because the court of public opinion provides a not-guilty verdict every day the paper sells enough to print the next day. It's a curious defence, which seems to gloss over the fact that the 40-year decline in readership would lead one to a different conclusion than the one they would urge would-be regulators to draw.

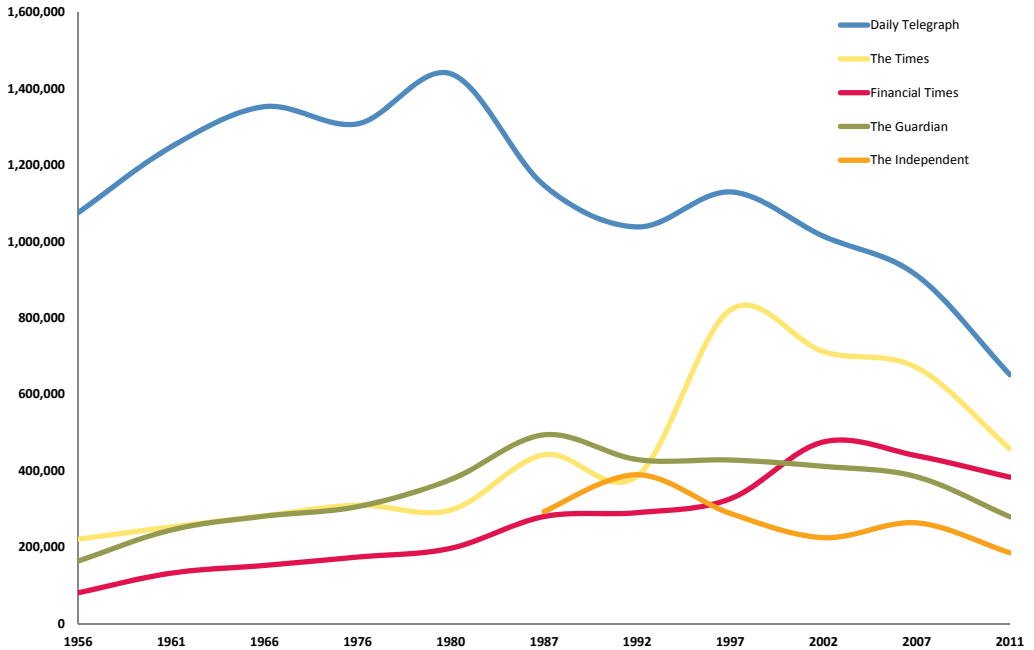
### National newspaper circulation 1956-2011



Even if we accept that disenchantment has played no role in this decline, the fact that newspapers have been constantly adding to their proposition would make it near-impossible to draw any defence of its ethics from sales figures. To infer such amidst the desire to get a free DVD or to read more sports coverage or a chance to win thousands in a lottery suggests either an amazing sensitivity to the public mood, or a self-serving and unprovable dictum. The more Leveson uncovers, the more the latter looks likelier.

All we can say for sure is that there is a group of consumers who have not been revolted into ceasing to consume, which is not the same thing as happiness or consent, anymore than the fact that most people haven't emigrated can be seen as approval of the policies of the government of the day.

### National newspaper circulation 1956-2011



Journalists are similarly alienated from the decision-making process. Nick Davies's *Flat Earth News* detailed the increased pressures on journalists to produce copy with less and less regard for quality in the context of redundancies. Richard Peppiatt's testimony to Leveson<sup>3</sup> detailed how little regard there was for the truth in producing that increased output. Both attest to a reality for journalists at odds with the ideal and ethical newsroom of their training.

The NUJ and the PCC both have thoroughgoing codes of conduct which expressly proscribe most of the practices that were the cause of such angst, but they have had little status within newsrooms, not least the News of the World where the NUJ wasn't a recognised union.

Despite being much closer to the production of news than readers, in practice, most journalists have had the same blunt instrument as customers by which to signal discontent: to walk away. Journalists have bills to pay and lives to lead, and ultimately, principled exit isn't an option open to all but the wealthiest or the severely antagonised.

Lacking an adequate external framework for regulation and having no means to be affected by consumer pressure, newspapers instead default to being controlled the way all companies are, which is by the interplay of their organisational culture and the wishes of their shareholders. In national newspapers, the two are intimately linked, with a long history of over-bearing proprietors setting the culture which variously served their wishes to be made wealthier and more powerful through their ownership of the newspaper.

## Trust

*"Good journalism makes a difference to the kind of society we live in, and to distrust it is eventually to destroy it."*<sup>4</sup>

It's long been noted that a news media independent of the powers it seeks to hold to account is critical to a functioning civil society, but independence is only a contributory condition for the most important element: trust.

Trust is ultimately a sense that people are genuine in what they do and they will honour their promises. At national level, egregious behaviour has done much to undermine this, building on a general climate of mistrust of all professionals and elites. At local level, the sense that the newspaper was produced by people who understood what was going on because they were locally based and had their ear to the ground has been undermined by economic factors that are discussed below.

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Given the consequences of no trust, the very real fear that it might prove to be an impossible task to restore it is no reason not to try. What is clear is that the solution to rebuilding trust cannot be provided by the status quo which has caused the problem and responded to it by indulging in even worse practices than the public were at the time aware of.

Some defenders of the press point out that the hacking scandal was uncovered by the press, missing the wider point which was that the only paper to judge it newsworthy enough to devote significant resources was the only national newspaper owned in a completely different way.

External regulation of some form is critical to act as a guarantor of the last resort, but prevention is better than cure. Fear of detection and imprisonment is a critical part of a civilised society's defence against crime, but much more important is that the vast majority of people share a set of values which ensure that they don't even contemplate criminal behaviour in the first place, never mind decide on balance that the risk of getting caught is too much.

So it is with news. Fear of censure by an outside body and its consequences has a role to play, but much better is to have effective self-regulation within institutions in the first place which works with journalists' own professional and personal ethics. The first port of call must be the culture within the institution which makes it clear that wrong-doing and unethical practice will not be tolerated.

It's that sense of internal control that has been lost in pursuit of the competitive advantage that first-movers into uncharted unethical territory reap, where sales rise thanks to unethically sourced stories. It's arguable that it was naïve to think it could be anything but; what part of institutions designed to make their owners and senior employees rich and powerful did we think would forever constrain them from pursuing unethical means of achieving those goals?

In co-operatively owned media, members (be they readers, writers or both) would have to hold the journalists accountable for their work. Employee-owned newspapers would respond to the collective desire of the journalists to be well-regarded, trusted and secure in their work, and would be well placed to end the bullying culture that senior officers have used to keep many concerned journalists in check for fear of dismissal<sup>5</sup>.

Accountable co-operative newspapers would be better placed to rebuild trust because they will be more responsive to public moods and disquiet, and more able to be changed as they will not be able to become vehicles for the egos of proprietors or editors. The Co-operative Bank was the first bank to have an ethical investment policy not because of market pressure but because of its values, and the same was true of the adoption of Fair Trade lines in 1992 by co-operative retail shops.

Being a more-than-profit business gives them a real set of ethics that a just-for-profit business will always struggle to make as important as the bottom line.

## Co-operatives and News Finances

It could be easily pointed out at this stage that the press have done a poor job at remembering the importance of the bottom line too, with readership falling over a 40 year period, and with regular bouts of redundancy and closures, the latter mostly in the local and regional press.

Thirty-one local or regional newspapers closed in 2011<sup>6</sup>, continuing a rate of attrition that has been in evidence for several years. Claire Enders of Enders Analysis said that around half the UK's local and regional press could close in the next five years, with the main threat the decline in advertising revenue from the recession, mixed in with the withdrawal of government advertising from the local press in 2004.<sup>7</sup>

The NUJ's Chris Morley argues that this has hit local and regional media hard, because their owners "*consistently starved their local newspapers of investment because circulation income was only a small part of their earnings. So long as the advertisers kept on coming back, the money still came rolling in they thought.*"<sup>8</sup>

### Closure ≠ failure

*"Those of us who've worked in local news can see it's dying by inches. Papers are losing the trust of their readership base and many of their traditional sources of revenue. Reporters are becoming increasingly isolated from the communities they write about, paid terrible wages, and reduced to writing up press releases on industrial estates far from the centres of the towns they cover."*<sup>9</sup>

If you add in demographic and lifestyle changes that have created greater migration and dislocation, then it would be tempting to see local newspapers as an anachronism that have passed the point of no return. But this is to read the closure of a newspaper as a judgment as to its viability.

As the News of the World demonstrates, all we can say about the closure of a title is that its owners have decided that it is no longer serving their interest to remain publishing, which may or may not be the same thing as it being unviable.

To infer that closing a paper means it has no future requires two assumptions to be true. We need it to be that the owners are so committed to the community that they would do everything in their power to make closure their last resort, and we need to be sure that the way it was run up to closure represented the very best way it could be run to make it sustainable. Neither of these can be said with any confidence; all we can say is that when owners close a newspaper, it's unviable for them.

Why would owners close a title under such circumstances? If you own a newspaper which owns an office in the centre of a town, then the property value of the building could well be the equivalent of several years' profits generated by the newspaper. A smaller group with a sense of historical mission might be more likely to take the longer view but with 75% of the local newspaper industry in the hands of the big four groups<sup>10</sup> (Johnstone Press, Associated Newspaper, Gannett and Trinity Mirror), the longer view is determined not by the local presence but by head office where managers will be rewarded this year for the return they generate this year, not on the news presence they preserve for the future in far flung communities. As Chris Morley put it:

*"Local newspapers are not dead but they are being killed by remote and irresponsible owners who care nothing for them but as a source of ready cash...newspaper titles changed hands from the old family owners who saw their titles as giving them a virtuous and prestigious place in the community to a small band of corporate giants totally divorced from the consumers they are trying to reach."*



Given the aggregation of the regional and local press in fewer and fewer hands, the impact of the fortunes of a smaller number of companies has ever greater consequences, so it's easy to see how a swathe of closures could be interpreted as meaning something that they do not. But for the case to be made, we'd need to see something different happening in those parts of the press not owned by these large groups. The Economist – not noted for its antagonism to the concept of maximising shareholder value – recently said of the Lymington Times in Hampshire:

*“These papers, and others like them, are successful because they retain the best characteristics of their past. They have low overheads and levels of debt. They cover the local news and politics which matter to people. They have a belief in themselves that, some say, results in high staff satisfaction and low employee turnover.”<sup>11</sup>*

US commentator Newt Barrett concurs, saying that local and regional newspapers “provide too much of what readers can get anywhere and too little of what readers really want...I believe that the potential salvation for local newspapers is to become resoundingly local.”<sup>12</sup>

That's the legwork of being a presence in the community, being aware of what's going on. Newspapers had an inbuilt advantage over the internet here, but have lost this through progressively greater and greater financial alchemy.

My own hometown newspaper, the *Heywood Advertiser*, is a case in point. In 1985, they stuck a badge for the Audit Bureau of Circulation on the masthead, and being an avid reader, I recalled that it was above 6,000. I checked again in 2009, and found that it was still at the same level, no mean feat since the population had declined by 6% in the same period. And yet now, according to the ABC, it's down to just under 5,000, having lost 20% in two years<sup>13</sup>.

In that time, they closed the office on the main shopping street in the town and production was centralised in another town with similar local titles which were part of the Guardian's Media Group. Copy started to shrink, actual stories declined, and the quality suffered. The 'hatches, matches and dispatches' that are their stock in trade became prone to errors, whilst local figures with the time, inclination and confidence to be in regular contact with the newspaper find their efforts rewarded, and start to dominate coverage; reporters are in no position to turn down locally generated copy, and readers start to become rather bored. Local sport declines, replaced by agency copy about teams that can be read about elsewhere much closer to matchday.

Heywood, like many small towns, might seem just like other communities just 2 or 3 miles away, and will certainly do so to journalists covering many beats or executives pondering whether to close the office.

### **Public Character, Private Ownership - Pubs, Clubs and Newspapers**

There's a direct analogy with pub and newspapers, in the way the financial commitments of the groups of pub ownership chains trump all other considerations. Pubs are suffering from wider social changes, especially the ability of supermarkets to sell at a much-reduced price and larger chains that can offer higher volumes and lower prices. But the ability of some pubs to respond adequately is constrained by the finance costs of acquiring the pubs, costs which are passed onto landlords.

Those costs make running a pub at a profit to the landlord very difficult, and so successive tenants exit from the pub. The instability and periods of closure slowly deplete the customer base, and it becomes harder and harder to make a decent living as a pub landlord. Eventually, the PubCo determines that the revenues now make it unlikely that the landlord can cover their costs, and so the value of the pub is realised through a sale or conversion into flats. As with newspapers, the viability of a pub and its profitability to its owners are two different things.

Pubs, like newspapers (and football clubs) are private concerns with a public character, and the importance of a pub as a community hub has been noted. And, as with football clubs, co-operative ownership is a new development being used by communities to re-open or save their pubs.

But to people who live there, if their local newspaper can't seem to care that they are a distinct community, why should there be any surprise that they take advantage of a recession to provide the excuse to break sometimes decades-long habits and simply stop reading.

Co-operative local media wouldn't be able to get too distant, because they'd die long before. Their reader-owners wouldn't be interested in them becoming part of a larger group (beyond sharing costs which didn't impact on content), nor would they swap an office in the community with one 10 miles away. They would value the local and the specific, because if they didn't, they simply couldn't exist.

That's not to say that local news would be set fair in co-operative hands, but that it would be in a position to respond to the internet's challenge from a position of greater strength.

### **The West Highland Free Press**

Formed in 1972, the paper serves a geographical area of over 250,000 square miles, with some of the most isolated communities in the UK. The original founder members formed the board of the paper, along with some of the staff, but given their geographical distance from the paper's catchment area, and the financial success of the publication, the paper was de facto employee run, but not owned. Those founders looked to sell in around 2008, and were keen to realize a full market price, but were also keen to see the values that had underpinned it since its formation continue, and were supportive of the employees taking the business on.

That support meant that the employees had the time and space to construct a viable financing deal that was conducive to continuing their tradition of quality journalism. Employees provided around 15% of the capital, with the remainder financed predominantly by the Baxi Partnership, which supports employee ownership, with other finance from Co-operative and Community Finance (it is unlikely high street lenders would have provided so much relative to the capital paid in by employees).

The repayment schedule is on track, and will see the debts cleared in 2016 after the planned 7 years are up. After that point, the employees will have the choice as to whether to use the money that was servicing that debt to pay themselves a dividend, invest in the publication or commit it to reserves.

At present they make a small profit of around 2% of turnover; more than enough for them, but the sort of figure which would have a larger group pondering its viability. Their role is not to provide a great profit – though they wouldn't be averse – but to create a working environment built on security, good treatment, respect and control over working conditions.

Circulation has held up despite the downturn, which the paper's Finance Director Paul Wood attributes to being an employee-owned publication, enabling them to provide a decent place to work to enable a quality product to connect with the community, harnessing that goodwill (there is simply no way the paper's distribution costs would be feasible without drawing on the goodwill and piggybacking of school runs, post office pick-ups, other deliveries etc – in that sense, it's always been a co-production with the community).

Wood views some of the challenges they have faced as a paper as a blessing; shorn of a major population centre with the corresponding local government and private sector recruitment market, they never had to suffer the decline of that source which is hitting so many others. He is also convinced that had the employees not bought the paper, it would now have been amalgamated in some fashion with other titles, and not be able to deliver the same quality week-in, week out. He shares the view with reporter Keith MacKenzie that with editorial and production staff both in ownership, they have an understanding of the pressures facing the business, instead of taking the silo approach which meant many editorial staff were simply unaware of the issues facing their publications. And the pay off? In three years since they became their own bosses, they've never missed a print deadline.

## Co-operatives and the Internet

There are several books that could be written about the major challenge the internet presents to news media, and some still might be relevant a year from now.

You can write about the way in which what we mean by media is changing, how what we mean by news is changing and a host of other issues. The key ones for this discussion are that the internet is killing advertising as a source of revenue for newspapers, and making it easier for readers to read what they want, when they want, for free.

In general, newspapers also responded by having really quite terrible websites, which screamed out that a group of people who didn't really understand what they wanted from a website paid a lot of money to people who didn't understand what they were trying to create. This links with the 'entrenched player dilemma', a phenomenon in which a company dominant in the current mode of production are unable to repurpose the company in the light of new disruptive modes. Part of that is – as MIT's Rebecca Henderson notes<sup>14</sup>, from the nature of the ask, suggesting the question being asked in the 1990s would be:

*"I see. You're suggesting that we invest millions of dollars in a market that may or may not exist but that is certainly smaller than our existing market, to develop a product that customers may or may not want, using a business model that will almost certainly give us lower margins than our existing product lines. You're warning us that we'll run into serious organisational problems as we make this investment, and our current business is screaming for resources. Tell me again just why we should make this investment?"*

Another factor in the problem is demographics; people who were in positions of authority when the internet began to become a fact to be responded to were overwhelmingly people who had spent careers being effective at the skills required by the print business, and like generals fighting the last war, simply couldn't understand what the internet was all about. As we'll see with Ethical Consumer later, co-operative structures can be much flatter, enabling digital natives to be involved in decision-making without having had to work their way up the career ladder.

There's a saying on the prevalence of free services on the internet that if you're not paying for it, you're the product. It's a take on the same problem in the newspaper era – if you're not paying full price on the cover, then you're the product too, being sold to advertisers. But those advertisers are increasingly moving online (something exacerbated by the recession), where they can target their ads to people who want to see them, do it more cheaply, and in the process, learn more about their customers. They could just do it themselves through their website and other channels like email or Facebook.

At the same time, readers are unbundling the idea of a newspaper as the many different functions it provided are stripped out into their separate parts.

The local advertising of items for sale has migrated to much more effective services such as Gumtree and eBay whilst jobs have migrated to various online services, all of which are based on the idea that whilst the person who can do the job you want doing or offer you the job you want (or buy the item you're selling or have the item you want) might be based in your immediate community, why advertise exclusively to them when you can cast your net much wider?

Newspapers have only two choices to get around this problem – increase incomes or cut costs. Both are being tried, but co-operatives offer a solution to both which investor-owned businesses can't access.

On the revenue side, if the subsidy for cover-price is disappearing then either readership must be increased or average revenue per reader increased. Growing readers is easy on the web, but the problem of getting them to pay is the problem which every newspaper group in the world is grappling with. As advertising costs are much lower<sup>15</sup>, growing the size of the readership is great for building reach and influence, but when so many people are not paying for it, it doesn't tackle the problem; regardless of whether it is read in paper or on an iPad, the person writing it needs to be paid. In this world, Clay Shirky notes that news media must ask themselves two questions:

*"What do our most committed users want? And what will turn our most frequent readers into committed users? Here are some things that won't: More ads. More gossip. More syndicated copy. This is new territory for mainstream papers, who have always had head count rather than engagement as their principal business metric."*<sup>16</sup>

Co-operatives, however, have always had engagement as a principle; their existence depends on it. That's not to say that non-co-operative enterprises can't generate engagement, but that co-operation is the best suited because it makes control over the direction of the enterprise something accessible to all, rather than a privilege reserved for those who have the most cash. Co-operation represents a way to provide that engagement at little extra cost, because the change in governance transforms the offer. Readers are not being invited to consume or not consume, but consume, write, engage, shape, control, own and share.

Shirky goes onto say:

*"When a paper abandons the standard paywall strategy, it gives up on selling news as a simple transaction. Instead, it must also appeal to its readers' non-financial and non-transactional motivations: loyalty, gratitude, dedication to the mission, a sense of identification with the paper, an urge to preserve it as an institution rather than a business."*

All national newspapers exist to put across a certain point of view (even if that is the Independent, putting across a point of view which is more independent than the others). That means they have a community of interest who buy them not solely for their 'objective' content but because it is part and parcel of their identity, about how they relate to the world.

### The Guardian

*The Guardian* has a very strong worldview, and readers who strongly identify with the paper and its values. It is run on not-for-profit lines, with no shareholders or proprietor in the traditional sense. It faces a cash challenge in the next few years as its reserves run out after serious investment in both new print technology and the web. Its gambit is that having become the world's leading left-liberal media institution with 100 times the global readership online as it has in print in the UK, it will have found a way to earn revenue from the global readers before the cash runs out. Part of that means exploring advertising to their specific markets, with US ads for US readers and so on, but all solutions in that vein still run up against the online ad problem described above.

Maybe *The Guardian* could find a path through this; maybe paywalls will have become commonplace in time. But it could enhance its chances by offering its readers something like real influence. The paper is already embarking on what its editor calls 'mutualisation', whereby the paper is produced with the old dividing line between readers and journalists replaced by a continuum. But why stop with coining a phrase?

Taking that to the next step would be to mutualise, giving readers a chance to own a share in the paper and be far more involved in being responsible for its funding, its direction and its content. As there are no shareholders to buy out, any capital raised would go to the paper directly.

The fascinating opportunity here for *The Guardian* (and the co-operative movement) is to really explore how membership and ownership rights translate into a large business with thousands and thousands of geographically dispersed members. Most co-operative societies have governance arrangements that aren't much different from their inception over 100 years ago, based around physical presence at an AGM. Were *The Guardian* to mutualise, it would do so as a pathfinder, utilising the accumulated knowledge and experience of the co-operative movement but very much forging a new direction.



It's easier to see how co-operative structures are best placed to undertake this appeal. If your proposition is that this institution should exist, and you should help us make it exist, then a pay-off which says that all those who sign up get an equal say in what happen is better suited – and more attractive – than the for-profit alternatives. Or to put it another way, you could sustain a business model based on users getting a warm glow in their heart from spending time and money, but if you're owned by a multi-millionaire, it's harder to see why readers would become actively engaged to spend their time and money to save his. It's no surprise that magazines with a solid set of values under them, like *The Morning Star*, *New Internationalist*, *Ethical Consumer* and, more recently, *Tribune* are all co-operatives or in the process of converting.

Shirky notes that:

*"Local reporting is almost the only form of content for which the local paper is the sole source, so it's also possible to imagine a virtuous circle for at least some small papers, where a civically-minded core of citizens step in to fund the paper in return for an increase in local coverage, both of politics and community matters."*<sup>17</sup>

Local newspapers would have a much easier task of it, because the point of the publication is so much easier to comprehend and sell – it's for people who live here. The internet is challenging businesses and professions which have been replaced by something more accessible and widespread and better, but the internet can only change the form in which a community might receive its news.

People might be able to connect via the web to communities of interest the world over, but as long as they have schools, hospitals, councils, homes and neighbours, then they will be interested in what happens in those places. In other words, the market will still exist, even though the products might be radically transformed.

### Inter-County Leader

The Inter-County Co-operative Publishing Association was formed in northern Wisconsin in 1933 with capital from the communities the new paper proposed to serve. These communities were hit hard by the depression and also ill-served by existing papers which didn't reflect the concerns expressed by the Farmers Union, which was critical to its formation, as was the strong culture of farming co-operatives in the area. It's worth noting that the paper was created out of the depths of recession – something any new co-operatives would also have to contend with for the foreseeable future.

Its first editorial stated that *"the principal way we expect to make this paper different from the common run of papers is that we are in business for service and not for profit, and intend to carry the truth to the public regardless of whose toes get pinched. In other words, our policy will be shaped by a devotion to the greatest good for the greatest number, and not by what is or what is not apparently best for the immediate swelling of the cash box."*

It publishes two weekly newspapers, and 5 advertising sheets, generating \$5million turnover each year, a proportion of which is paid in dividends to its 70 employees and to local businesses. It has a print-run of around 10,000 each week, and also has an online edition; it says *"technology keeps changing but the mission remains the same; providing a public forum and endeavouring to tell stories and events that reflect, create and sustain the communities we serve."*

As the sums to produce a publication locally (be that printed or online or both) are lower, the sums required will be lower and seen as more achievable. Secondly, the community of interest served by a local publication is already well-defined and aware of itself. It's more like a football club than, say, wind farm investors who know of the theoretical existence of a community of active supporters of sustainable energy but until they come together to invest, they don't exist in practice.

That's a critical lesson of the growth of Community Shares, where community-owned enterprises have raised capital for a variety of projects, from building a football stadium to reconstructing a pier, opening wind farms to re-opening pubs and shops.

The key lessons for media are that even in a recession, enterprises with a strong connection to their community of users and their wider community of interest have found it possible to be funded this way. Critical is to have a service which people can understand and relate to and where there is a possibility of engagement in the service delivery and use. Finding people to collaborate with to co-fund enterprises has also never been easier, thanks to a variety of web platforms dedicated to the task.

In addition to maximising the chances of greater reader financial contributions, local news would be well-placed to benefit from the co-operative advantage. In financial services and retail customers get better value because there are no external shareholders who need to take their profit which must be factored in when price setting. Worker-owned businesses unlock productivity gains that come from working for yourself rather than someone else, and from the empowerment of people at all levels of the business. The famous customer service of John Lewis partners is related to their sure knowledge that they will personally feel the benefit of the going the extra mile through their annual dividend.

### The Media Co-op

The Media Co-op in Canada was started in 2009, growing out of a project established some years earlier to create a left-leaning media in Canada. Realising that the volunteer-driven model was a path to burnout and self-exploitation, they created a national co-operative with local branches producing local news, which is in keeping with the house stance.

A mixture of grants and sales fund the co-op as a whole, but a major part of the mix is the monthly contribution of 'sustainers' which covers over a third of total costs. The people were signed up through a series of roadshows called 'own your media' where the community of users and the wider community of people who subscribed to the political viewpoint of the media co-op were urged to contribute to make it happen.

The co-op now has four locals (branches) from Vancouver to Nova Scotia and employs several staff working centrally to support the locals and provide core functions. The locals produce their own content, mainly online, but some produce regular newspapers in their community.

With news media, it might be that reader-members are more active as sales agents; given a holy grail of advertising is to use trusted word-of-mouth recommendations, an enterprise might be better placed to do so if its own customers are evangelical in this regard. It might be that they are stickier and more loyal, paying as much for the sense of proving a community need as serving their own need for information. In this respect, they might be more tolerant consumers, which isn't to say that co-operatives newspapers would get a free pass out of needing to provide relevant content. It's easy to see how a community can see the need for a news publication but if the concrete example they have is terrible, then they'll be highly unlikely to get behind it.

But, as already noted, if co-operative newspapers aren't offering what people want, then there are mechanisms to get this changed which aren't open to readers of non co-operative media whose only real choice is to cease buying it, letting it fold before starting something better. One would hope though that co-operative news would be more able to make itself more relevant in providing content than most local news has been, including harnessing the community to produce the news. The exciting ways in which a wider public can collaborate to make the news needs to be balanced against recognition that if the people driving this particular bus are cost-cutting executives of existing local media groups, producing exciting content with an engaged public will be a second-order benefit. The idea of using free labour to drive down – and ultimately out – the cost of paid journalists is one noted by Nicholas Carr, who terms it 'digital sharecropping':

*"One of the fundamental economic characteristics of Web 2.0 is the distribution of production into the hands of the many and the concentration of the economic rewards into the hands of the few."*<sup>18</sup>

Or, to give it a name, *The Huffington Post*.

If costs are to fall, then the only way to ensure that the economic rewards are concentrated in the hands of the many is through co-operatives.

By ensuring all those who are involved in producing a publication are involved in the ownership and governance, the interests of unpaid and paid writers can be better managed without either being exploited, as decisions will be made in the interests of the needs of the institution, not the shareholders, which we have noted is not the same thing.

### Marlborough News Online

This local news site is now in its second year of operation, is owned by a 4 person worker co-operative. They reach 25% of the town's 8,000 residents through their site or the iPhone and iPad apps they have created.

There is no editor, with stories needing to be signed off by two members to go live. Peter Davison, one of the members, says that the co-operative values the paper is founded on are as important as the PCC Editor's Code, and adherence to the former brings compliance with the latter.

They fund the costs of production through local advertising, which by being locally specific to the readers, escapes the problem of abundance on the net; vehicles providing a targeted reach for the local businesses in Marlborough are thin on the ground, and there is still value from good content generating a readership of value to advertisers.

Those costs are lower than they might be elsewhere, given the current members all work part-time; it shows that there is a viable model online using co-operative structures that can pay for quality journalism to be produced, though not necessarily at a rate to provide a living for a team of journalists.

In reality, the spectrum between paid staff and unpaid citizens is likely to be dynamic, with writers being paid at times depending on the interest their story gets, whereas at others, they are happy to contribute their labour as an in-kind contribution to a community-owned venture. Readers can be more actively involved in writing, working alongside people who are able to ensure that stories have been produced ethically and are not malice masquerading as news. Journalists would also be able to spread good practice and standards to contributors, from proving guidance, through to co-producing through to training people themselves.

Co-operation isn't a necessary condition for this way to produce news, but it is if that production is to have a chance of being sustainable and wants to be ethical at the same time.

## Helping News Be Co-operative

*“What the best of Governments can do for farmers is of insignificant importance compared with what, by intelligent and loyal co-operation, they can do for themselves.”*

Horace Plunkett was right in expressing a central co-operative principle of self-help, but writing as he was before the modern state was born, he can be forgiven for being unaware of what precisely the modern state can do.

Given its importance to political communication, the news media have been exempted from the general trend under neo-liberalism to remove government involvement from the activity of private companies and the state’s muscles are reasonably well-flexed; the BBC operates under a charter from Parliament, whilst all broadcasters operate under the regime created by OFCOM.

The legal framework for that regime – the Communications Act 2003 – is due to be reviewed in 2013, with any amendments enacted in the remainder of this Parliament. This, combined with Leveson, means that there is every chance that time will finally be called in the last chance saloon the Press have been drinking in for many decades.

Despite the palpable reticence of politicians to grasp the nettle, it seems inconceivable that the outcome of the various strands of official inquiry and criminal investigation will leave the Press untouched by stronger regulation. Whilst those inquiries are extremely unlikely to implicate shareholder value in their reports, the regulatory regime that is likely to be recommended opens up opportunities for the co-operative media agenda to be promoted.

This takes place at a time when mutuality and co-operation seem to be something of a panacea – rhetorically at least – for all manner of public policy problems. What then could be done?

### The British Broadcasting Co-operative

Given the opportunities for co-operation are currently focussed on how they can take on assets of the state, a cheap but incredibly powerful policy would be to make the BBC a co-operative.

The BBC is controlled by the BBC Trust, which operates under a charter given by Parliament and has a remit to "represent the public who own and pay for the BBC". It appoints the Director-General and scrutinises the operations of the BBC, working with its Audience Councils, which are comprised of licence-payers appointed by the Trust, who undertake engagement and consultation in their area.

The BBC could easily be mutualised, by dint of two governance changes. The Trustees are appointed by Government and they then appoint the audience councils, but if that direction of appointment were inverted, the structure would become much more accountable, as the main Trustees would become accountable to the larger body of audience council members. The second change would be to make those council members themselves accountable to the licence-payers in their specific region or nation. As a result, individual licence-payers would become the base of the organisation's governance and the BBC would become a democratically controlled institution.

It would create the largest electorate in the country at a stroke, which would go a long way to fulfilling one of its 6 statutory public purposes, in this case 'sustaining citizenship through the enrichment of the public realm'. It would at the same time connect the BBC to licence-payers as never before, embedding the support of civil society into the DNA of the BBC by making it perhaps the largest institution in civil society, and giving a new meaning to the notion of public broadcasting.

Unlike the other potential models for conversion, there would be no costs for ownership transfer, leaving only the costs of managing the new governance. As all the council structures are in place and undertake engagement events, these would only be increased by the management of the elections, but with the BBC's range of communication channels and web platforms, this could easily be managed in-house.

By way of comparison, the structure and operations of the councils (and the support given by the BBC Trust executive) is very similar to the Co-operative group, which has a democratic structure underpinned by 6m members, with a turnover four times that of the BBC.

## National Government

In terms of the news media itself, central government has several weapons at its disposal – legal and regulatory, and financial.

The state does provide benefits to newspapers in the form of tax breaks; newspapers are not subject to VAT, with a newspaper defined loosely for HMRC purposes in generic terms. Tightening the definition to include ownership status would be fought tooth and nail, and given the relationship between EU law and VAT, likely to be challenged in court. However, given the financial benefit of the exemption to the industry of over £500 million each year<sup>19</sup>, it offers a strong hand to government to drive other possibilities.

The newspaper industry has been lobbying to remove restrictions that prevent newspapers in an area becoming too concentrated; the idea being that in an era of tight finances, there are considerable economies of scale that could assist 'rationalisation'. But as we have seen, that will have two impacts; in the short term, it's another way of saying costs will be cut with the inevitable impact on quality. It also means that the decisions get taken further away from the community served by the publication.

It's tantamount to the newspaper group asking to be saved from the consequences of the aggregation of titles being allowed to aggregate more titles; in order to save local newspapers, we had to close them.

It may well be that in some areas, the owners don't feel they can take it any further. If there is a regulatory hurdle they have to overcome in order to sell it, then this presents potential for leverage. In this instance, where a group of newspapers is proposed to be sold, the communities affected can be offered the opportunity to be given the paper by the selling group (or buy at a discount) in order to preserve independent media in the area.

This can apply at local, regional or national level where ownership restrictions are in place. If a national newspaper group needed to divest itself of titles, then those titles could be offered first to their employees and readers to make a bid.



Under the terms of the Localism Act working its way through Parliament, communities will have a right to buy assets of community value; whilst these assets are not defined in any way, it is clear that they relate to physical infrastructure – buildings and land – rather than services. For some assets, to control the asset is to control the service; if you own the village pub, then you control how the service is operated. Newspaper offices are not 'exclusive' in the same way, and so the provisions wouldn't be much use. However, the same principle could be applied explicitly to the press, and communities given the same right to acquire newspapers as part of the forthcoming Communications Act review in 2013. Ahead of then, the Localism Act could itself be amended to explicitly mention news media as a service that could be acquired.

Even so, all the rights to buy are nothing without the means; government could help buy-outs by extending the Enterprise Investment Scheme to communities making investments into media ownership bids; it would currently be allowed for start-ups, but buy-outs would be unlikely to qualify. Under this scheme, people putting capita into an enterprise can write off 20% of the value against their tax liability in that year, meaning that the business gets a £100 which only costs the investor £80 to give.

Another possibility would be to give tax relief to community-owned newspaper surpluses; this would lower costs of operating, so that the publication could service debts or have more freedom to employ journalists or just charge a lower cover price.

## Local Government

Local authorities have such volumes of statutory notices to publish that many have taken to producing their own newspapers, often of better quality than their established rival. This has attracted complaints from local newspapers that they can't compete fairly, and disquiet that the most well read publication is an organ produced by the state in that area.

Many councils rightly respond that the local press is often so vituperative and politically-motivated that its own funds are not contributing to a vital organ to hold it to account but paying a privately funded concern owned miles away to degrade the quality of local debate for their own profit.

Another solution would be to encourage councils to favour giving advertising contracts to community-owned co-operative newspapers; the council gets to ensure that its legal notices are published, and that matters of public information are communicated, whilst the accountability provided by the co-operative structures ensures that any surpluses are reinvested locally, and the news values are locally driven. The council could be given pages within the newspaper to communicate, but the council could not use its financial leverage to determine editorial positions the paper took.

Underpinning all these interventions is a virtue of co-operatives: they must remain beholden to their members, who have to assume economic responsibility for their existence. There's an honesty about this approach; if people cannot be convinced that the publication in their community is worth them funding it, then it is a publication with no long-term future.

Much public policy discussion has been underpinned by the notion that newspapers matter, and have readership who need them. At some stage, that proposition needs to be tested and if people turn out to not actually care that much about the existence of local media, then we can't continue to act as if it matters when the people who will benefit take a different view.

## Doing News Co-operatively

Ultimately though, Horace Plunkett was right. If there is to be a revolution in media ownership, it is a revolution that must be supported from below. Journalists must buy out their publications, readers must organise to save newspapers, both must come together to build online sites that re-imagine how a newspaper's function can be delivered in a different form.

It's easy enough to map co-operative structures onto existing newspaper structures and practices, but there's a limited shelf life for that exercise. To map out alternatives is an exercise in speculation, since the precise form the co-operative takes will be governed by what its members want to do, but regardless of what those arrangements look like, any co-operative has to address some key questions.

### Who are the members and what role do they have?

In a worker co-operative, the workers own the business. They can do this directly, or through trusts which own the business which the workers control. The advantage of this form in the news media sector is that they can ensure that the paid journalists get an environment in which to create a good product for their readers, free of the cost-cutting that has driven down quality. They would also be in a position to offer membership to regular writers in the community and others who did the work of getting the publication produced.

### **New Internationalist**

The magazine became a worker co-operative in operational terms in the mid-1970s, finally becoming owned by the workers in the 1990s when the magazine's founder gave the business to a Trust that was set up to manage the business on behalf of the employees.

All employees become members of the co-operative upon completion of a probationary period. After 3 years they then become an employee trustee of the Trust; these trustees have two-thirds of the votes, with the remaining third held by advisory trustees who are independent but ex-employees. Editorial direction is determined collectively, with a team of editors responsible for putting together each edition.

The magazine enjoys the goodwill of its subscribers, many of whom are believed to be supporters as much as consumers, for whom their subscription is less because they want access to the magazine per se and more because they believe that the magazine has an important point of view that needs to continue to exist. They intend to develop this relationship in the near future.

Whilst the publication is grappling with the challenge of the internet, their considered decision-making process has insulated them from flights of fancy or fashion that have damaged other publications. As a result, their response to the internet's challenge will not be the 'vision' of a few senior managers or a proprietor, but will be a better process for being subject to debate, discussion and ownership by the staff whose livelihood depends on it.

An employee-owned enterprise would have a strong sense of values, shared by all who wrote for it, but would that connect with the readers who are going to need to spend more than they previously have to replace the lost advertising subsidy? An appeal to a wider public could be mistaken as a direct appeal for people to help pay for others to continue to have employment, which isn't an easy sell at the best of times, let alone in a recession.

That problem would be avoided in a reader-owned publication, and reader-members would be responsible for funding the business, but the converse problem could potentially be true; if employees had no stake, would reader members be inclined to view the easier option in a crisis to reduce staff numbers or salaries?

It's possible to have members drawn from readers and employees with guaranteed rights of representation for each, so neither writers nor readers could dominate the other. This recognition in governance and legal terms underscores the ethic of co-production, that seems more appropriate for the kind of news media we will have in the future.

### How Multi-Stakeholder News Co-ops Might Work . . .

Let's imagine a new publication was set up in 2012 thanks to the help of four days of consultancy advice from the Co-operative Enterprise Hub. It raised £20,000 of startup capital from a community share issue, which only cost members £16,000 in real terms. It's mostly web-based (Facebook having done wonders to close the digital divide, especially as far as age goes) but once a month puts out a 'best of' as a free publication, as much as a flyer for the website as anything else.

It's owned by a variety of people; some are readers who get a weekly version emailed to them to print out. Article writers get paid a flat fee for writing and a share of the year-end profits based on how much traffic their stories generated. Volunteers get a dividend too, based on how many members they signed up, how many advertisers they introduced and so on.

All get to vote for the board of Directors, who appoint the editor, who is part-time at the moment, assisted by another part-time reporter. The editor is caring for their children the rest of the week, whilst the reporter does other freelance work.

Stories can be submitted by readers, or written up by them. The site uses an eBay trust-style system to rank writers, and writers who've built up trust get enhanced posting rights, meaning they don't need their copy to be subbed.

Every year, the co-op will set aside as portion of its budget to fund more in-depth stories, from a list drawn up by readers and voted on by them. The fund pays for writers to spend time on researching in greater detail than the normal work cycle allows.

Only members can write stories, propose features and vote on them, and 600 people have signed up, paying £50 a year. That, along with advertising covers the costs. The Council is a big help, closing its own monthly newspaper and putting the spending into the co-op. That provides a lot of advertising revenue, with the only caveat being that the co-op have to report on council meetings and elections as part of the contract.

## Is the co-op not-for-profit or dividend paying?

A critical issue is whether the co-operative will be one which pays the members – whoever they are – a dividend each year, or whether all surpluses are reinvested in the business. Whilst the latter seems to fit the ethos of community-ownership of an enterprise with a social purpose, the return of profit to those who contributed to make it is a central co-operative value too.

### **Ethical Consumer**

The magazine was founded as a worker co-op in 1987, and it was whilst exploring the possibility of a joint venture company with investors at the height of the dotcom bubble in the late 1990s that they started to explore ways of bringing in capital. Previously, the capital had been raised by loanstock from supportive readers, a method which had been used twice before, raising around 100K each time, but each time, around 10% of that was taken up with the costs of raising it.

They became a multi-stakeholder co-operative in 2009, raising around £250,000 in withdrawable shares from around 170 subscribers, the overwhelming majority of whom were readers and supporters of the magazine and its values. As an Industrial and Provident Society, they benefit from a different treatment to share issues, meaning that the costs of raising capital are much cheaper than if they were a public limited company, where they would have to pay between £50,000-£100,000 to create, capitalise and issue a prospectus for shares in the company.

As editor Rob Harrison noted, being a regular publication with a regular readership and database of subscribers means that the costs of marketing are comparatively much less than with other enterprises, where much of the battle is to get knowledge of the investment opportunity to people who might be interested. It also helps to be offering 4% interest on shares, at a time when banks struggle to offer more than a tenth of that rate.

Several of the investors are represented on the board, where there is a majority of members representing the workers, and on a day-to-day basis, the business runs as it did previously as a worker controlled business. Harrison notes that the manner in which workers of all ages are involved in the production and strategy means that issues such as responding to the challenge of the internet have been negotiated by the workers collectively, ensuring that 'digital natives' are strongly represented in the decision-making.

There are no right answers, and each enterprise will have to come to a view as to what feels best for them. Will it be easier to attract readers with a promise of a dividend each year, or will more people sign up to be involved if the surpluses get re-invested for community benefit?

## Charitable Media Co-operatives

The *Maidenhead Advertiser* group were transferred to a charitable trust in 1961 to prevent them being bought up by bigger groups who would slowly dilute the local focus of which the then owner was proud. Since then, the paper has sent all profits back to the charity to be distributed locally.

“This model can reduce revenues, and could increase revenue through tax efficient donation whilst preserving the newspaper’s independence.”

This idea has been developed to extend to the notion that the newspaper itself could be a charity under the charitable object of community development. Leading charity lawyer and legislator, Lord Phillips of Sudbury, has identified that the Charity Commission see no in principle objection to a newspaper being registered as a charity<sup>20</sup>, and so be able to benefit from various tax reliefs and gift aid.

This model can reduce revenues, and could increase revenue through tax efficient donation whilst preserving the newspaper’s independence. Whilst many charities are not democratically run, there is no reason that they could not be run so. Even so, a major weakness is access to capital, as it has to rely on donations or loans, but that could be addressed through co-operative structures.

A recent statement of policy by the Charity Commission<sup>21</sup> suggests a way forward could be in the form of interest-bearing shares issued by an IPS. In order to maintain charitable status, an organisation cannot distribute surpluses, but it can legitimately pay the costs of its finance.

Industrial and Provident Societies structured as charities can cheaply issue shares which pay interest only, and in where there is no right of redemption. The key is that the rate of interest has to be cheaper than that able to be accessed by the organisation from normal sources.

For example, if the best a charitable IPS could get from the High Street was a repayment rate of 5%, they could take on interest-paying shareholders paying less than that. That those shareholders would be getting a better return than they themselves could get from normal savings would be incidental to the main point that the charity is getting its capital more cheaply.

So, if a newspaper could be a charity, then the ideal form would be as a community benefit IPS, allowing it to get the best of both worlds.

## Getting the skills right

However the co-op is structured, like any business, having the right skills is critical. The experience of co-operative/alternative newspapers in the 1980s highlighted the importance of having all those skills, not just those needed to put out a good paper.

*East End News* was started in the early 1980s by a group of journalists active in the NUJ, who saw a community being ill-served by the traditional media. The paper raised £26,000 from a variety of backers – individuals, unions, councils – and put out a weekly paper that had paid staff and volunteers, the latter learning on the job from the former.

The paper was subject to fierce competition from local rivals, who offered greater circulation for the same cost to advertisers who had signed up to *East End News*, but critical mistakes – often repeated in similar ventures, according to the authors of *What A Way to Run a Railway*<sup>22</sup> – were that the journalists had plenty of ideas about what they wanted the paper to be, but less expertise in sales and financial management.



A similar fate befell the *News on Sunday* in the late 1980s, over a much quicker time frame. It was operated on co-operative lines, with journalists holding golden shares in the company to prevent carpetbagging, and they raised over 1.5m from investors (predominantly local authority pension funds). Internal differences of opinion contributed to a poorer product than had been intended and after being bought soon after launch by Owen Oyston, it limped on past the 1987 election and was promptly closed<sup>23</sup>.

## Getting the editorial role right

A key concern in co-operative media will be to balance the importance of accountability to the members with the importance of editorial freedom to pursue stories.

“A key concern in co-operative media will be to balance the importance of accountability to the members with the importance of editorial freedom to pursue stories.”

*East End News* had an editorial charter that stated the news values and agenda the paper would follow – what it would do and what it would not do. Within this framework, the journalists were free to pursue the news agenda as they saw fit, and whilst they would be accountable for that pursuit, it would be in the context of a strategic framework, rather than an ad hoc assessment based on the latest story that some members might not have liked.

The charter would be the founding document that only members could amend by a clear majority, and the board they elected were responsible for implementing it, but couldn't amend it. In essence, it's the same as the members having responsibility for the mission and the vision, a board responsible for the strategy and the staff responsible for operations.

### Checklist: How to Make Your News Co-operative

- In many places, newspapers have closed, leaving a gap to be filled, and groups looking to start co-operative media will likely do so online. But if there still is a long-standing title, then acquiring it and its reputation can be a lot easier than starting a rival.
- Who owns your local paper? If it independently-owned (i.e. not part of the four leading groups), would the current owners entertain a community or employee buyout? Many independent owners – especially family businesses – have a strong sense of the ethos or values of a publication, and would be keen to see those continued by their successes. Being owned by the community the publication has served, or the staff who have worked to produce it under those values, can be attractive.
- Is the paper owned by a group looking to merge, or sell the paper to another rival group? If so, lobby your MPs to say that there is another alternative to the slow decline and salami slicing that this will likely entail, and get them to lobby ministers for them to use their influence to help transfer the paper to the community.
- Regardless of how you come to set up, you should think about using the Co-operative Enterprise Hub, a service funded by the Co-operative to provide up to 4 days of business support to new and growing co-operatives.
- The Enterprise Hub doesn't fund pre-starts (people who think they might become a co-op or might have a business), only new starts or existing businesses looking to convert. To get to this stage, see the excellent series of resources produced by Co-operatives UK on running a community enterprise at [www.uk.coop/simplystartup](http://www.uk.coop/simplystartup)
- Employees thinking about a buyout should contact the Baxi Partnership ([www.baxipartnership.co.uk](http://www.baxipartnership.co.uk)) or the Employee Ownership Association ([www.employeeownership.co.uk](http://www.employeeownership.co.uk))

## Conclusion

### Everything thought to be inevitable becomes so

If you were looking at English football in the 1980s, you'd survey 30 years of decline, where deathtrap stadiums were half full as action on the pitch fought with action off it for press headlines. Sad as it might be to see the erstwhile national game in this sorry state, you'd find plenty of comment that the decline was terminal and inevitable. Wasn't football a creation of an industrial culture and economy themselves in terminal decline, celebrating a local rootedness in an age when people were saying *auf wiederseh'n* to the local rootedness celebrated by club football?

“There is absolutely no inevitability as long as there is a willingness to contemplate what is happening.”

And yet English football now bestrides the globe as the most popular football league in the world, being paid over a billion pounds each year to show the product in stadiums rebuilt with greater capacities than before, with near-saturation coverage in the media.

Marshall McLuhan observed that “*there is absolutely no inevitability as long as there is a willingness to contemplate what is happening*”<sup>24</sup>. Football spent 30 years contemplating what wasn't happening (football annuals from the 1970s are full of people opining that football is threatened by long hair and overly tactile goal celebrations), before realising what was (people weren't going because it was a pretty dire experience) and having treated TV with suspicion for 20 years, finally embraced it as a great shop window and it all flowed from there.

Much of what has been discussed has concerned printed newspapers because they are the dominant form of communication that we still have; whilst many institutions have websites which do a lot of their communicating, it is the newspaper published by the institution which gives these websites legitimacy, for the time being at least.

That time might last a few years, or it might last decades. Things which seem inevitable can turn out not to be, whilst things which seem permanent can disappear in a decade. Things which are on their way out might take a long time to do so; in the meantime, we can't ignore their function on the grounds that in the long-run, it's due to die a death.<sup>25</sup>

Even so, any analysis of the future of the news media – especially at local level – cannot ignore the simple fact that any group of people looking to start publishing today would have the same discussion about whether to print as newspaper managers would have had in 1997 about whether to get a website or not. It eats such a proportion of costs that simply avoiding it makes an awful lot of sense.

This doesn't actually matter to co-operatives though, as the benefits flow from the institution, not the precise format of the product. Whether that's in print, online, or both, is ultimately – for now – a matter of economics.

The core issue is the same as that faced by a printed publication: can a case be made for the need for something, and can people be persuaded that if they don't do it, nothing will actually happen? Beyond that, the income the publication needs to receive to match its ambitions is based on its success in making that case; if it wants to pay for more writers, then it has to make the case for what difference that makes to the community served by the publication.

Not wanting to live in a world in which power – globally, nationally and locally – has no independent media, no check and balance isn't the same as actively ensuring it will not happen. Actively ensuring something won't happen isn't the same as wishing for the clock to be turned back to a time before these things needed such active consideration.

We need independent media to preserve the freedoms and rights slowly won by people who wrote, funded and read the radical pamphlets and polemics, and later a free press. The news media we have has sold the pass on being a credible defender of its social role thanks to its ethics and its business model, but just because we don't have the media we'd like doesn't mean there's isn't a media we need. And necessity is the mother of co-operation.

# Afterword

## The Opportunity for Co-operators

For many years, co-operative activists have been frustrated with the lack of wider public understanding about what a co-operative is and what its strengths are. For the wider public, the only game in town as far as ways enterprises can be owned and operated seems to be investor-ownership, a sense reinforced with monotonous regularity by the media.

Where co-operatives get coverage, it is through a lens which amplifies the differences to the point of making them exotic and weird; reports have a tone of a missionary reporting the exotic ways of some recently discovered far-flung community.

Frustration turned to incredulity when the global downturn began, bringing home to roost many of the chickens that people had warned about for years. And yet as that downturn deepened into the Great Recession, the sense that - regardless of the manifest failings - there was no alternative seemed to grow ever stronger, certainly as far as policymakers were concerned. There might be talk of new models for capitalism to replace what has gone before, but the journey to this future never actually seems to set off.

The news media are a critically important source of the information that comes to form the way we understand the world. It gives us the facts and arguments that we come to call our own. It doesn't do this in a vacuum though, as it builds on the core ethical values we hold, and the experience and learning we've gone through.

The growth of the co-operative schools sector starts to address the learning, whilst the renaissance of co-operatives in traditional retail sectors combined with the growth of new mutuals in sport, social care, pubs and energy are giving greater positive examples in the experience of daily life.

Yet the response of the co-operative movement to the media's failures to give co-operatives a fairer crack of the whip has been to resolve to tell our stories better, to work in a more co-ordinated way. Of course, that's all very necessary, but it seems an unimaginative, unco-operative response; it's not what the Rochdale Pioneers would have done.

**“The co-operative movement has a once-in-a-generation chance to connect to a world in need of greater co-operation.”**

They responded to being supplied with overpriced and adulterated flour not by urging the producers to treat them fairly but to create their own solution, to bring a different set of values to bear by creating a new means of distribution and exchange which moved to a different beat.

There are opportunities for us to make the news media do the same. It's timely that this is happening in 2012, as the co-operative movement has a once-in-a-generation chance to connect to a world in need of greater co-operation. A fitting outcome to the year would be a push to ensure that the stories the world hears are not just more co-operative but told more co-operatively.

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#### ABOUT THE AUTHOR

Dave Boyle is a writer and consultant. He was previously Chief Executive of Supporters Direct, the body which helps sports fans turn their clubs into co-operatives, and has written and lectured widely on sport, economics and co-operation.

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## Notes

- 1 There are an awful lot of definitions for what's meant by the internet, but for the purposes of this pamphlet, it's meant as the range of technologies and behaviours creating and being created by the growth of a many-to-many communication platforms.
- 2 It's worth noting that failures of a co-operative of often portrayed as weaknesses for the very notion of co-operative enterprise, whilst failures of 'normal' companies rarely cause debate about the nature of investor-owned firms.
- 3 [www.levesoninquiry.org.uk/hearing/2011-11-29am](http://www.levesoninquiry.org.uk/hearing/2011-11-29am)
- 4 Steve Birkett, British Journalism Review Vol 19, Issue 2, 2008 ([www.bjr.org.uk/data/2008/no2\\_barnett](http://www.bjr.org.uk/data/2008/no2_barnett))
- 5 Former News of the World news editor Neville Thurlbeck recently detailed several examples of gross bullying, noting that 'I was asked to attend several News International seminars organised by HR where the chief theme was, "How to Sack Your Staff and Not Give Them a Pay-off"'. (<http://nthurlbeck.blogspot.com/2012/01/notes-on-leveson-and-need-for-tabloid.html>)
- 6 [www.guardian.co.uk/media/greenslade/2011/dec/16/local-newspapers-downturn](http://www.guardian.co.uk/media/greenslade/2011/dec/16/local-newspapers-downturn)
- 7 [www.publications.parliament.uk/pa/cm200910/cmselect/cmcmds/43/4305.htm#a4](http://www.publications.parliament.uk/pa/cm200910/cmselect/cmcmds/43/4305.htm#a4)
- 8 "Local newspapers are dying – and the owners are to blame", [www.ethos-pr.com/blog/local-newspapers-are-dying-and-the-owners-are-to](http://www.ethos-pr.com/blog/local-newspapers-are-dying-and-the-owners-are-to)
- 9 "Charitable Model Could save Local News", <http://newmodeljournalism.com/2011/10/charitable-model-could-save-local-news>
- 10 "Local newspapers are dying – and the owners are to blame", [www.ethos-pr.com/blog/local-newspapers-are-dying-and-the-owners-are-to](http://www.ethos-pr.com/blog/local-newspapers-are-dying-and-the-owners-are-to)
- 11 "Why some papers manage to stay alive and kicking", [www.economist.com/node/14085662](http://www.economist.com/node/14085662)
- 12 <http://newtbarrett.ulitzer.com/node/1031737>
- 13 "Regional ABCs: Circulation falls on 92% of weeklies", [www.pressgazette.co.uk/story.asp?sectioncode=1&storycode=46726&c=1](http://www.pressgazette.co.uk/story.asp?sectioncode=1&storycode=46726&c=1)
- 14 [http://web.mit.edu/rhenders/www/Teaching/day2a\\_jan05.ppt](http://web.mit.edu/rhenders/www/Teaching/day2a_jan05.ppt), quoted in John Naughton, [www.guardian.co.uk/technology/2012/jan/22/john-naughton-kodak-lessons](http://www.guardian.co.uk/technology/2012/jan/22/john-naughton-kodak-lessons)



- 15 Newspapers are the platform for the printed advert, so the cost to advertisers reflects the cost of putting the platform out. This isn't the case online, where the price is set in a more varied ecosystem where the competition doesn't have lorries, printers, writers, administrators it needs to pay.
- 16 "Newspapers, Paywalls and Core Users", [www.shirky.com/weblog/2012/01/newspapers-paywalls-and-core-users](http://www.shirky.com/weblog/2012/01/newspapers-paywalls-and-core-users)
- 17 *ibid*
- 18 [www.roughtype.com/archives/2011/08/digital\\_sharecr.php](http://www.roughtype.com/archives/2011/08/digital_sharecr.php)
- 19 Co-ordinating Committee on Media Reform, [www.mediareform.org.uk/policy-research/funding-models/briefing-paper-on-funding-models-2](http://www.mediareform.org.uk/policy-research/funding-models/briefing-paper-on-funding-models-2)
- 20 [www.thirdsector.co.uk/news/1091970](http://www.thirdsector.co.uk/news/1091970)
- 21 [www.charitycommission.gov.uk/Start\\_up\\_a\\_charity/Do\\_I\\_need\\_to\\_register/industrial\\_provident\\_societies.aspx](http://www.charitycommission.gov.uk/Start_up_a_charity/Do_I_need_to_register/industrial_provident_societies.aspx)
- 22 40 years ago, there was an explosion in what came to be called the alternative press, yet now, little remains. The enthusiasm and commitment were admirable, and many were run on co-operative lines as the default management and ownership technology. Their execution left much to be desired though. For many, this wasn't a problem; as they were explicitly oppositional to mainstream society, it would have defeated the object to go down that route; many others though had a dream of replacing an established media they felt no longer reflected the society they lived in. We have a similar opportunity now, but have the advantage of hindsight about what can go wrong.
- 23 See the reminiscences of News on Sunday FD Henry Stewart (<http://bigflameuk.wordpress.com/2010/09/12/the-news-on-sunday-project>). Both were avowedly political publications, which in the case of the News on Sunday was later identified as a problem in both the management of the enterprise and the offer to readers; whilst most newspapers express a political sentiment, the strength in which the contributors hold it has little bearing on how much of a market there might be outside, so when considering whether to launch an explicitly political publication there needs to be a clear-eyed view of the likely readership size in reality, not what the founding activists would wish it to be.
- 24 From McLuhan's *The Medium is the Massage* (1967), which he attributes to Alfred North Whitehead.

- 25 In 1986, Eastenders won the Christmas rating battle with 30 million viewers; this year it won the battle with just 9 million. It's tempting to say that this shows 'water cooler' TV of mega-audiences are dead, killed by multi-channel TV, timeshifting and over production of content (soaps were bi-weekly, rather than aired 3 or 4 times). But 9 million people is an awful lot; more than voted for the Labour Government in 2005, and to focus on the trendline is to miss that right here and now, it's still an incredibly popular and powerful medium.

## Co-operatives UK

Co-operatives UK works to promote, develop and unite co-operative enterprises. It has a unique role as a trade association for co-operatives and its campaigns for co-operation, such as Co-operatives Fortnight, bring together all those with a passion and interest in co-operative action.

Any organisation supportive of co-operation and mutuality can join and there are many opportunities online for individuals to connect to the latest co-operative news, innovations and campaigns. All members benefit from specialist services and the chance to network with other co-operatives.

[www.uk.coop](http://www.uk.coop)

Printed during the United Nations International Year of Co-operatives 2012: a unique opportunity to open the lid on one of the world's best kept secrets. Co-operatives are more than successful businesses - they are a global movement that is building a better world by giving everyday people an equal say and their share of the profits. The International Year of Co-operatives is a chance to find out more.



Co-operatives UK's International Year campaign is generously supported The Co-operative Group, The Midcounties Co-operative, Midlands Co-operative Society, Scotmid Co-operative, The Southern Co-operative, Anglia Regional Co-operative Society, East of England Co-operative Society, Benenden Healthcare, Lincolnshire Co-operative, Chelmsford Star Co-operative Society, Heart of England Co-operative, Channel Islands Co-operative Society, HF Holidays and CDS Co-operatives.

[www.uk.coop/2012](http://www.uk.coop/2012)



In *Good News: A co-operative solution to the media crisis*, Dave Boyle argues that the crisis in the media is a moment of opportunity to bring co-operative structures and business models to the sector, and in so doing, better shore up the social and democratic role of the media through a business model based on using commercial success to provide social benefit.



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