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Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / The Culture, Welsh Language and
Communications Committee
Newyddiaduraeth Newyddion yng Nghymru / News Journalism in Wales
CWLC(5) NJW07
Ymateb gan Caerphilly Observer / Evidence from Caerphilly Observer

Introduction

As the publisher of a relatively new and independent newspaper in Wales, I am pleased to have been invited by the committee to submit my views on a topic I believe is of huge importance.

Caerphilly Observer began life in 2009 as web-only publication. At the time I was a journalist living and working in Brighton on the regional daily newspaper The Argus. There were several reasons for setting up the website at the time, but a major one was a frustration at not being able to keep-up-to-date with news from back home in Caerphilly.

In 2011, my wife and I decided to move back home to Wales to start a family – and it was a now or never moment to continue with Caerphilly Observer.

The difficulty I faced was attracting local businesses, who were used to advertising in print, to advertise on the site. Demand from them and readers turned my attention to launching a print version.

In 2013 I met with the rural development team at Caerphilly County Borough Council and successfully applied for a budding business grant to launch a fortnightly newspaper with a circulation of 10,000. The grant was for £2,441.60 which went towards 80% of the print costs for the first four editions and 80% of the cost of three distribution bins.

Since we launched the print edition in May 2013 we haven't looked back, with advertisers happy to be associated with us. We have our own office space on Caerphilly Business Park at the Welsh Innovation Centre for Enterprise and we have three members of staff (myself, a full-time reporter, and a part-time photographer/advertising sales executive).

We punch well above our weight in terms of editorial coverage of the area and have won a total of four Wales Media Awards – three successive wins in the Independent Community News Service of the Year category, and Scoop of the Year in 2015, beating the likes of BBC Wales and the Western Mail.

Our website currently attracts an average of 40,000 unique visitors month, generating 100,000 page impressions.

Other grant funding we have received includes two Jobs Growth Wales placements and funding via Welsh Government and the Fairwood Trust for office space at ICE.

We have not received, or applied for, any grant funding since September 2015.

Business Model

Our business model is predominately an advertising-funded model, with around 75% to 80% of our turnover coming from online and print advertising. Print-only advertising accounts for approximately 65% and includes legal notices placed with us by the local authority.

The remainder is made from contract journalism work and other revenues such as fees from the Newspaper Licensing Agency.

Caerphilly Observer is published by Caerphilly Media Ltd and is a success because we don't have a large cost base. The only shareholder to satisfy is myself and to keep costs down I keep as much work, such as advert design, in-house. Unlike bigger listed media companies, I don't have to worry about the value of the shares or dividend payouts – I simply have to make sure there is enough revenue to cover costs, pay staff, and then pay myself.

Access

We have never had a serious problem with gaining editorial access to Wales' various institutions and public bodies, and as we have gone on and become more established, any difficulty we did have has dissipated.

The difficulty for us has been getting in front of advertising agencies who are in charge of buying advertising space for such organisations.

Four years ago I tried to make contact with the Welsh Government's advertising agency and failed. In effect, we were dismissed as insignificant. Not the agency's fault as they are used to dealing with the big players, but if the Welsh Government does decide to show a commitment to newer media through advertising spend, this is one potential problem.

At the time of submitting this evidence, I am preparing to pitch to the current Welsh Government's agency, which is Golley Slater.

A similar problem has been faced by us when approaching universities and further education colleges. 2/4 We also had to battle with the local authority to persuade them to place their public notices with us. Initially they turned us down because they were unsure if we were legally classified as a newspaper. In the end, I had to write to Edwina Hart, the Local Government Minister at the time, who confirmed that Caerphilly could place notices with us. Since then, Caerphilly County Borough Council has been in almost every edition as we are cheaper than Newsquest – the publishers of our rival newspaper the Campaign (where I began my career back in 2004).

Our effect

Just prior to launching our print edition in May 2013, I received a letter from Newsquest questioning our website traffic claims. It was threatening in tone and warned us that we would be reported to the Advertising Standards Authority because I had not cited a source for our figures. This was the first time that Newsquest had contacted me and I took it as a compliment that they felt threatened by us.

After news broke that we had secured grant funding for a print edition, we came in for some heavy criticism from Newsquest. Kevin Ward, then the editor of the South Wales Argus, used an event at the Assembly to question why we should get public funding and later wrote a letter of complaint to Caerphilly County Borough Council. I have enclosed this letter for reference (which was released to me under the Freedom of Information Act).

Despite their initial misgivings, Newsquest has been quiet recently and have actually upped their game in terms of editorial space in the Campaign. They recently decided to increase the print run from around 20,000 a week to 28,000 a week. I believe this is because of us and they are now “trying”. Who benefits from this? The readers and the local community. A competitive media is a healthy media and is imperative to a functioning community.

The future

There is no reason why a news organisation like Caerphilly Observer cannot be replicated elsewhere. I have no plans to do it as my passion lies in being a local newspaper publisher in Caerphilly County Borough – my local community. It will take individuals as passionate as I am to take any such project forward, and there

is already help available through Centre for Community Journalism at Cardiff University.

Grant funding is essential for new media start-ups to get up and running. The 80% covering of print costs for the first four editions lifted the financial pressure and was instrumental in getting the paper off the ground. This, together with other schemes, has led to employment and a healthy local media. 3/4 Such grants however will incur the wrath of the more established media players, who will make a case for public funding to go to them.

Thank you

Since this document will be part of the Assembly's public record, I want to use it as a means to say thank you to everyone who has supported us.

My wife, Susie Gurner, contributes far more than she should. She is the one who steps in and keeps our home life on track whenever I am tied up working late with the newspaper. She carries a huge burden to let me fulfil my dream on top of her having a very demanding job in the Welsh NHS.

Jan Withers was a colleague of mine during my days at the Campaign in 2004. She is a hugely talented media sales executive and it was my good fortune that Jan was unceremoniously let go by Newsquest back in 2011. She effectively guided me on the commercial side of running a media company and without her there would not be a Caerphilly Observer. Together with her husband Barry, who still volunteers with us, she even delivered the newspaper for a time. I am very pleased to report that Jan is now enjoying her retirement and I will always be indebted to her.

My current reporter Ben Barker, and past reporter Gareth Hill, have both made huge contributions to the success of the newspaper and my current photographer/sales executive Joanne Burgess has made an equally huge contribution. She has the unenviable task of generating advertising sales and taking great photos for us.

Above all, thanks should go to our readers, our advertisers, and our local distribution outlets for all of their support. Without any these the entire venture would be pointless.

Yours sincerely

Richard Gurner Editor and Publisher

Annex 1

Letter from Newsquest to Caerphilly County Borough Council

Dear Mr Barnett

I am writing to you as Regional Managing Editor of Newsquest Wales & Gloucestershire, publishers of the Campaign newspaper. to register our serious concern at the award of a financial grant to one of our competitors.

We understand the Caerphilly Observer website has been awarded a five-figure sum by Caerphilly council to fund its first four fortnightly print editions via the Rural Development Programme Partnership.

Firstly, let me make clear we have no problem with competition in the market place. We are happy for newspaper consumers in the Caerphilly county borough to have a choice and we believe competition is good for all businesses – providing that competition is fair to all.

However, it does not seem to us that providing a grant for one player in a competitive market is a fair or appropriate use of public money, particularly when the funding is being used to set up a direct competitor to the well-established newspaper in the market place, the Campaign.

Our view is public money should be spent on projects that fill a gap in the market, not on competitive launches.

We have already had cause to complain to the owner of the Caerphilly Observer with regard to his marketing tactics. Claims, for instance, that his website has overtaken the online traffic of the Campaign are not backed up by any evidence or analytics, in contravention of Advertising Standards Authority standards.

The Observer says it will be distributing 10,000 copies of its print edition every fortnight. We await independently verified and audited evidence of this.

Continued.....

For information, the most recent independently verified and audited distribution figure for the Campaign is 28,301 copies across the Caerphilly county borough per week (VFD July–December 2012).

We note that in press releases announcing the awarding of the Caerphilly council grant, the Observer claims its new publicly-funded print edition will be 'the only free newspaper to cover the whole of Caerphilly County Borough'.

Clearly from the distribution figures above, this is simply not true and we find it surprising that a local authority appears content to be associated with such unsubstantiated claims.

Newsquest employs a number of people who live in the Caerphilly county borough area. It seems peculiar, to say the least, that the local authority to which they pay their council tax is funding a competitive launch that has the potential to put their jobs at risk.

We note there was no consultation with ourselves as the publishers of the Campaign, the longest-standing newspaper brand in the Caerphilly county borough. with regard to the potential impact of the council's decision to fund the Observer's competitive launch.

I would be grateful for a prompt reply to our concerns.

Please note we reserve the right to take this matter to the Local Government Ombudsman.

Yours sincerely
REGIONAL MANAGING EDITOR

Response from Caerphilly County Borough Council

Dear [REDACTED]

GRANT TO CAERPHILLY MEDIA LTD

I refer to your letter of 15th May 2013 regarding the above, which was addressed to the council's Acting Chief Executive. I have been asked to reply as the grant received by Caerphilly Media Ltd came from the Caerfilli Cwm a Mynydd Rural Development Plan programme, which is part of my remit.

The Rural Development Plan (RDP) programme is a Welsh Government Initiative. In Caerphilly County Borough the RDP was developed and is managed by the Caerfilli Cwm a Mynydd Partnership which is comprised of representatives of the community sector, private sector, voluntary sector and public sector. The council is a member of this partnership and currently chairs it, council officers act as the secretariat for the Partnership.

All decisions affecting the delivery of the RDP programme have to be agreed by the Partnership. Decisions on applications for grant aid are taken by a sub group of the Partnership, the Cwm a Mynydd Partnership Assessment Panel.

The current RDP programme has a grant scheme entitled Budding Businesses, which is aimed at micro enterprises (i.e. businesses employing less than 10 people) who are located in rural wards or service centres in the county borough, which were identified by Welsh Government.

All businesses that meet these basic criteria are eligible to apply for Budding Businesses grant aid. A detailed grant application form has to be submitted which is assessed by RDP officers against a set of criteria. This has been approved by Welsh Government.

When a grant application is received a report is prepared for consideration by the Assessment Panel. The final decision as to whether or not a grant is awarded is taken by this Panel, which is advised by the council's European and Finance officers who act independently from those RDP officers involved in the Budding Businesses project.

The Caerphilly Media limited application was one of two applications considered by the Assessment Panel in April this year. Both applications were approved. Three

members of the Partnership were involved in this process they represented the community sector, the private sector and the voluntary sector.

Caerphilly Media were not awarded a 5-figure sum and no CCBC money has been given to them. The grant funds 80% of the project cost and this comes from EU and Welsh Government sources. The remaining 20% is provided by the business.

I note your comments regarding what you feel to be misleading statements on behalf of Caerphilly Media. I cannot comment on this but can point out that this type of information would not have been considered as part of the grant assessment process.

It is not our practice to consult with other businesses when considering applications for grant aid.

To conclude Caerphilly Media Ltd were eligible to apply for the Caerfilli Cwm a Mynydd Budding Businesses grant because they met the grant criteria. The grant was approved by the Grant Assessment Panel and not the council, the grant came from the Caerfilli Cwm a Mynydd Partnership and not the council.

I hope that this has clarified the matter.

Yours sincerely

HEAD OF REGENERATION AND PLANNING