
Reviewed by Andrew Hobbs (University of Central Lancashire, UK)

Published on Jhistory (July, 2023)

Commissioned by Zef Segal (Department of History, Philosophy, and Jewish Studies, the Open University of Israel)

Most people agree that journalism is important, and is good for democracy and participation in public life. Voter turnout falls and the cost of local government borrowing rises when local newspapers close, according to US research (p. 19). In the UK, the government has commissioned a series of inquiries and reports into the future of local journalism, with repeated calls from publishers for government subsidies. Indeed, from 2017 the publicly funded BBC was pushed into paying the salaries of some local newspaper journalists (“local democracy reporters”) tasked with coverage of courts and councils. Publishers of national papers have indulged in the same special pleading: in 2022 the UK government seemed to accept Times Newspapers’ sob story that declining print circulation and advertising income meant that it was now too expensive to keep their promise of separate editorial staffs for the Times and Sunday Times. But rising online revenues helped to produce a £52.5 million profit for the company in 2020/21, a margin of 16 percent (pp. 12-13).

Local newspaper publishers are also making millions of pounds in profits every year, on margins of up to 25 percent (p. 9), while continuing to make hundreds of journalists redundant. You won’t read about those profits in their newspapers, though. But they are forensically detailed, for the UK national press and local press, in Marc Edge’s slim volume, based on publicly available financial information that the publishers are legally obliged to provide to Companies House every year.

Edge, a former newspaper reporter in his native Canada, did a similar exposé of the North American newspaper industry in his 2014 book, *Greatly Exaggerated: The Myth of the Death of Newspapers*. His latest book offers rapid economic histories of the two sectors, local and national...
newspapers (treated separately because of the very different business models), before getting to the heart of the matter, a series of tables detailing turnover, profit, and profit margins. Along the way he makes some important points which are not as widely known as they should be, for example that newspapers are “highly scalable” businesses, meaning they can cut costs rapidly when revenues fall (usually by sacking journalists, p. vi); that newspapers can also save money by selling fewer print copies (p. viii); and that the UK is unusual in its lack of a newspaper subscription culture, making it harder for publishers to pursue this line of business (p. 3).

As Edge rattles through the history chapters, the main message seems to be that newspaper publishing is a highly volatile business in constantly changing markets, in which huge profits one year can be followed by heavy losses the next. The three twentieth-century Royal Commissions on the Press are covered, all of which decided that fears of overconcentration of ownership were exaggerated. By 2020, however, newspapers in both local and national markets were in the hands of even fewer owners (p. 71). While industry analysts, journalists, and the government seem to accept that internet advertising is mainly to blame for newspapers’ woes, Edge rejects this technological determinism and highlights poor management, for example in building up too much debt or paying too much when buying up more newspapers.

Edge's analysis of the records of Companies House is based on an established rule of thumb for assessing profitability, a figure known as “earnings before interest, taxes, depreciation and amortization” (EBITDA). Depreciation is the accounting practice of spreading the cost of a fixed asset such as buildings or machinery over a number of years, while amortization is a similar technique, used for intangible assets such as copyrights. However, Edge could have acknowledged the debate over EBITDA as a useful metric; he dismisses the criticism that it ignores capital costs, saying that in the digital age, newspapers are no longer a capital-intensive business, but he does not deal with another criticism, that EBITDA takes no account of interest payments, which were crucial in the failure of Johnston Press, one of the biggest local newspaper publishers. If readers find such language a turnoff, this may well explain why newspaper economics are so poorly understood.

Nonetheless, in the absence of better data, it is worth summarizing some of Edge's findings. He presents a hopeful picture of the finances of the “quality” end of the national newspaper market, where papers such as the Times, Telegraph, and Financial Times are making handsome profits from paywalls and digital subscriptions (the Guardian is also making a profit for the first time in years, thanks to a mixture of subscriptions and reader donations, despite its commitment to giving everything away for free). The Telegraph Media Group's 2021 filings show a £40.4 million profit on £245 million turnover, giving a margin of 16.5 percent (pp. 76-77). The Financial Times figures are harder to interpret because most of its costs are incurred in the UK while most of its income is made overseas. Nevertheless, by 2022 it had 1.17 million paid subscriptions, producing a £10 million UK profit on £319 million turnover, or a margin of 3.15 percent (pp. 77-78). Subscriptions and donations put the Guardian Media Group into profit in 2020-21 for the first time in years, at £20.7 million on a turnover of £255.8 million, giving an 8.1 percent margin (pp. 79-80).

The rest of the national newspaper market also appears to be making healthy profits. While Associated Newspapers (owners of the Daily Mail, Mail on Sunday, Metro, and the I) have had a slow decline in turnover; profits are holding steady, with a 2022 declaration of £64.9 million profit on a turnover of £567 million, making a margin of 11.4 percent (p. 74). News Group (publishers of the Sun and Sun on Sunday) has seen its turnover halve...
since 2005, but its 2021 figures show a profit of £12.9 million on £318 million, a margin of four percent. Reach plc (who own the Mirror, Sunday Mirror, the People, Express, and Star) stayed buoyant by buying up newspapers, with a 2021 profit of £165.4 million on a turnover of £616 million, giving a margin of 26.8 percent.

Edge concludes that, “contrary to perception, the business model for newspapers is hardly broken and in fact remains robust. Newspapers have nevertheless suffered great disruption from the Internet and are only now finding their way slowly to a sustainable future through experimentation” (p. 101). He cites the example of the online-only Independent, which reported a £5.4 million profit in 2021, on £41.1 million turnover, a healthy margin of 13.1 percent.

Local newspapers, in contrast, continue to make big profits but appear less sustainable, rewarding shareholders by cutting jobs and buying up the few remaining papers not in the hands of the big three (Newsquest, Reach, and JPIMedia, who between them own 69 percent of all local papers: JPIMedia rebranded as National World in 2022). Newsquest shrunk as a business, its turnover fell, but “its earnings remained strong and its profit margins steadily increased.” In 2021 it made £35.6 million on £142 million turnover, a margin of 25.1 percent (p. 93). Reach Regionals Media Ltd made £30.3 million profit in 2021 on £157 million turnover, a margin of 19.3 percent (p. 94). Johnston Press went bankrupt in 2018, despite reducing its huge debt year by year and making good profits on margins around the 20 percent mark; its creditors lost their patience and created a new company, JPIMedia, which made a profit of £12 million in 2021 on a turnover of £86 million, giving a margin of 13.9 percent.

Edge perhaps underplays the bleak future of the local press, and for both markets, he could also have placed more emphasis on his finding that nearly all newspaper businesses are shrinking. Yes, they continue to make big profits (his main point), but from declining revenues. While the overall structure of the book is clear, it is less so within each chapter, which piles fact upon fact, figure upon figure, with their significance often left unexplained. The book reads like a journal article with historical padding; perhaps the calculation was that a small book can have more public impact than an academic journal article. Meanwhile, publishers continue to make huge profits, journalists continue to lose their jobs, and—most importantly—these reduced editorial staffs mean that readers, democracy, and public life suffer, especially at the local level, where rumors spread unchecked on Facebook, Whatsapp, and Nextdoor.
If there is additional discussion of this review, you may access it through the network, at
https://networks.h-net.org/jhistory


URL: https://www.h-net.org/reviews/showrev.php?id=58781

This work is licensed under a Creative Commons Attribution-Noncommercial-No Derivative Works 3.0 United States License.