

Vital for new media entity to maintain public trust, say analysts

Experts: New business model won't change need to uphold high quality of journalism

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Following Singapore Press Holdings' (SPH) announcement on Thursday that it intends to transfer its media business to a not-for-profit company, observers *The Straits Times* spoke to said there are many precedents around the world for running a non-profit media organisation.

They also said that while the old media business model is undergoing massive disruption, it is still important to maintain public trust and uphold a high quality of journalism.

The new entity will eventually be a company limited by guarantee (CLG). SPH will inject \$80 million in cash along with \$30 million in SPH shares and SPH Reit units into the entity.

NEW FUNDING SOURCES

For a glimpse of what the future might look like for media organisations and journalism here, Dr Carol Soon, head of the Institute of Policy Studies' society and culture department, said one can turn to countries where not-for-profit journalism has a long history.

Pointing to a rising number of non-profit newsrooms in the United States, she said: "The challenges faced by newsrooms, specifically in terms of dwindling advertising revenue, are endemic.

"Elsewhere, the non-profit model seems to have created a new lifeline for newsrooms, both for legacy media and non-legacy media."

For example, *The Guardian* in Britain is owned by the Guardian Media Group, which is controlled by the Scott Trust, a non-profit foundation.

In France, *Ouest-France*, the leading daily in terms of circulation, has been owned by a non-profit organisation since the early 1990s. With this legal status, the newspaper was able to avoid a hostile takeover.

Philanthropic initiatives in the US, such as the American Journalism Project and Report for America, have placed emerging journalists in newsrooms across the country to plug gaps in local news coverage.

On possible sources of funding for SPH Media, Dr Soon said these could include the philanthropic community and foundations, high-net-worth individuals and reader donations.

But she cautioned that regardless of source, the non-profit model is not a "magic wand", and the existential challenges faced by newsrooms today will not disappear.

What you need to know

What is a company limited by guarantee?

- A public company limited by guarantee (CLG) is usually formed to carry out not-for-profit activities that have some public or national interest, such as arts promotion or tertiary education.

- It has members instead of shareholders who agree to pay a fixed sum in case the company is wound up, according to Singapore's Accounting and Corporate Regulatory Authority (Acra).

- In comparison, a company limited by shares has shareholders and may raise capital by offering shares or debentures – a type of unsecured bonds – to the public.

What can and can't they do?

- CLGs have a corporate status and have to be registered with Acra like other business entities and be governed by the Companies Act. CLGs are liable to pay corporate tax and may qualify for tax deductions or exemptions.

- They are also prohibited from paying dividends and profits to members, which means profits will be ploughed back into the company so that it can fulfil its mission.

What are some CLGs here?



- The National University of Singapore (left), Temasek Foundation and The Esplanade Co (above) are among the more well-known CLGs here. The Esplanade also has charity and Institution of a Public Character status.

Do such not-for-profit models exist elsewhere?

- The Guardian is owned by Britain's Guardian Media Group, which is itself entirely controlled by the Scott Trust, a non-profit foundation whose mission since 1936 has been to safeguard the paper's independence.
- The Irish Times, founded in 1859, has been owned by the Irish Times Trust since 1974.
- Germany's largest media conglomerate Bertelsmann is owned by the Bertelsmann Foundation.
- In the United States, Pulitzer Prize-winning site ProPublica was created as a public trust, The Philadelphia Inquirer is owned by The Lenfest Institute, and the Tampa Bay Times by the Poynter Institute.

This is because non-profit newsrooms will have to provide a compelling reason for institutions and individuals to give, and more importantly, to continue their giving, she said.

"Foundations are more likely to provide sustained support if the beneficiary newsroom engages in issues they consider are priority, or are meeting clear and present needs of the society," she said.

"In other countries, many mission-driven, non-profit newsrooms focus on advancing public interest through investigative reporting. So non-profit newsrooms will have to demonstrate their impact while pressing on with audience-centric innovation."

Even newsrooms that have successfully pivoted still struggle to keep their heads above water. Last year, The Guardian said it was cutting 180 jobs after the media group's revenues fell amid the pandemic.

NEW STRUCTURE

Professor Ang Peng Hwa of Nanyang Technological University's Wee Kim Wee School of Communication and Information said that the question is what form the CLG will eventually take and which news beats could be affected, given that many media companies around the world have cut back on their stable of foreign correspondents.

He said a key issue is financial independence, without which the CLG could be susceptible to business meddling. "So there's quite a major shift that needs to be done."

Prof Ang noted that in some Scandinavian countries, government cash is channelled to media companies through third-party organisations, so that state support is maintained at arm's length.

He said the picture will be clearer once the CLG takes shape, assuming that SPH Media is subject to the Newspaper and Printing Presses Act (NPPA), which comes with various restrictions.

For example, the NPPA states that no person shall, without the approval of the Minister for Communications and Information, become a substantial shareholder of SPH or enter into any agreement or arrangement "to act together with any other person with respect to the acquisition, holding or the exercise of rights in relation to, in aggregate more than 5 per cent of the shares".

And if the public funds SPH Media, Prof Ang said, the most obvious question at the back of their minds would be whether the Government is supporting it too.

In a statement on Thursday, the Ministry of Communications and Information said the Government is prepared to provide funding support to the CLG to help SPH Media accelerate its digital transformation and build capabilities for the future. "It is in the interest of Singapore and Singaporeans that our local media continues to thrive and deliver quality journalism," said the ministry.

TRUST IS KEY

In the end, sustaining public trust is key, said Singapore Management University associate professor of law Eugene Tan.

"The battle for people's attention and trust in a more diverse media landscape does not sit well with the financial bottom line for a publicly listed company," he said.

He said that while the CLG model may be a respite from day-to-day business needs, it does not change the fundamental demand for quality, reliable and independent journalism that captures the diversity of views on issues of the day "without fear or favour".

Under the new model, the role of the Government could feature more prominently, Prof Tan said.

"And so the financial bottom line will now be replaced by the trust bottom line," he said. "Can SPH's stable of newspapers measure up to the expectations and demands for trust - in terms of clarity, quality, and motive - in its reporting and commentary?"