

**MINISTERIAL STATEMENT BY MR S ISWARAN, MINISTER FOR COMMUNICATIONS AND INFORMATION, AT THE PARLIAMENT SITTING ON 10 MAY 2021**

**“A Thriving Local News Media in The Digital Age”**

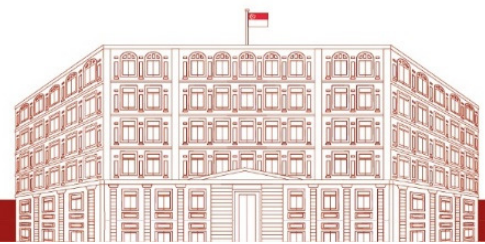
**Introduction**

1. Mr Speaker sir, last Thursday, Singapore Press Holdings Limited (SPH) announced its proposal to restructure and transfer its media business to a Company Limited by Guarantee (CLG) to secure its long-term viability. My Ministry has voiced the Government’s support for SPH’s proposal and committed to support the media business as it builds capabilities and adapts for a digital future.
2. Today, I will bring Members through the key considerations behind these decisions:
  - a. First, the importance of local news media to our nation and how we have upheld it through our history;
  - b. Second, the Government’s reasons for supporting SPH’s proposal; and
  - c. Third, our commitment to help our local news media adapt and thrive in the digital era.

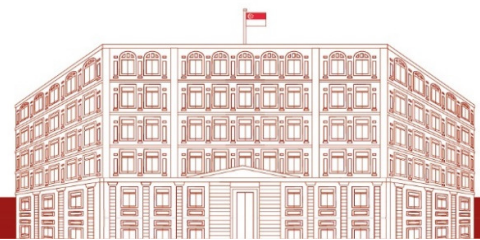
**The Government’s approach to local news media**

**Role and value of local media**

3. Mr Speaker Sir, a high-quality, professional and respected media, reporting news by Singaporeans for Singaporeans, is essential to the fabric of our nation. Our local media is keenly attuned to our unique circumstances as a small city-state, an open economy and a multi-racial society.
  - a. They help interpret global events through a distinctively Singaporean lens, analysing their impact on our lives. This is ever-more crucial in an era of heightened geopolitical contestation.
  - b. The local media also express our identity, values and priorities, so that the world gets a perspective from Singapore itself, and not through the filter of others.
  - c. Domestically, the local media not only report on events and developments, but also publish a balanced range of views, to inform the national debate and help foster a national consensus, not allowing disagreements to deepen into divisions in our society.
  - d. They help to sustain the common ground in our multi-racial and multi-religious society, whilst preserving the voice of each of our communities through the vernacular media.
  - e. And they write ‘the first draft of our history’, as Mr Goh Chok Tong put it in 1995, serving as an authoritative record of our collective experience as a people, giving future generations of Singaporeans a sense of how we saw the world, what was important to us, and how we built tomorrow’s Singapore.



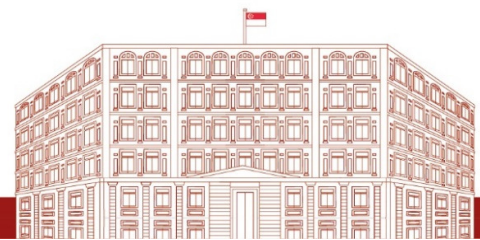
4. The local news media fulfil this role while upholding high standards of accuracy, objectivity and balance. These are traits that are ever more scarce in the raucous global information landscape, especially online.
  - a. The local media help to distinguish fact from falsehood, substance from posture, ‘what is high from what is low’, as Mr Lee Kuan Yew put it in 1998.
  - b. As our nation faces increasingly complex challenges and trade-offs, our local media provide a highly credible flow of information and analysis upon which we form collective decisions.
  - c. COVID-19 vividly exemplified this. In the pandemic, Singaporeans looked to our local newspapers and channels as their trusted sources of critical information.
  - d. In a 2020 survey by the British pollster YouGov, seven in ten Singaporeans said they trusted the local media’s reporting on COVID-19. In the UK, by comparison, YouGov found that only three in ten trusted the information on COVID in British newspapers.
  - e. In 2021, the Edelman trust barometer reports Singaporeans’ trust in local media at 62% – above the global average of 51%, and above the US number of 45%, and UK and France, which were both at 37%.
5. It is critical to maintain this trust. Our local media industry has strived to do so, while adapting to changing industry trends and commercial imperatives.
6. Because of its importance to the national interest, the Government has been an active steward in this evolutionary process, to ensure the vitality and viability of our local media industry. Let me cite two examples.
  - a. In 1984, SPH was formed through a merger of the English, Chinese, and Malay-language papers, with the Tamil press brought under its umbrella later in 1995.
    - i. The primary aim of this merger, nearly four decades ago, was to preserve the vernacular media. The Government could see that the vernacular papers would come under greater financial pressure over the years, with the gradual shift towards English.
    - ii. As Mr Lee Kuan Yew explained at Lianhe Zaobao’s 80th anniversary in 2003: “My worry as Prime Minister was how to preserve at least one quality Chinese newspaper and sustain it over the long term, when the trend in education was towards English.”
    - iii. The merger reduced duplication of overheads and costs of competition, and enabled the SPH newspapers to achieve economies of scale and greater commercial viability.
  - b. Between 2000 and 2005, the print and broadcast industries launched into more direct competition, but subsequently re-consolidated.
    - i. Initially, SPH and Mediacorp were allowed to enter each other’s main businesses, with the trend towards convergence between print and broadcast. The hope was that greater competition between them would spur both to develop better local content and retain local audiences against rising foreign competition.
    - ii. The competition was fierce, but ultimately the model did not prove to be viable. Against the backdrop of the dotcom crash and SARS, the industry was rationalised in 2004 to preserve the viability of the two companies, one a core broadcaster and the other a core newspaper group.



## **Context and considerations for restructuring**

### **Challenges facing media business globally**

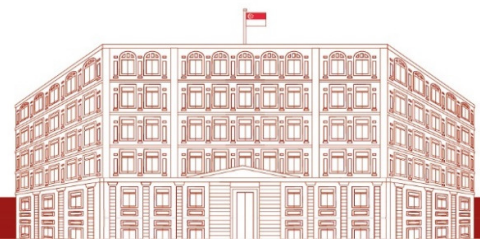
7. Today, yet again, our local news media is at a watershed.
8. Sweeping structural changes in the media and advertising industries, caused by technological advances and the internet, have severely disrupted the traditional business model that relied on print advertising revenue.
  - a. The competition for eyeballs has intensified.
    - i. In the borderless online space, our local news media must now compete not just with international news organisations, but also entertainment providers and user-generated content.
  - b. The cost of producing quality news content remains high, but revenues have plummeted.
    - i. Global print advertising revenue is decreasing by 7% year-on-year.
    - ii. Meanwhile, news aggregators and other news providers are now able to provide so-called “free news services” without the cost of maintaining a high-quality newsroom.
    - iii. Though digital ads are growing, it is the digital platforms, like social media and search engines, that capture the lion’s share of the revenue.
9. Though the demand for quality news has not diminished, monetizing digital initiatives is challenging, and the revenues of quality news platforms all over the world are falling sharply with little prospect of relief.
  - a. Just last week, on World Press Freedom Day, the executive director of the World Association of News Publishers, Andrew Heslop, published an article titled “Media across the globe fighting immediate and existential threats”. He warned: “Many of the difficult questions facing the news industry are underpinned by an inability to predict a general economic model that will guarantee a future for quality, professional journalism ... The harsh reality: public interest reporting simply does not convert to advertising dollars.”
  - b. For many media companies, the economic fallout of COVID-19 was the final straw. An article in the Columbia Journalism Review described it as “The Journalism Crisis Across the World”.
10. Most publications are now running deficits, and many newsrooms are shrinking, even closing.
  - a. More than a quarter of American newspapers have disappeared in the last 15 years, reducing the number of newsroom jobs by half. In the UK, more than half the country is no longer served by their own local newspapers.
  - b. Southeast Asia has seen well-known newspapers change hands, restructure, or shut down in recent years. The Jakarta Globe ceased printing and went fully online in 2015, and the Philippine Star had a majority stake acquired by the telecommunications group PLDT.
  - c. Ours is a small local market with just two main local news media organisations, SPH and Mediacorp. While there are potential synergies and opportunities for collaboration between them, we can ill afford the convulsions and closures we have



seen elsewhere, with a consequential loss of diversity and choice in our media landscape.

### **Varied responses by media companies and governments worldwide**

11. The response of media companies across the world has been varied, reflecting their own social and political contexts.
  - a. Many have resorted to cost-cutting to survive.
    - i. News Corp, one of the largest media groups in the world, recorded a US\$1.5 billion loss in 2020. It is now embarking on a consolidation exercise which will likely entail major cost cuts and job losses.
  - b. Even digital news sites, which have ridden the wave of internet media, have not been spared.
    - i. Popular site BuzzFeed, which claimed a greater online audience than the print circulation of any single newspaper, has never made a profit, and was compelled to abort its global expansion plans last year.
  - c. Some publications have received life-support from wealthy financial backers or funds.
    - i. Billionaires have acquired established newspapers, for philanthropic or other motivations.
      - The Washington Post was bought by Jeff Bezos of Amazon in 2013, after 80 years of ownership by the Graham family, which had sustained the paper partly on the proceeds of its Kaplan education business. In the six years before the sale, the paper's operating revenue fell by 44%.
      - The South China Morning Post was owned by Rupert Murdoch's News Corp until 1993, when it was acquired by Malaysian real estate tycoon Robert Kuok. In 2016, it was acquired by the Alibaba Group.
      - With the largesse of Alibaba, SCMP lifted the paywall on its articles, and was reported to have increased its international reach more than fourfold within 3 years. Yet it remained loss-making.
      - In 2020, SCMP restored the paywall and subscription model, acknowledging that the "advertising model is no longer enough to sustain high-quality news".
    - ii. Other major newspapers now owned by billionaires include the Los Angeles Times. Even hedge funds have got into the act. Alden Global Capital acquired over 200 US newspapers, with extensive layoffs and cost-cutting measures.
  - d. Some newspapers have received funding from non-profit organisations.
    - i. The Guardian in the UK has been owned by the Scott Trust since 1936.
      - It has done well against global competition – nearly two thirds of its readers come from outside the UK. But in 2020, after making a 25-million-pound loss even after drawing from the Trust, The Guardian announced plans to cut 12% of its workforce saying that "we face unsustainable annual losses in future years unless we take decisive action."

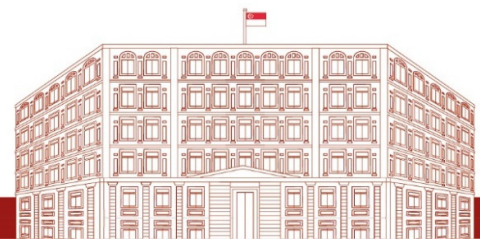


- e. Even the rare papers that are profitable are under continuing pressure.
- i. The Wall Street Journal has had to make numerous changes to its operating model to keep afloat. While investing in a special innovation team of 150 employees, it has also had to thin out its print edition and lay off staff as recently as 2016.
  - ii. The New York Times has done especially well in making the digital pivot, recently reaching 7.5 million subscribers in 2020, though it too saw ad revenue plunge by 26% the same year.
    - The New York Times' success is not easy to replicate. Beyond digital transformation, it commands a global attention that is difficult for our media, writing from the perspective of a small country, to emulate.
    - It is also noteworthy that the New York Times and Washington Post tripled their digital subscriptions during the period of the Trump administration. Meanwhile, US metropolitan dailies of comparable size (like the LA Times, Chicago Tribune, and San Francisco Chronicle) have seen significant falls in circulation, in part because of 'subscription fatigue' among readers.
  - iii. The Financial Times, which enjoys the advantage of being a specialist newspaper, employs rigorous data analysis to tailor its coverage and subscription offers at its target segments.
    - It has a small but affluent readership, exemplified by FT's weekly lifestyle magazine called "How to Spend It", with strong advertising appeal.
    - Still, in 2015, the Japanese media group Nikkei bought Financial Times from Britain's Pearson. Even a successful newspaper is susceptible to takeover.

12. Governments around the world have recognised the news media as a public good that merits direct public funding.

- a. Public funding of broadcast media is well-known. Less well-known is public funding of print media, but it has a long tradition in European countries.
  - i. The French government spends hundreds of millions of euros annually to support the press, including prominent papers like Le Monde and Le Figaro. It has done so for over half a century, with annual subsidies at times exceeding a billion euros.
  - ii. Scandinavian Governments too, have supported their newspapers for decades, both through direct subsidies and tax breaks. In 2020 alone, the Norwegian Media Authority gave press subsidies of 43 million euros, while Sweden rendered a 65-million-euro aid package to buffer the impact of the pandemic.
  - iii. In Singapore, we provide annual funding for public service broadcasting to Mediacorp. Last year, we also provided SPH media with over \$30 million through the national Jobs Support Scheme, and we were prepared to do more if the need arose.

13. In sum, the global news media industry is under severe structural pressure, and there is no universal solution. A few have succeeded; some are struggling; many have failed.



The sources of support – be it public, private, philanthropic or others – have varied widely.

14. At this critical juncture, SPH Media must similarly chart its own course to revise – and if necessary, re-invent – its business model for the digital age.

### **Impact of structural forces on SPH**

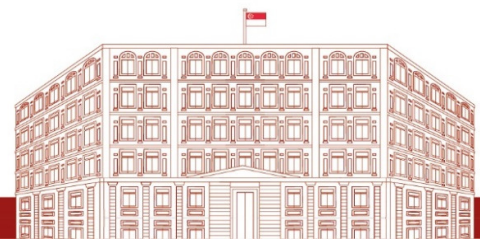
15. Against these industry headwinds, SPH has held out longer than most.

- a. In fact, SPH's overall reach and readership has never been higher. SPH papers' total circulation has grown by 5% from 2017 to 2020. In fact, The Straits Times' print and digital circulation has grown by about 20%.
- b. SPH has also made significant investments – of about \$50 million a year for the last five years – to build digital capabilities and grow its readership.
  - i. It has also augmented newsrooms with a wider range of tech capabilities – such as product development, digital content production, data analytics, and audience development.
  - ii. It has modified its operations to generate content round the clock and deployed it on a wider variety of social media platforms, including Instagram and Telegram.
  - iii. SPH has launched new platforms for readers to engage its correspondents and experts and has been recognised internationally for its excellent data visualisation and interactive graphics, multimedia and photojournalism.
  - iv. Last year, it emerged as the biggest winner at the Asian Media Awards – with the Straits Times and the Chinese Media Group picking up accolades in breaking news, infographics, feature photography, and newspaper design, to name a few.

16. In short, these are not news platforms that are declining in quality or readership. On the contrary, like Mediacorp in broadcasting, SPH papers continue to be trusted and valued sources of news that are well read, which is a tribute to the professionalism of our journalists.

17. Their challenge today stems from an inability to monetise their gains in attracting and retaining readers on digital platforms.

- a. Despite rising readership, SPH's media business has been steadily losing revenue. SPH announced last week that its media business had lost half its operating revenue in the past 5 years and posted its first ever loss of \$11.4 million in 2020. And that loss would have been deeper without the Government's JSS grant.
- b. Looking ahead, SPH expects these trends to persist and widen.
  - i. Print advertising revenue will continue falling as media consumption progressively shifts online. Rising digital advertising revenue will not compensate for the fall in print advertising revenue. And there is limited scope to grow digital subscriptions given our small domestic market and global competition.



- ii. These secular trends are undeniable. They affect SPH, Mediacorp, and the global media industry. And the adverse effects will be compounded by the lingering economic impact of COVID-19, with businesses cutting ad spending, and consumers reluctant to pay for content.

18. SPH has been under persistent pressure to account to shareholders for the anaemic financial performance of its media business.

- a. Hence, the company has implemented several cost-cutting and retrenchment exercises in recent years. But SPH has assessed that any further cuts would impair its ability to maintain quality journalism.
- b. SPH has also spoken of its constraints as a listed company to make significant and sustained investments in their digital and newsroom capabilities, which may not yield near-term payoffs.

19. Hence, under the current structure, there is a serious risk that SPH's media capabilities will be hollowed out.

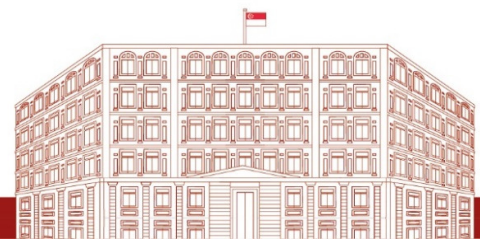
- a. Without sustained investment in capacity building and a digital pivot, its quality and circulation will fall, and this in turn will worsen financials and cause further disinvestment.
- b. And the immediate pressure will inevitably be on our vernacular papers, some with relatively small circulations, which would have a profound detrimental impact on the multi-racial fabric of our society.

20. Mr Speaker sir, this is the sobering picture of what lies ahead if we fail to act now and take proactive steps.

- a. Without a responsible and high-quality local media, the quality of our public debate and discourse will be compromised, and we will slowly but inexorably become less cohesive as a society.
- b. Given what is at stake, the Government must take a long-term view, and adopt measures to secure the sustainability of our local media.

21. The Government therefore carefully studied the proposal from SPH.

- a. SPH proposes to restructure and transfer the ownership of its media business to a Company Limited by Guarantee (CLG).
  - i. It will first form a new subsidiary, transfer the media-related businesses and properties to the subsidiary, and capitalise the subsidiary with \$80 million cash and \$30 million worth of SPH shares and REITs. Subsequently, if SPH shareholders give their approval, the subsidiary will be transferred to the CLG.
  - ii. The CLG will be separate from the listed company, no longer run by the SPH management. It will operate as a revenue-seeking business, subject to the usual commercial disciplines. However, any operating surplus will be ploughed back into the media business, rather than distributed to shareholders as dividends. In that sense, it will be "not-for-profit" to the members of the CLG.
  - iii. This concept of a CLG run with commercial discipline is not new for us. There are several examples including our universities, The Esplanade and Gardens by the Bay.



- b. SPH's proposal is not a panacea for the challenges faced by its news media business. But it is an essential first step if the media business is to adapt to the digital and commercial realities of the industry.

22. The Government therefore supports SPH's restructuring proposal and is willing to provide funding support to the CLG. Let me summarise our thinking.

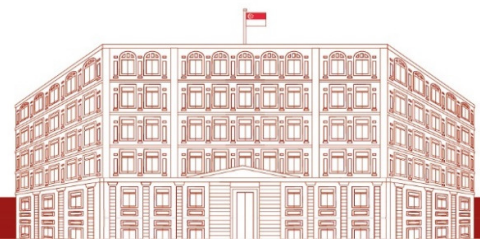
- a. Sir, a high-quality and trusted national media, with an instinctive understanding of our national interests and constraints, is essential to Singapore.
- b. Throughout our history, the Government has aimed to develop and sustain such a media industry in Singapore.
- c. However, the current SPH model of a news media business within a listed company is no longer viable. While the media business' traditional revenues streams are declining sharply, significant investments are needed to build digital and other capabilities for the long term.
- d. A Company Limited by Guarantee is one model to remove the news media business from the constraints of a listed company, while the news business under the CLG invests in strategic imperatives.
- e. But the CLG will still have to find new sources of funding to meet the expected financial shortfalls in the news business.
- f. The Government is willing to help fund the proposed CLG – while ensuring fiscal discipline and accountability – in areas like digital innovation and capability development, as part of a long-term sustainable business plan.
- g. We already have a similar financing model with Mediacorp, our core national broadcaster, which has been working well.
- h. Having such national broadcasters, newspaper publishers, and online news platforms is a public good that benefits the whole of society.
- i. Although the business and financing model will change, the Government does not intend nor expect this to affect the relationship between MCI and the SPH newsroom.
- j. The Government is mindful that our local news media must remain credible institutions that are trusted by Singaporeans, and that it remains the responsibility of the editors and journalists in SPH Media to report news and diverse opinions objectively, and from a Singaporean point of view.

### **Road ahead for the CLG**

#### **Ingredients for success**

23. Looking ahead, the CLG's success will be determined by three key factors.

- a. First, strong leadership, with the support of its stakeholders, to set the strategic vision and execute the organisational transformation.
- b. Second, a robust business strategy that can be sustained under the new structure with the requisite resources.
- c. Third, a strong and capable team of professionals in the newsrooms, who will maintain the high standards that we have come to expect of this cherished national news organisation.



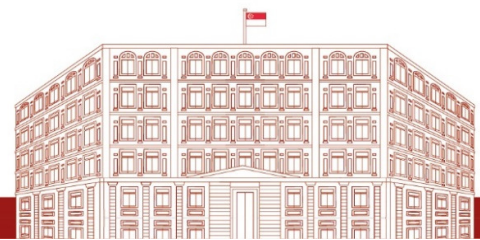


24. In this regard, the Newspaper and Printing Presses Act (NPPA) is a key regulatory instrument that will apply to the news entities under the CLG.

- a. The NPPA was introduced in 1974. It places restrictions on the ownership and control of local newspaper companies. Among other requirements, newspaper companies like SPH are required to issue two classes of shares – ordinary shares, and management shares.
  - i. Ordinary shareholders can each hold no more than 5% of the company's shares except with the approval of the Minister. This prevents excessive influence over local newspapers from any single source, local or foreign.
  - ii. Management shareholders have special voting rights on resolutions relating to the appointment of directors and staff of the newspaper company. The issuance of management shares, and through that the appointment of directors, must be approved by the Minister.
    - The intent has always been for these management shares to be held by reputable and established institutions, so that the stewardship of the newspaper is entrusted to entities with an abiding interest in, and commitment, to Singapore's stability and success.
    - Currently, the management shareholders of SPH are OCBC, Great Eastern, UOB, DBS, Singtel, NTUC Income, Temasek via Fullerton Pte Ltd, NUS, and NTU.

25. As SPH restructures its media operations, we want to ensure that its management shareholders continue serving as custodians of the CLG.

- a. I have therefore met and consulted the representatives of the management shareholders. And they have all agreed to form the CLG, and to be its founding members. This will ensure that our local news media will remain in the hands of trusted institutions with a long-term stake in Singapore. In due course, the membership will be expanded to include newer and more diverse institutions as stakeholders of the CLG.
- b. One important and immediate decision for the CLG is the appointment of the chairman of its board. I also discussed this with the management shareholders. They have all agreed that, given the national importance of this undertaking and the scale of the challenge, the chairman should be Mr Khaw Boon Wan. With his high standing and more than twenty-five years of public service experience in various senior appointments, Mr Khaw will be able to provide strong strategic leadership for the CLG. And I am pleased to inform Members that Mr Khaw has agreed to be the Chairman of the CLG, and he will be sharing his thoughts on its way forward in due course.
- c. To ensure the long-term viability of the enterprise, the Government also stands ready to provide the CLG with funding in areas like digital innovation and capability development. We want to ensure the CLG has the wherewithal to innovate, build digital and other essential capabilities, and confidently take on new challenges.
  - i. The new media company must have a long-term, sustainable business model with different revenue sources – including traditional advertising



- and subscription revenues, complemented by government funding, and contributions from its management shareholders and benefactors as other components.
- ii. We expect that after the transfer of the media business, the CLG will formulate detailed proposals on its strategic plan to build the business. And this will form the basis for government funding and support.
- d. On the regulatory front, the Government will maintain the safeguards hitherto placed on the media business under the NPPA.
- i. Subject to shareholder approval, after the restructuring is completed and the media business is transferred to the CLG, MCI will lift the shareholding controls imposed on the listed SPH entity.
  - ii. The NPPA will then apply to the new media company, under the CLG's charge. The NPPA will not apply to the CLG, but appropriate safeguards will be incorporated in the constitution of the CLG to ensure that the CLG structure achieves its purpose and fosters the objectives of the NPPA framework; and that its members and directors will remain committed to Singapore's stability and success.

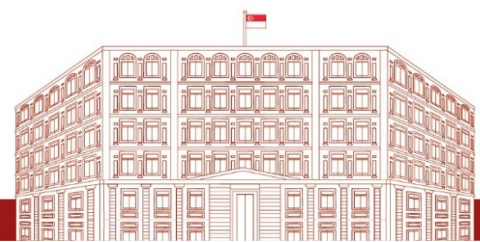
26. Mr Speaker Sir, we want the news media business to succeed in this critical transition while continuing to fulfil its vital role in our society.

- a. As I said at the beginning of this statement, a high-quality, professional and trusted media, with news reported by Singaporeans for Singaporeans, is essential to the fabric of our nation.
- b. That mission statement remains unchanged. Within the framework of the NPPA, the local media operate independently of the Government. They report and analyse the news fully and objectively, not holding back bad news, nor advancing any singular ideological view or agenda, but focussed on Singapore's interest. The Government and the media will not see eye to eye on every issue and incident – but that is to be expected.
- c. And that is how SPH, and Mediacorp, have operated hitherto. And that is how the Government expects the CLG to continue to operate after the proposed restructuring.
- d. The CLG must maintain the reputation and high level of trust that SPH has built with generations of readers, domestically and internationally.

## **Conclusion**

27. Mr Speaker, the restructuring of SPH is a watershed in the evolution of our local news media. But we are convinced that it is essential if our news media are to survive as high-quality news outlets. And the Government will do our part to sustain a trusted news media in Singapore.

28. Sir, our news media are not just economic entities. They are cherished institutions that reflect our values; whose “past, present and future are intrinsically tied to this nation” as PM Lee put it at The Straits Times’ 170th anniversary. The newsrooms are, and must continue to be, home to talented editors and journalists, whose professionalism and diligence have built credibility and trust in our newspapers.



29. As 19-year-old A-level graduate Keng Xin Yi said in today's Straits Times, 'It is important to keep SPH Media alive and motivated to produce quality newspapers every day. ST has been serving Singaporeans with diligence and high standards, educating us from the time when we knew little about the world. I hope we can express our gratitude by supporting and respecting these dedicated journalists. Together we can keep our source of knowledge going and keep our ST alive. I want ST to be a part of the lives of my future children and grandchildren too.'
30. The success of this restructuring, and the future of our local news media, turns ultimately on our journalists' commitment to this mission, and the support of our citizens like Xin Yi. And I would like to conclude by assuring our journalists, and all Singaporeans, of this Government's abiding support for this critical national endeavour.

**-END-**

