



HOUSE OF LORDS

Select Committee on Communications

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1st Report of Session 2007–08

# **The ownership of the news**

## **Volume I: Report**

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NOTE: References in the text of the report are as follows:

(Q) refers to a question in oral evidence

(p) refers to a page of written evidence

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## SUMMARY

Successive governments have recognised the impact that media ownership can have on the news. The previous Conservative administration stated that “A free and diverse media are an indispensable part of the democratic process ... If one voice becomes too powerful, this process is placed in jeopardy and democracy is damaged”. When drawing up the Communications Act 2003, the present Labour Government stated that a healthy democracy was dependent on a culture of dissent and argument and this culture would inevitably be diminished if there were only a limited number of providers of the news. One of the aims of the Communications Act was to ensure that a diversity of voices continued to exist in the news media at a time when the industry was experiencing a period of consolidation.

This report examines the impact that media ownership can have on the news and the effect of consolidation on the newspaper, television and radio industries. We have proposed changes to the regulation governing ownership, but do not believe that by themselves media ownership laws are sufficient to ensure our aim of a diversity of voices in the news. We believe that public service broadcasting has a continuing and vital role to play.

Our inquiry took place against the background of what Rupert Murdoch described as the “fairly chaotic” state of the news media. We found plentiful evidence to support this view. Both here and abroad the newspaper industry is facing severe problems as readership levels fall; young people turn to other sources of news; and advertising moves to the internet. The newspaper industry is responding to these challenges in a variety of ways including establishing a high profile web presence. However, even when newspapers run successful internet sites the value of the advertising they sell on these sites does not make up for the value lost. The result of these pressures is that newspaper companies are having to make savings and this is having a particular impact on investment in news gathering and investigative journalism. The number of foreign news bureaux is decreasing, and there is an increasing reliance on news agency feed and information derived from the public relations industry. Inside the United Kingdom the regional and local press is under particular pressure.

In television news the same trends are evident. Most news programmes have smaller audiences than they had ten years ago; younger people in particular are watching less television news; commercial television channels are losing advertising revenue to the internet.

New media, in particular the internet, are having a major impact on the way news is produced and consumed. The internet provides a multitude of sites through which news stories can be accessed. Internet news can be updated minute by minute and space is not limited so more information can be made available. The internet is now attracting large amounts of advertising—Google’s overall headline advertising revenues have now surpassed ITV1’s.

The popularity of the internet as a news source should not be overstated. In 2006 only 6% of United Kingdom adults surveyed stated that the internet was their main source of news. This contrasted to 65% of adults whose main source of news was the television, 14% from newspapers and 11% from the radio. The traditional forms of news are likely to continue to be the most popular sources of news for the foreseeable future.

It was put to us that because of the proliferation of ways to access the news, it is no longer necessary to be concerned about the regulation of media ownership. We do not accept that argument. Much of the news available on the internet and on the new television channels is not new. It is repackaged from elsewhere. The proliferation of news sources has not been matched by a corresponding expansion in professional and investigative journalism. It is still possible for one voice to become too powerful to be acceptable in a healthy democracy. Owners can and do influence the news in a variety of ways. They are in a position to have significant political impact.

The consolidation of media ownership adds to the risk of disproportionate influence. In the United Kingdom, the national newspaper industry is run by eight companies—one of which has over 35% of the national newspaper market. The regional and local press has seen a particularly marked concentration of ownership where four publishers now have almost 70% of the market share across the United Kingdom. Radio news is dominated by the BBC, which accounts for over 55% of radio listening and the commercial radio sector is dominated by four companies which have a 77% share of the commercial radio market. National television news in the United Kingdom is produced by three companies: the BBC, ITN and BSkyB. There may now be many new channels but only these three companies produce national content. At the same time there have been increasing levels of cross-media ownership.

The Communications Act 2003 introduced a new regime for considering the public interest implications of a media merger—the Public Interest Test. One of the most worrying trends in recent years has been the lack of investment in news gathering and investigative and specialist journalism, yet the Public Interest Test does not include any requirement to establish whether a merger will impact adversely on news gathering. The criteria to be considered during the Public Interest Test for newspaper mergers in particular are far from comprehensive and are in need of review. We also have concerns that government ministers are the only people with the power to issue a public interest intervention notice, we recommend that Ofcom should have a similar power. We believe that reforming cross-media ownership restrictions on regional and local newspaper and radio mergers is also necessary. We question why the Government have made no progress in attaining reciprocal rights for British companies to hold broadcast licences abroad, having liberalised the laws in this country.

However, we do not consider changes in ownership regulation and competition law to be enough if the aim is to ensure a range of voices and high quality news. The public service broadcasting system in the United Kingdom provides an invaluable news service for the citizen. The public service broadcasters and particularly the BBC have a worldwide reputation for news gathering and continue to provide a wide range of home and overseas news. This is in contrast to the position in the United States where the quality and range of television news has diminished as commercial pressures have increased. It is therefore crucial that the contribution of all the public service broadcasters is maintained. The BBC occupies a pivotal position in news and current affairs and it is vital that nothing be done to diminish that role.

By the time that analogue switch-off is completed in 2012 the commercial public service broadcasters will have lost a large proportion of the indirect subsidies they have received in return for the public service content that they produce. The system of supporting and regulating the public service broadcasters is currently under review by the industry regulator Ofcom and by the Government. There is a possibility that without new forms of support some of the commercial public service broadcasters will decide to hand back their licences and operate as purely commercial entities. We do not believe this would be in the public interest. Public service broadcasting cannot be left to the BBC alone. A continuing plurality of public service broadcasters is particularly important for news and current affairs. However, we are sceptical that “top-slicing” the licence fee would be a sensible way forward. The commercial public service broadcasters should not be supported at the expense of the ability of the BBC to do what it does best. We also believe that Ofcom needs new powers to ensure that the quality of the news provided by the commercial public service broadcasters is maintained.

Parliament has an important role in relation to the commercial public service broadcasters and the BBC and we want to see that role strengthened. In the case of newspapers however (and in the case of the internet) the role of Parliament is less clear. We strongly believe in the freedom of the press. But we also believe that there is a legitimate democratic expectation that newspaper owners and editors be open about how they approach their job. During the course of this inquiry we found that some witnesses from the newspaper industry were very reluctant to come and give oral evidence and in one case a potential witness refused to appear. Newspapers themselves call for maximum openness and condemn secrecy and attempts at “cover ups”. We do not believe that newspaper owners or editors should be able to hide behind a shield of privacy that their newspapers would not accept when dealing with members of the public. In the light of this we have invited the House of Lords Procedure Committee to review the cumbersome way by which witnesses can be compelled to give evidence to a Select Committee.



# The ownership of the news

## CHAPTER 1: INTRODUCTION

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1. The news media have a vital role in a democracy. They report the news from home and overseas; they expose injustice; they challenge government and officialdom and they set out a huge range of views. Our concern in this inquiry is how to ensure the news media can continue to fulfil this role and in particular to examine the impact of ownership on the news media. A media concentrated in too few hands could have the effect of limiting the freedom of expression and diversity of view which is the hallmark of a democratic state. This report examines whether ownership has become more concentrated, what impact ownership can have on news and what options are open to the Government to ensure that the British public has a proper choice of accurate and high quality news.
2. Throughout most of the twentieth century people relied on newspapers and a limited number of radio and television channels for their news. However, technological advances including the advent of the internet and new electronic means of distribution have resulted in a proliferation of news sources. News is now available on a multitude of websites, some run by traditional news providers and some run by new incumbents or even by individual “bloggers” who comment on the news and occasionally even break stories. Satellite, cable and now digital television has increased the number of television channels and in turn the number of news channels. At the same time increased choice has fragmented news audiences and advertising revenues and news providers have had to create new business models in an uncertain environment.
3. While there has been a proliferation of ways to access the news, there has not been a corresponding expansion in professional journalism. The market pressures faced by news organisations have led many to scale back on investment in journalism and news gathering. Much of the news available on the internet, on the new television channels and elsewhere is repackaged from other sources. The number of specialist correspondents seems to be shrinking rather than growing to keep pace with new trends in news provision. Foreign correspondents have been cut back by most news organisations.
4. Media ownership is regulated differently to ownership of most other business activities because of the media’s place in a healthy democracy. They provide the range of voices and opinions that informs the public, influences opinion, and supports political debate. Regulation to ensure a plurality of media ownership is therefore particularly aimed at ensuring a diversity of news provision. Media mergers and acquisitions are currently subject to a special regime of regulation above and beyond general competition law. Specifically they can be subject to a test of their impact on the public interest.
5. As for content, the regulatory requirements for broadcasters are fundamentally different to those for newspapers. Broadcast news, on both television and radio, has traditionally been provided either by the publicly funded BBC or the commercial Public Service Broadcasters (PSBs) who have received indirect subsidies in return for undertaking certain

programming duties, such as children's, news and regional programming. Government and Parliament are able to influence the quantity, scheduling and quality of broadcast news on the PSBs. The industry has a statutory regulator, Ofcom, although the BBC is still responsible for regulating most aspects of its own content through the BBC Trust. Even the new broadcast news providers, who do not have PSB status and are not universally available, are licensed by Ofcom and are required to meet statutory obligations of impartiality. The diversity and quality of broadcast news is thus affected not only by ownership regulation but also by statutory regulation of content and standards.

6. By contrast the UK has never had statutory regulation of newspaper content or standards. The only way that a diversity of voices in newspaper news has been regulated is through ownership regulation. This report examines both media ownership regulation and the regulation of content and standards of broadcast news.
7. The emergence of the internet as a source of news has brought a new and largely unregulated medium into play. Producers of online content are subject to the same broad legal duties as print publishers. However, internet content is produced across the world and the impact of these liabilities is constrained by national jurisdictions, providers outside the UK's reach do not need to comply with UK rules. The challenge of regulating millions of content providers and millions of access points around the world adds to the practical difficulties of regulating internet content, even if it was deemed desirable. Regulating the ownership of internet news providers is complicated by the international nature of the web and many of the organisations that provide news websites.
8. Before focusing on the ownership of news media we started our inquiry by examining current trends in news production and consumption. It is important to understand the context in which media companies are operating before examining ownership patterns.
9. The membership of the Committee is set out in appendix one, and our two Calls for Evidence are at appendix three. We received valuable written and oral evidence from the witnesses listed in appendix two. During the course of our inquiry we visited New York and Washington DC to look at news provision and regulation in the United States. We wish to put on record our warm thanks to all those who have assisted us in our work.
10. Our Specialist Advisers for this inquiry were Professor Steven Barnett, Professor of Communications at the University of Westminster; and Professor Mike Feintuck, Director of the Law School at the University of Hull. We have been very fortunate to benefit from their expertise.

## CHAPTER 2: THE STATE OF THE MEDIA

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11. One hundred years ago the primary source of national and international news was the newspaper. The launch of BBC radio in 1922 brought with it regular news broadcasts. Then in November 1936 the launch of BBC television brought the first opportunity to see moving pictures in the home (although cinema newsreels had for some years before that brought news to millions of cinema-goers). Television as a medium really started to gain in popularity with the televising of the coronation of The Queen in 1953.
12. In 1955 the UK saw the launch of the first commercial television channel, ITV with a dedicated news service provided by ITN. ITV was joined in 1982 by Channel 4 (and in 1997 by Five). Since their inception these three commercial channels, along with the BBC, have all had the status of being Public Service Broadcasters (PSBs). This means that, amongst other things, they have always provided news and current affairs in exchange for their licences to broadcast. The last twenty years have also seen the launch of cable and satellite television with 24-hour news channels. Most recently the advent, widespread availability and increasing popularity of the internet has created new opportunities for news delivery, including minute-by-minute news updates, and participation by non professional journalists in a new “blogosphere”. In this chapter we will examine each of these sectors in turn.

### The national newspaper industry

13. Newspaper readership is in decline. As part of our inquiry, we commissioned figures from the National Readership Survey comparing readership of the top ten national daily and Sunday titles between 1992 and 2006 (see appendix five). They show that the overall number of adults reading at least one of the top ten national daily newspapers on an average day reduced by 19% between 1992 and 2006 (from 26.7 million to 21.7 million). If the increase in the adult population over this period is taken into account then the data show a 24% decrease in overall population reach (i.e. the proportion of the adult population who read a national daily newspaper has decreased by 24%).
14. The same trend is true for the national Sunday papers (see appendix five). The overall number of adults reading one or more of the top ten national Sunday titles between 1992 and 2006 has declined by 21% and the overall population reach has declined by 26%.
15. The other measure of a newspaper’s popularity is its circulation. A newspaper’s circulation is the number of copies it distributes on an average day. Headline circulation figures can be misleading as they include bulk sales: newspapers paid for in bulk by organisations such as airlines and railway companies and which are then supplied at no extra cost to their customers (who may or may not choose to read them). Readership figures are higher than circulation figures because a typical copy of the newspaper is read by more than one person.
16. Like readership figures the circulation figures of most national daily papers are decreasing. Between 1995 and 2007 all the national daily newspapers saw a drop in their circulation figures except for the Daily Star, the Daily Mail and the Financial Times. In 1995 the average daily circulation of the top ten

national daily newspapers collectively was 13,189,000; by the first half of 2007 it was 11,137,000—a reduction of 22%<sup>1</sup>.

17. The decline in newspaper readership and circulation is not a trend unique to the United Kingdom. In Washington DC we met Professor Tom Rosenstiel, the Director of the Project for Excellence in Journalism (PEJ). The PEJ is a research organisation that specialises in using empirical methods to evaluate and study the performance of the press. Each year the PEJ publishes a detailed study of the state of the news media in the United States. The 2008 study shows that in the United States, newspapers ended 2007 with an 8.4% decline in daily circulation and an 11.4% decline in Sunday circulation compared to 2001. Readership is also in decline and this is true for nearly every demographic group, regardless of age, ethnicity, education or income<sup>2</sup>.
18. The European market is generally facing similar challenges to the United Kingdom. We took evidence from David Montgomery, Chairman of Mecom, a company which owns newspaper titles in several European countries including Germany, the Netherlands, Denmark, Norway and Poland. He told us that the newspaper markets in these countries are facing tough challenges but that their revenues have been more stable because many European countries have higher levels of newspaper subscription (Q 2307). The subscription model brings more certainty to the market and makes it easier to retain readers.

### **Why are fewer people reading newspapers?**

19. During our inquiry various explanations for the decline in newspaper readership were put to us.

#### *New technologies*

20. Increased competition from new technologies is undoubtedly one of the main factors. Richard Wallace, the Editor of the Daily Mirror, explained:
 

“The number of platforms, to coin a contemporary phrase, that have become available for the delivery of news and content (which is how we are now meant to describe it) has exploded and as a result of that ... news is everywhere, all the time now, and it is very, very difficult not to know what is going on in the world, so therefore the essential aspects of having your daily newspaper have gradually been eroded and at this time continue to erode” (Q 472).
21. So what are these new platforms and how is each one impacting on the newspaper industry?

#### *The internet*

22. The internet offers an array of ways to access the news from a range of sources. When using the internet it is not even necessary to visit a dedicated news site to be made aware of what is going on in the world. In fact, the homepages of many Internet Service Providers carry news headlines, therefore exposing their subscribers to news whether they choose to visit news websites or not.

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<sup>1</sup> Figures taken from the Guardian Media Guide 1996 and 2008.

<sup>2</sup> *The State of the News Media 2008: an annual Report on American Journalism*, The Project for Excellence in Journalism, 2008.

23. Ofcom has identified the internet as “the fastest growing platform for news and other information”<sup>3</sup>. However, the total number of people who use the internet as their main source of news is still small—in 2006 only 6% of UK adults surveyed stated that the internet was their main source of news, up from 2% in 2002<sup>4</sup>.
24. All the UK national newspapers operate their own news websites in addition to their paper editions. Of the top ten news websites by unique user<sup>5</sup> in September 2006, four were run by national newspapers<sup>6</sup>. The internet is now an important part of the business model of most newspapers. However, a paper copy customer and a website customer are not necessarily of equal value to the newspaper company. This is partly because all but one of the UK national newspaper websites offer web readers access to articles free of charge<sup>7</sup> (some papers such as the New York Times tried to charge for some of their internet content but most, including the New York Times, reversed this policy). Most newspaper companies decided some time ago that it was necessary to have a significant web presence. But, by putting their content on the web they may be jeopardising their own paid-for readership. Alan Rusbridger, the Editor of The Guardian, explained:

“If you are giving away your product in a very convenient form, completely free of charge, and in some respects a superior form because it is continually updated, there is more of it, it is all free, it is all there, it is not surprising that the bit that you charge for is going to fall off” (Q 210).

#### *News aggregator sites*

25. Online news aggregator websites such as Google News and Yahoo! News are also attracting large numbers of visitors. They are popular because they provide an easy and effective way of searching for news stories on particular topics from a wide range of sources. They allow users to compare coverage of a story and they provide greater accessibility of news. However, the existence of news aggregator sites does have implications for traditional news providers.
26. During our inquiry we visited Google News. Google News works by listing links to other news organisations’ sites on its home page. This approach groups headlines from different publications together, providing users with a list of links to multiple sources on any given news event. Having seen the headlines on the Google News site, users can click on those headlines to read the whole article on the website of the originating publication.
27. The criticism has been made by a number of newspaper editors that these sites attract many users while not investing any money in journalism.

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<sup>3</sup> *New News, Future News: The challenges for television news after digital switchover*, Ofcom, 4 July 2007, para 3.105.

<sup>4</sup> *Ibid*, fig 3.1.

<sup>5</sup> Unique user = A measure of the number of people who visit a website. Users may share the same IP address, the same computer, or the same web browser. The unique user measurement attempts to count these people separately.

<sup>6</sup> *Ibid*, fig 3.11.

<sup>7</sup> All of the UK top ten national daily and Sunday newspapers provide free access to their online content, except for the Financial Times which offers only a limited amount of content for free before users are asked to pay a subscription charge.

Robert Thomson, the then Editor of The Times, argued that sites like Google News “aggregate a lot of our content, generate a large amount of revenue from our content and that of ... other newspapers, but do not contribute in any way to the cost of obtaining the content” (Q 280). The Guardian Media Group agreed “Online aggregators, potentially, can have a ‘double negative’ effect on high-quality, plural news provision: acting as a gatekeeper to multiple news sources, whilst extracting revenue directly from news content, without re-investing in journalism” (p 518). However, the Chairman of the Guardian Media Group, Paul Myners, accepted that there is an element of symbiosis in the relationship between newspapers and news aggregator sites and The Guardian website’s popularity abroad is partly due to readers being directed to it by aggregators (Q 2508).

28. Google’s defence is that they do not seek to make any revenue from the Google News site, there is no advertising on the Google News pages and they charge no fees for using Google News. But this is questionable: the Google News site contributes to the profile and popularity of the whole Google brand. Google’s overall headline advertising revenues surpassed ITV1’s for the first time in the third quarter of 2007<sup>8</sup>.
29. News gathering is becoming more of a problem because it is expensive and traditional news gathering organisations are struggling. **News aggregator sites benefit from news gathering done by other organisations but they do not invest in original content themselves. This is an issue of justifiable concern and we recommend that the Department for Culture, Media and Sport should examine the effect of news aggregators and consider how their impact on news gathering might enhance their investment in news.**

*SMS, news on mobile devices, pod casts etc*

30. The internet is not the only new method of news delivery. When Richard Wallace said that “news is everywhere, all the time now” (Q 472), he was also referring to developments such as the text messaging of headlines to mobile devices (such as telephones and Personal Digital Assistants); web pages adapted for mobile devices (for example The Sun has a contract with Vodafone to provide instant news through Vodafone devices); podcasts of news programmes that can be downloaded and listened to anytime and anywhere; ticker tapes that office workers can download onto their PCs; and large screens in public areas, such as railway stations and airports, that show short news bulletins.

*24 hour television news*

31. Twenty-four hour television news channels provide yet more competition to newspapers. In 1989 the launch of the Sky News channel heralded the dawn of 24-hour news provision in the UK. Since then the BBC has launched BBC News 24 (re-branded as BBC News in April 2008). Sky News and BBC News are both currently available on the Freeview platform. Many digital cable and satellite subscribers also have access to international 24-hour news channels produced abroad such as CNN, Fox News, Al-Jazeera English and others. The interactive “red-button” services available on digital

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<sup>8</sup> Dan Sabbagh, *Google Shows ITV a Vision for the Future*, The Times, 30 October 2007.

televisions also bring new opportunities to watch television news even when non-news programmes are being broadcast.

### *Lifestyle changes*

32. Proliferation of news sources is not the only reason for falling readership levels. Lifestyle changes mean that fewer people read a newspaper. Rupert Murdoch made this point when he told us that modern life is affecting how people access the news. For example, more women are in work and fewer people work only between the traditional hours of 9am to 5pm. In 2006, the British Journalism Review published a study which found that 36% of those who read a paper less frequently than they had before, said that this was at least partly because they did not have as much time for newspapers as they used to<sup>9</sup>.
33. It is also the case that younger people are less likely to read a newspaper than any other age group. The figures we commissioned from the National Readership Survey showed that overall the number of people reading any one or more of the top ten national newspapers on an average day has declined by 19%, but this decline is much more marked in the younger age brackets. The number of 15–24 year olds reading any one or more of the top ten national newspapers on an average day has declined by 37% and the number of 25–34 years olds doing the same has declined by 40% (pp 582–583).

### *Impact of distribution methods*

34. Methods of distributing newspapers are also relevant. There is some evidence that it is getting harder to get newspapers to customers. Historically the UK has had very low rates of newspaper subscription compared with other countries (particularly European countries). The customers that do subscribe are very important to newspapers because they represent a stable income stream. However, in recent years it has become harder to find people who will deliver daily papers to the door and this is affecting subscriptions. Lionel Barber, the Editor of the Financial Times, a paper which due to its specialist nature has always had a reasonably high level of subscription, told us that “you need to look at the distribution channels. The paper boy is not as ubiquitous in either the village or in the suburb as he or she once was” (Q 561).
35. Rebekah Wade, the Editor of The Sun, suggested that the disappearance of local newsagents was also a factor, particularly for the tabloid titles which do not traditionally have many subscribers. She said “We sell to the highest percentage of our readers in independent retailers. If you look at the independent retail section ... these shops are closing at an alarming rate and are being overtaken by supermarkets. No one goes to the supermarket every day, in the way that they used to go to the corner shop every day” (Q 1518).

### *The advent of the free-sheet*

36. Free newspapers also provide tough competition for national paid-for titles. Free newspapers are given out on public transport and on street corners. They tend to provide a combination of celebrity news, short articles covering national and international headlines and lots of photographs. The National

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<sup>9</sup> Steven Barnett, *Reasons to be Cheerful*, the British Journalism Review, Vol 17 No 1, 2006, pgs7–14.

Union of Journalists told us that “very little” content of free newspapers is unique and most is “culled chiefly from agency copy and slickly packaged” (p 144).

37. Free newspapers did not have much of an impact on the national market until 1999 when Associated Newspapers launched Metro in London. Metro covers national and international stories and is available in 16 cities across the UK. Other free newspapers which are distributed to a local audience but cover national news have since been launched.
38. Various witnesses told us that free-sheets have impacted adversely on paid-for newspaper sales, particularly tabloid sales. The National Union of Journalists stated that free newspapers are increasingly replacing more established newspapers as staple reading for millions of people (p 145). Rebekah Wade told us “the one thing that has led to my circulation decline or contributed to my circulation decline are newspapers themselves—in the form of free” (Q 1494). Richard Wallace told us “Frankly, if you have got a fifteen minute journey, getting a free paper ... is pretty good value. It passes the time, you can flick through the news, and it does not cost you anything, so why would I buy my daily newspaper now?” (Q 478)

#### *The decline of advertising revenue*

39. Newspapers are struggling to maintain historic levels of revenue from advertising. Every daily national newspaper editor we took evidence from told us that they were having to adjust their business model accordingly. For example, ten years ago The Guardian would have derived 70% of its revenue from advertising and 30% from cover sales. Now it is 60% from advertising and 40% from sales because display advertising<sup>10</sup> is “slipping away gradually” while classified advertising<sup>11</sup> is “slipping away faster, about ten per cent a year” (QQ 229 & 230). In 1997 The Times derived 72% of its revenue from advertising, by 2007 paper and print advertising represented only 56% of revenue (Q 278). Robert Thomson told us the most dramatic difference for the business model at The Times over the last ten years has been the “decline of classified advertising” (Q 279). Alan Rusbridger explained that in another ten years he expects there to be an “urgent problem” of trying to fill the hole left by the migration of advertising away from newspapers (Q 231).
40. One of the major reasons for this is that the internet offers cheaper advertising opportunities that can be neatly targeted at specific audiences. Rupert Murdoch told us that the money he had invested in the internet site MySpace meant that advertisers can now be offered access to thousands of highly differentiated groups. In 2006 online advertising spend overtook national newspaper advertising spend for the first time. The Internet Advertising Bureau reported that the UK spends a bigger share of advertising money online than anywhere else, even the US. In the UK 2006 saw a 41% growth in online advertising spend bringing the online share of the advertising market to 11.4%, compared to a 10.9% share for national newspapers<sup>12</sup>.

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<sup>10</sup> Display advertising = large adverts that take up a significant proportion of a page and often feature graphics. Display advertising space is expensive and is usually bought by large companies.

<sup>11</sup> Classified advertising = usually small text based adverts that appear in a dedicated section of a newspaper. Classified advertising space is cheap and is often bought by individuals who wish to buy or sell goods or seek services.

<sup>12</sup> <http://www.iabuk.net/en/1/iabadspend2006.mxs>



41. Newspapers are finding that they cannot make up for the loss in print advertising revenue by attracting new online advertising to their websites. Much of the advertising that traditionally appeared in newspapers has moved to specialised websites. In the case of classified advertising there are many dedicated websites where people can search for things more easily than in the classified section of a newspaper website. On many such sites, individuals can also advertise for free. In the case of display advertising, newspaper websites cannot charge the same for an online advert as they could for a print advert. When we were in the United States, Mort Zuckerman, the Chairman of the New York Daily News, told us that the relationship between revenue from online advertising and print advertising was “substituting pennies for dollars” (see appendix four). Rebekah Wade also said: “At the moment, the economic model of the internet cannot replicate a newspaper, with cover price revenue and advertising revenue coming in so we have to look at the internet and see how we can monetise that” (Q 1494).

### **How is the national newspaper industry responding to these challenges?**

42. Given the challenges faced by the national newspaper industry a variety of techniques are being employed to attract and retain readers and advertisers and to protect the businesses from the decline in profits.

#### *Promotional techniques*

43. Some titles have responded to the challenge of declining circulation by aggressive price-cutting. This is a tactic that has recently been used by both The Times and The Sun. Andrew Marr, a journalist and former editor of The Independent, told us that “Price cutting over a long period does bring in new readers, some of whom will stick” (Q 929). Its obvious disadvantage is that it is expensive and can reduce profits.
44. “Giveaways” are another technique aimed at attracting new readers. The Guardian has experimented with DVDs, wall charts and add-ons such as booklets containing “Great Speeches of the 20th century” (Q 213). The Mail on Sunday pioneered the use of free DVDs and CDs with each paper. However, there are differing views on how effective such techniques are. The hope is that the giveaway will attract new readers who will then realise they enjoy the paper and will stay loyal once the promotion is over, but Alan Rusbridger suggested that although circulation is boosted with each campaign it “sinks back down again soon afterwards” (Q 214). Richard Wallace explained that the Daily Mirror spends less than some other titles on these promotions because people come for the free “bit of kit” and immediately go away again afterwards. He concluded that the “Here’s a car with every paper” mentality was “madness” and made no economic or business sense (Q 475). Andrew Marr agreed “I cannot think of a single promotion that has worked in the longer term beyond price cutting” (Q 929).
45. However Peter Wright, the Editor of The Mail on Sunday, was more positive “we pioneered the use of CDs and DVDs as a promotional tool. We have tried very hard to maintain quality and to come up with new ideas and new approaches and our circulation over the last year is up a little bit. Other people are down five or six per cent ... so we think it has paid off” (Q 517).
46. In addition to promotional techniques some newspaper businesses are diversifying into selling mail-order products directly to their readers.

Will Lewis, the Editor-in-Chief of The Daily Telegraph and The Sunday Telegraph, told us that a “core part” of the Telegraph’s business model is offering its readers a range of goods and services that “make them feel good about the Telegraph” (QQ 1391 and 1394). These goods and services range from armchairs to nights out at the theatre and by providing them the Telegraph hopes to make money and underpin the brand (Q 1396).

*Views not news*

47. With increasing competition many papers are trying to differentiate their content. There has been much public debate about the move from newspaper to ‘viewspaper’, and this is one way that newspapers can offer something different from television and radio news which are bound by requirements to be impartial (see para 343). When the former Prime Minister, Tony Blair made his much-quoted speech about the press in June 2007, he talked about the dangers of blurring the line between news and views, singling out The Independent as an example of a viewspaper<sup>13</sup>. We took evidence from the Editor of The Independent, Simon Kelner, who told us that “The idea that a newspaper is the notice board of what happened the previous day is so outdated and is signing our own death warrant ... the newspaper has to fulfil a completely different function in our lives, given that so much information is freely and instantly available. A newspaper’s role would be to interpret, to analyse, to comment on but, if you like, to provide the views beneath the news” (Q 683).
48. Richard Wallace talked about making the Daily Mirror “more useful” to readers and explained that to some extent that meant moving towards magazine style content (Q 471). In New York, Mort Zuckerman suggested that in order to survive news providers must find added value: analysis, opinion, parody, something not available elsewhere (see appendix four).

*A “softer” news agenda?*

49. Some witnesses expressed concern that newspapers are adapting content by focusing on entertainment and abandoning “hard” news. For example, the Goldsmiths Media Research Programme stated that “there has been a decline in expensive forms of news coverage such as investigative reporting or foreign affairs coverage” and “greater ‘tabloidisation’ of news” with more coverage of sports, crime and entertainment (p 578). Goldsmiths cite a study by McLachlin & Golding published in 2000 which demonstrated that celebrity entertainment stories made up 17% of news in the tabloid press in 1997, up from 6% in 1952<sup>14</sup> (p 578).
50. None of the Editors we talked to were willing to admit to a shift towards a softer news agenda. When asked what type of story was most likely to boost sales they cited strong news stories such as terrorist atrocities. Rebekah Wade explained “there is still a critical place for newspapers” in explaining very big stories (Q 1527). Nevertheless we note that Ms Wade did admit that even her own proprietor was “dismayed by the amount of celebrity coverage” in The Sun (Q 1487).

<sup>13</sup> The full text can be found in The Political Quarterly, Vol 78, Issue 4, 2007, pp476–480.

<sup>14</sup> Shelley McLachlan and Peter Golding, “Tabloidization in the British Press: A Quantitative Investigation into Changes in British Newspapers, 1952–1997” in Tabloid Tales, eds Colin Sparks and John Tulloch, Rowman and Littlefield, 2000, pp75–89.

*Making the most of the internet and multi-skilling*

51. The internet provides not only challenges but also opportunities for newspapers. The internet certainly provides opportunities to reach new audiences and raise the international profile of a news organisation. Robert Thomson told us that thanks to the internet, The Times has “a very rapidly growing international audience. We have several million users each month from India, for example, and I would imagine that our US audience which is now of the order of 3.2–3.3 million unique users each month in five years’ time to be in the order of five million” (Q 280). Only a third of visitors to The Times online are UK based (Q 287). Alan Rusbridger told us that The Guardian has “a much bigger readership in America now than the LA Times” (Q 242).
52. The internet also provides opportunities to measure what readers want and then tailor content to respond to their feedback. Rebekah Wade told us that The Sun can measure what its readers are interested in by looking at discussions on “My Sun”, a forum it launched for readers to debate anything in the paper (Q 1516).
53. But having a web presence also requires more resources. News organisations are responding to this by asking their staff to multi-skill—to prepare content for the paper and web editions and to do so throughout the day. We heard a considerable amount of evidence about the implications of asking journalists to multi-skill. The Goldsmiths Media Research Programme suggested that time pressure means journalists recycle outputs and rely more on news agencies and PR output (p 577). Alan Rusbridger said that although he expects the staff of The Guardian paper and website to be fully blended within the next two to five years he is still wary of integrating the two types of staff because they do slightly different jobs. He explained that an online journalist “is working 24/7 reliant on feed and so on and so forth; the paper relies on context analysis, a bit of thought, reflection” (Q 236).

*Making savings*

54. Multi-skilling is not the only way to save on staff costs. Cutting specialist correspondents, foreign bureaux and investigative journalism can bring significant savings. Robert Thomson told us that “The first thing that newspapers do when they are in financial trouble is close foreign bureaux” (Q 297). The implications of such cuts are serious. Robert Thomson went on to explain:
- “the global diversity of British newspaper coverage is immediately diminished ... The specialist, whether it is political or business specialist, whether it is the lay reporter, whether it is the home affairs reporter, is an absolutely essential translator of issues in British society for a broader audience. The ideal specialist is very familiar with evolving debate, can point out to a reader who trusts that person when there is an issue that they should be concerned about and why that development is meaningful ... So, the specialist journalists at The Times and other newspapers I would argue are national leading treasures” (Q 297).
55. Given the importance of specialists it was disturbing to receive confirmation that their numbers are diminishing. Alan Rusbridger told us that The Guardian now employs fewer specialist correspondents than it used to (Q 222). Richard Wallace told us that the Daily Mirror “cut back on our

foreign bureaux ten or 15 years ago purely because the technology enables one to [do so]" (Q 498). Other titles were less willing to confirm that they had made such cuts. However, David Schlesinger, Editor-in-Chief at Reuters, told us that it is a "world wide fact" that newspapers are cutting back on foreign correspondents and using agency feed more (Q 1587).

56. Newspapers have also been criticised for making savings by using more content derived from the PR industry. During our inquiry a study was published by researchers at Cardiff University which found that nearly one in five broadsheet newspaper stories were verifiably derived mainly or wholly from PR material or activity<sup>15</sup>. Others warned that it was too simple to assume that an increase in PR derived stories was a sign of poor journalism. David Schlesinger explained "the role of the PR companies is very interesting because sometimes it is a shortcut and sometimes it is simply the necessary way to get information, so, as a journalist, you always evaluate whether the person you are talking to has standing to know what they are talking about, whether they have a particular axe to grind ..." (Q 1599).
57. While there is an important role for professional communications in ensuring that the decisions and activities of government, corporations and public bodies are accurately conveyed to the body politic. It does appear, however, that there has been a substantial growth in public relations over the last 20 years which can, if not properly scrutinised by a well-resourced press, potentially undermine accurate and independent journalism.

### The regional and local newspaper industry

58. The evidence we received from the Newspaper Society, which represents the regional and local industry, was very upbeat. They claimed that readership of these papers had increased in recent years: their figures showed that the number of people reading a local paper had increased by nearly a million in the last ten years (p 102). But such figures can be deceptive. Many of the local papers produced today are given away for free while some others are "hybrid" titles given away for free in city centres but sold in the suburbs. The Newspaper Society's data suggests that in the local and regional newspaper industry 55% of weeklies, 42% of Sundays and 17% of dailies are given away for free (p 103). The fact is that the average circulation figures for paid for local newspapers have dropped and city based regional newspapers have been particularly hit.
59. The regional and local press appears to be facing an even greater challenge than the national press when it comes to attracting advertising revenue. The Newspaper Society told us that 75% of income on a regional paper is traditionally derived from advertising (Q 657). This suggests a new business model is needed given a recent long term forecast by the Advertising Association. This forecast that the press advertising market could shrink by between £700 million and £1.6 billion by 2019, with regional papers taking the biggest revenue hit<sup>16</sup>. In 2006, the Newspaper Society published a report about the local newspaper industry that illustrated the effort that is being put into attracting advertising revenue. The report suggested that there are

<sup>15</sup> Justin Lewis, Andrew Williams and Bob Franklin, *A Compromised Fourth Estate? UK news journalism, public relations and news sources*, Journalism Studies, Vol 9 No 1, 2008, pp1–20.

<sup>16</sup> *Long Term Advertising Expenditure Forecast: Forecasts from 2007–2019*, the Advertising Association in conjunction with the World Advertising Research Center Ltd. January 2008.

almost 20,000 employees across the industry, but a high proportion of these (almost 32%) work on the advertising side—with 26.5% working on the editorial side<sup>17</sup>.

60. The internet raises a particular challenge for the local and regional press. Alan Rusbridger said “As societies need news, web-based models will spring up and are springing up in most countries including America which are interesting; they are much more local; they originate from citizens and there are really interesting things happening there which actually may be more reflective of communities than newspapers were. I think that something will always replace it but I do not think that the printed local paid-for newspaper has a very optimistic future” (Q 252).
61. There has been a steady decline in paid-for local titles over the years. The days when two paid-for evening newspapers battled it out in UK cities have long gone. The survivor of such battles at least had the commercial advantage of being the “only toll bridge in town” but that is no longer the case. Local papers have to compete with new local news providers on other platforms—often more popular than the local newspaper. It is for reasons like this that most commentators believe that local papers face a tough and challenging future.

### National television news

#### *The evolution of the television news market*

62. The BBC had a monopoly on news provision until the Television Act 1954 which made the launch of a commercial television channel possible. That Act also established the Independent Television Authority (ITA) which was the body charged with implementing and overseeing a new commercially funded television channel to compete with the BBC (but with a monopoly of television advertising revenue). From the beginning, the new commercial system was devised as a series of regional licences, with separate programme contractors appointed by the ITA to make programmes. There was therefore an inbuilt plurality of ownership of commercial television from its inception.
63. The terms of the ITA licences with the ITV companies required each to produce local programming and local news as well as national news. National news bulletins were provided by ITN which was founded in 1955 as an independent organisation owned by ITV companies. From the very beginning, as licensees struggled to make money from the news services, they were reluctant to schedule or fund an adequate news service and were eventually required by the ITA to provide a minimum of 20 minutes of news a day. Later the Television Act 1963 gave the ITA increased powers to ensure there was adequate time and finance for daily news. These powers were used in 1967 to impose a half hour news service, starting at 10pm, on ITV licensees. The President of ATV (one of the main ITV contractors), Lew Grade, told a House of Commons select committee four years later “I resisted News at Ten—and I was wrong”<sup>18</sup>.
64. In 1982, further competition arrived in the shape of Channel 4 with a mandate to be innovative and provide an alternative to existing channels. In

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<sup>17</sup> *Analysis of the Regional Press Survey Findings for 2006*, Newspaper Society, para 5, p.3.

<sup>18</sup> Quoted in Geoffrey Cox, *Pioneering Television News*, John Libbey and Co, 1995, p185.

news terms, this was interpreted from the very beginning as an opportunity to concentrate—for 60 minutes in peak viewing time—on more serious (especially foreign) news and analysis, and to eschew the lighter celebrity, minor crime or royal stories. As a publisher-broadcaster which does not produce its own content, Channel 4 was obliged to contract out its news service. After some hesitation about awarding the contract to the same news provider as ITV, it accepted assurances from ITN that it could indeed provide a very different service to ITV's. ITN has since retained the contract each time it has come up for renewal. Therefore although the launch of Channel 4 brought a greater choice of news programmes and scheduling, and a markedly different approach to news agendas and analysis, it did not increase the plurality of news suppliers.

65. 1997 saw the launch of the fifth terrestrial television channel, Channel 5 (now Five). Five news was also originally produced by ITN. However, in 2004 the Five news contract was awarded to Sky.

#### *Regulation of television news*

66. Unlike newspapers, broadcast news is subject to a range of regulatory requirements that somewhat mitigate the effects that market pressures can have on content. This is particularly true for news on the PSBs (the BBC and channels 3, 4 and 5).
67. The Communications Act 2003 sets out the regulatory requirements against which PSB television news operates, including obligations for the quantity, scheduling and quality of each type of news. The Act requires Ofcom to set quotas for UK national news, international news and UK nations and regional news on the commercial PSBs in both peak and off-peak viewing times. The BBC's news output is still the overall responsibility of the BBC Trust, however the Act requires the BBC to consult Ofcom about quotas on its terrestrial channels and seek Ofcom's agreement if any reduction below 2002 levels is proposed. There are therefore specific quotas for the amount of time each of the five terrestrial channels should broadcast each type of news in both peak and off-peak viewing periods. However, only the BBC and ITV1 are required to carry regional news.
68. The Communications Act 2003 also requires Ofcom to ensure that the news programmes and current affairs programmes broadcast on the commercial PSBs are of "high quality" and deal with both national and international matters. Again, for the BBC this is the responsibility of the BBC Trust.
69. In the case of Channel 3, Ofcom has powers to ensure that its news programmes are properly resourced. In order to ensure this Ofcom has powers to check the resources available to whichever company is appointed as Channel 3's news provider (currently ITN).
70. Up until now the commercial PSBs have opted to retain their PSB status, and therefore be subject to these regulatory requirements in return for privileged access to the scarce analogue broadcasting spectrum (and other benefits, see para 297). This has been known as the "analogue compact". This compact is now under threat as the analogue signal will be switched off progressively from this year, with the switchover process complete by 2012. At that point all UK households will have digital television. Digital spectrum is less scarce (although not as plentiful as was once assumed) and its value will therefore be much reduced compared to analogue spectrum. As a result

the incentive to retain PSB status and comply with the regulatory requirements set for PSBs will reduce. What this will mean for the future of news is discussed in detail in chapter seven.

71. In addition to the specific requirements placed on the PSBs, all UK radio and television broadcasts are subject to regulation governing standards of output. These standards relate to impartiality and accuracy, harm and offence and privacy and fairness. Of particular relevance to news broadcasts are the requirements that all news included in television and radio services should be presented with “due impartiality” and “due accuracy”. Ofcom publish a Broadcasting Code which explains the definitions of “due impartiality” and “due accuracy” (see para 343).

### *News beyond the Public Service Broadcasters*

72. Around 88% of UK households now have access to more channels than just the terrestrial PSBs<sup>19</sup>, either through Freeview or cable and satellite subscription packages. There are a variety of news programmes available on the different digital, cable and satellite platforms. On the Freeview platform, which is currently used by 37%<sup>20</sup> of the UK population, there are the two 24 hour rolling news channels: BBC News and Sky News (although we note that Sky last year put forward plans to remove Sky News from the Freeview platform as part of its plans for a pay-per-view service on digital terrestrial television. This proposal is currently being considered by Ofcom). In addition some of the digital off shoots of the terrestrial PSBs also provide news: for example More 4, BBC3 and BBC4 also provide news programmes (More 4 and BBC4 have a particular emphasis on foreign news). Viewers with access to cable, satellite or broadband television also have access to various foreign news channels. The particular channels available depend on the platform but they can include Fox News, Al Jazeera International, CNN, Bloomberg, France 24 and Russia Today. Internet subscribers also have online access to many television channels from across the globe which stream their broadcasts on their websites.
73. As a result there is now a wider choice of television news providers than ever before. However, although many different UK produced news programmes are available, only three UK companies produce news: the BBC, ITN (who produce news for ITV and Channel 4) and Sky (who produce news for their own channel and Five). Therefore the diversity of news providers is not as wide as it may seem.

### *The health of television news*

74. While the choice of news programmes has increased, BBC1 and ITV1 still attract the largest audience shares for news programmes. An analysis of TV news viewing in October 2006 showed that BBC1 had a 50.6% share, ITV1 had a 26.8% share, Channel 4 had a 4.5% share, Five a 2.8% share and BBC2 a 4.6% share<sup>21</sup>. BBC News 24 had a 5.2% share and Sky News a 4.9% share. These figures may have changed somewhat in the last two years partly because ITV1 reintroduced News at Ten in January 2008 (having moved its late evening news broadcast to 10.30pm in early 2004); and partly because

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<sup>19</sup> 2007 Communications Market Digital Progress Report, Ofcom, Q4, para 1.3.

<sup>20</sup> Ibid, para 2.6.

<sup>21</sup> *New News, Future News: The challenges for television news after digital switchover*, Ofcom, 4 July 2007; fig 3.2.

Five significantly boosted its early evening news audience after recruiting the presenter Natasha Kaplinsky in February 2008. Nonetheless the general picture of television news being dominated by the BBC and ITV remains true today.

75. Although the main terrestrial channels retain a significant audience share, the total viewing of national news on these channels is declining. In 1994 the average individual watched 108.5 hours of news on terrestrial channels, by 2006 that figure was 90.8 hours<sup>22</sup>. Younger people in particular are turning their backs on television as their main source of news. 67% of all adults over the age of 16 use the television as their main source of news about the UK 63% use it as their main source of news about their region, but only 59% of 16 to 24 year olds use it as their main source of UK news and 48% use it as their main source of regional news. This age group are much more likely to say they are not interested in the news and therefore be unable to name their preferred medium for finding out what is happening in the country<sup>23</sup>.
76. The decline in television news audiences is not confined to the UK. An even more dramatic shift has occurred in the US (see appendix four). During our visit we met senior executives from the three big US networks ABC, CBS and NBC. They told us that all the networks are experiencing a decline in news audiences. Ten years ago they would all have expected an average evening news audience of approximately ten million, now CBS attract about six million, NBC attract seven and seven-and-a-half million and ABC attract between seven-and-a-half and eight million. In the US there are also particularly marked declines amongst viewers in the 25–54 age group which is the main target of advertisers.
77. All the networks cited the same reasons for the loss of viewers in the US and they are broadly similar to the reasons we outline below. However, one is different: in the early nineties the US networks moved their evening news bulletins earlier to 6.30pm, partly in response to pressure from advertisers to move news out of peak time. This marked the end of peak time news on the main networks. As a result fewer viewers are at home when the US networks televise their main evening bulletins. This could not currently happen in the UK without regulatory approval due to the scheduling requirements to which the PSBs are subject. However, in the UK, the rescheduling of the BBC nine o'clock news in 1999, following ITV's decision to move News at Ten, disrupted long-established viewing patterns and removed all terrestrial television bulletins from the middle of the peak-viewing period.

*Why are television news audiences in decline?*

78. Some of the reasons for the fall in television news viewing are the same as those responsible for the fall in newspaper readership: such as more competition from new technologies and lifestyle changes. Almost certainly, however, the major reason is the proliferation of television channels, the growth of the internet, and the increasing technological opportunities for personal scheduling or non-linear viewing. When the majority of households only had access to four channels there was a higher rate of incidental news consumption, determined either by the lack of anything interesting on other

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<sup>22</sup> Ibid, fig 3.4.

<sup>23</sup> *Phase One: The Digital Opportunity*, Ofcom's second public service broadcasting review, 10 April 2008, figs 5 and 6.



channels or “inherited” viewing from the previous programme. Now 86% of UK homes are multi-channel and news programmes face very stiff competition to hold viewers attention. This is compounded by the advent of Personal Video Recorders (such as Sky+, V+ on Virgin, Freeview boxes with hard drives or Tivo) and on-demand download services all of which mean that choice of viewing is much less constricted by television schedules.

*How is the television news industry responding to these challenges?*

79. Like newspaper companies, television news providers are developing a multi-platform presence. The BBC website, the centrepiece of which is news, is the third most used website in the country. It is only just behind MSN (the Microsoft Network) and Google (Q 1300).
80. Broadcasters are also seeking to make savings. Peter Phillips, Partner in Strategy and Market Developments at Ofcom, told us that part of the response to these challenges has been a cut in the number of foreign correspondents “What has been seen right around the world from commercial broadcasters is an increasing reliance on material from the news agencies to report international stories ... it is the reliance on pooled material which has been the biggest trend in that area within the UK” (Q 883). A reduction in investment in foreign coverage by television and newspapers is of particular concern as it has an impact on democracy and can create a more inward looking nation.

**Regional television news**

81. Just as local and regional newspapers are facing greater commercial pressures than their national counterparts, regional television news is under particular pressure.
82. Since the fifties, there have been two providers of regional television news in the UK: the BBC and channel 3. The BBC currently provides distinct news programmes for 12 English regions and for the other UK nations. ITV has 17 regional news rooms. Each channel 3 region produces its own local news programmes, except for London whose local news is produced by ITN. The BBC and ITV continue to be the main source of regional television news in the UK although there are now some other local television channels such as Channel M which is run by the Guardian Media Group and is available in the Greater Manchester area.
83. Research conducted by Ofcom shows that national and regional news is valued by viewers. When asked “Which type of news are you personally interested in?” the most popular answer was “Current events in the UK” (55%) but the second and third most popular answers were “current events in my region” (50%) and “current local events where I live” (48%) (respondents could give more than one answer). These responses beat weather, crime, world events, sports, human interest stories, UK politics, entertainment and celebrity behaviour<sup>24</sup>.
84. Television is the second most popular source of local news. When asked where they get local news and information 45% of respondents cited television, compared to 46% for local free newspapers, 41% for local paid for

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<sup>24</sup> Ibid, fig 3.7.

papers, 28% for radio, 21% for word of mouth and 8% for the internet (again, respondents could give more than one answer)<sup>25</sup>.

85. In 2006 the BBC's early evening regional news bulletin attracted an average audience share of 28%/29%, this made its regional bulletins the most watched regional news programmes for television. ITV's average audience share of viewing for its early evening regional news was 19%/20%. However, the viewing figures for regional news on both ITV and the BBC declined marginally between 2002 and 2006<sup>26</sup>.
86. Despite its popularity, the provision of regional news on ITV is in question unless new forms of support are found (for further discussion of the threat to regional news see paras 329 to 332). Ofcom has warned that "Whilst no form of television news in the UK currently pays its own way, the economics are particularly stark for nations/regions news and it will require regulatory intervention if its long-term presence is deemed important on commercial PSBs"<sup>27</sup>.
87. Since Ofcom's report, ITV has announced its proposal to reduce regional news services from 17 to 9 (from 2009 and subject to the approval of Ofcom). Michael Grade, Chairman of ITV, told the Committee that these cuts would hardly be noticed by viewers:

"I do not think the viewers will notice much, if any, difference because the newsgathering on the ground is what counts. The fact that we do not have a building in this town or that town is neither here nor there" (Q 1017).

Since Michael Grade's evidence, ITV has announced a modification to its plans and the introduction of 18 new "sub-regional services" so that news to existing regions will not disappear altogether. Ofcom will soon consult on these proposals.

88. At the same time as announcing its desire to cut regional television news, ITV is looking into ways to exploit broadband technology and break into very local news provision. Michael Grade told the Committee that "What we are working on, which I think will cut through that problem for all time, is a broadband delivery of ITV local, which we have now, through our website, ITV.com, rolled out which is very locale-specific" (Q 1022).
89. Our reaction to ITV's proposals will be discussed in chapter seven.

## Radio news

### *BBC Radio*

90. The BBC was a monopoly supplier of radio news from its inception in 1922 until the first commercial radio station, LBC, went on air in London in 1973. Commercial radio was therefore a very late starter in the UK, and until relatively recently remained localised and fragmented. As part of the UK's public service legacy, news was an integral (and mandated) part of commercial radio's output, and remains an important component of most stations' formats. However, the number of people who cited radio as their

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<sup>25</sup> Ibid, fig 3.8.

<sup>26</sup> Ibid, para 3.52.

<sup>27</sup> Ibid, para 1.49.

main source of news fell between 2002 and 2006 from 16% to 11%<sup>28</sup>. Although there is now considerable choice of radio channels, on both analogue and digital platforms, according to RAJAR data for the fourth quarter of 2007, the BBC dominates the market, accounting for 55.4% of all radio listening<sup>29</sup>.

91. The BBC has five national analogue channels (Radio 1, 2, 3, 4 and 5 Live) and all of them carry news bulletins. Jenny Abramsky, Head of Audio and Music at the BBC, told us that news is “the spine of all our radio networks with one exception and that is Radio 3” (Q 1135). The BBC World Service also provides regular news bulletins aimed at an international audience (but also transmitted in the UK). The BBC has seized the opportunity provided by DAB to launch five national digital-only radio channels, these are genre specific and on the whole do not broadcast specific news bulletins.
92. In addition to its national stations the BBC has 40 local radio stations in England, and six dedicated stations for Ulster, Scotland and Wales/Cymru. This local network is continuing to expand. All the BBC local stations have regular news bulletins and programmes.

### *Commercial radio*

93. There are three national commercial radio stations: TalkSport, Classic FM and Virgin. Under their licence agreement with Ofcom they are each required to broadcast news. The commercial radio sector is mainly local in nature; there are approximately 320 local commercial analogue radio stations across the UK. News obligations vary depending on the licence of each station but in the main they also have licence obligations to broadcast both national and local news. The commercial radio industry is small. The total turnover for the sector is about £600 million across all stations (Q 2026).
94. Radio Centre, the industry body which represents commercial radio, also stated that the overall amount of news on commercial radio is growing, its members broadcast 5.6 million minutes of news, travel and weather information in 2000 and this number had increased to 10.4 million minutes by 2004, an increase of around 85% (p 403). The evidence also cites a 2005 study of local news output amongst stations owned by several different groups, 65% of stations who responded were broadcasting more local news than was required by their format. We note that Radio Centre’s figures for time spent on news broadcasts include the time spent on travel and weather broadcasts and therefore do not necessarily give a clear picture of how much actual news there is on commercial radio. The Government told us that BBC local radio is far more news and speech-oriented during its main programming than its music-based commercial competitors (p 492).

### *National commercial radio news*

95. The three national and 320 local commercial radio stations all broadcast national news bulletins. In its written evidence to us Radio Centre stated that about half of news on local commercial stations was national in nature. However, this does not mean that there is a wide range of voices being broadcast. Almost all stations source their bulletins from one of two

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<sup>28</sup> Ibid, fig 3.1.

<sup>29</sup> RAJAR figures for Q4 2007.

companies: Independent Radio News which has contracts with about 80% of the stations and Sky which covers the other 20%. Usually stations are not charged for these bulletins, they are provided in exchange for the advertising time around each bulletin.

96. The content of the national news bulletins on commercial radio is quite limited given the very short slots that most stations dedicate to national news. The focus of the bulletins also tend to be on “softer” celebrity stories. Jon Godel, the Editor of Independent Radio News, told us that “entertainment news and showbiz news is very important for a commercial radio station as well as sport, hugely important”. However he went on to add that “there is no desire within our client base of 250 stations for us not to be doing what you term as hard news. What we provide is a social passport in the morning. If you listen to one of our radio station clients and you hear an eight o’clock bulletin, our job is to provide all the information and all the news that you would hear pretty much anywhere else, probably with less analysis” (Q 1203).
97. The launch of the second commercial national digital multiplex in July 2008 will add to the number of providers of national radio news bulletins. Three of the ten new digital stations will be run by Channel 4 Radio (a 55% shareholder in the group that won the multiplex licence and a wholly-owned subsidiary of Channel 4 Television). Channel 4 Radio indicated that the news service for all three Channel 4 Radio Ltd stations will be provided by a radio news team that will have access to Channel 4 Television News’ existing staff and bureaux and its international network of journalists. The new digital multiplex will also provide the first national commercial radio station dedicated to 24 hour news. This will be provided by Sky News Radio (a 10% shareholder in the group that won the multiplex). The Sky News Radio team will draw on the resources of Sky News (p 462).

*Local commercial radio news*

98. Local news bulletins are usually produced by the individual stations. For smaller stations the cost of news production is a considerable chunk of their budgets. Therefore the scope and depth of their bulletins are limited. Radio Centre’s written evidence states that a significant proportion of local news consists of ‘diary’ items (i.e. stories which are known about in advance). In general, the proportion of diary stories rose as the size of the station fell (p 403).
99. One response to the costs of news gathering has been for radio groups to seek Ofcom’s permission to introduce news hubs, which allow stations in a similar geographical area and/or under common ownership to share news reading and writing resources, enabling locally-based journalists to focus on newsgathering (p 405).
100. To an extent the impact that market pressures can have on news is mitigated by content regulation, as in the case of television. Commercial radio news is protected by Ofcom and the quantity and scheduling of news on each channel is dictated in each station’s licence to broadcast. Like TV, radio news is subject to the fairness, accuracy and impartiality requirements set out in Ofcom’s Broadcasting Code. However, there is no requirement for sufficient resourcing of news and there is some evidence that the industry is responding to market pressures by reducing news staff. Ofcom told us that:

“Commercial radio news agendas, focusing on local content, have changed little over the years ... Therefore the news remit remains the same. The balance between ‘soft’ and ‘hard’ news has, however, swung towards softer news, exposing a clear correlation with pressures on revenue and subsequent reduction in news staff at individual radio stations” (p 182).

### News and the new media

101. The impact of new media and particular the internet on traditional media has already been discussed in previous sections. In summary the internet provides access to constantly updated stories from news organisations across the world. All major news supplies are now moving to multi-platform delivery of their products and the internet also provides increased opportunities for user input in the form of feedback and user generated content.
102. However, it is important not to overestimate how many people currently use the internet as their primary source of news. Statistics show that very few people (6% in 2006) use the internet as their main source of news. Ed Richards, the Chief Executive of Ofcom, told us that he believed the internet would continue to have a supplementary, rather than dominant, role in news provision. “I am sure it will change a little more over time, but I think that the finding about the significance of television news compared to the supplementary role—the important supplementary role—that the internet is playing, we may see as a resilient finding in the years to come” (Q 863).
103. During this inquiry there have been those who have argued that the proliferation of news sources, especially on the internet, is an argument against regulation to maintain plurality of ownership of traditional news media. Rupert Murdoch told us that the UK Government was “ten years out of date” in being exercised about ownership levels because there are now so many news outlets for people to choose from (see appendix four).
104. However, in the case of the internet, although there are many news sites, there are very few new organisations that invest in journalism and news content production. Websites that provide news online are usually provided by either: existing broadcasters and newspaper companies that have moved to multi-platform distribution; news agencies; news aggregator sites that link to the content of two previous two categories; or blogs which comment on the news but rarely engage in investigative journalism or news gathering.
105. It is therefore the case that so far, not many new news organisations are appearing online and the proliferation of news sites is not matched by a proliferation of journalists or investment in news.
106. However, news websites have pioneered some new news collection techniques. One such example is the use of User Generated Content. This is content provided by the public, often recorded on the cameras or video functions of mobile telephones. The term also encompasses users providing comment and “analysis of stories on web based news” sites. Professor Stewart Purvis, Professor of Television Journalism at City University, suggested that “unmediated content is back to the printing press in the first place. It is about people putting forward their views; it is about citizens having a voice suddenly. If we do not like what they say, that is a small price to pay for the freedom those people are being given to air their

views” (Q 722). However, in its analysis of the state of the US news media in 2008, the Project for Excellence in Journalism found that “The prospects for user-created content, once thought possibly central to the next era of journalism, for now appear more limited, even among “citizen” sites and blogs. News people report the most promising parts of citizen input currently are new ideas, sources, comments and to some extent pictures and video. But citizens posting news content has proven less valuable, with too little that is new or verifiable”<sup>30</sup>.

107. The internet also provides opportunities to break news as it happens. As with 24 hours news channels, internet sites do not have to wait until the next scheduled news bulletin, or the next print run, to bring new news to consumers. Because of this consumers now expect instant updates and a wide choice.
108. Unease about the provenance, accuracy and trustworthiness of new internet sources was raised by several of our witnesses. Websites that allow users to contribute data are particularly at risk from inaccuracies. This is a problem both for the public who are not always clear what information they can trust, and for news organisations which are introducing training for journalists on how to use internet sources. Pierre Le Sourd, the London Bureau Editor for Agence France Presse, told us:
 

“We have a written rule inside our company which forbids any journalist from using Wikipedia. We have the same thing, which has been updated last week, for Facebook because there was an incident last week with Bilawal Bhutto in Oxford where some newspaper picked up some pictures on the Facebook site about Mr Bhutto which turned out to be fake, so we are trying to be vigilant about it, but obviously every day you have new possible virtual sources where we have to be very careful and journalists have to recruit their sources normally, so he cannot follow only one source” (Q 1600).
109. David Schlesinger suggested this reinforced the importance of known news brands “You go to sources who have standing, who know what they are talking about” (Q 1599).

### Conclusion

110. There is no doubt that the traditional media are under very considerable competitive pressure. Newspapers, television and radio are losing advertising revenue to the internet, with the result that costs are being cut and economies are being made in traditional news gathering, ranging from journalists based overseas, to local journalists at home.
111. At the same time, there have been changes affecting the nature of journalism. 24-hour television news and other technological advances have meant that up to date news can be provided virtually as it happens, direct to the public. Newspapers can never compete with this speed of communication. Speed, however, can have its dangers and risks compromising accuracy.
112. Alastair Campbell, press secretary to Tony Blair between 1994 and 2003, was particularly concerned about this development. He told us that the speed with which news now has to be put out can have “an impact on any real

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<sup>30</sup> *The State of the News Media 2008: An annual report on American Journalism*, The Project for Excellence in Journalism, 2008.

interest in whether the story is right or wrong” (Q 1893). The Media Standards Trust agreed stating that “News agendas evolve much more rapidly than they did, partly due to ease of publishing, and to multiplication of news outlets” and concluding that “there is less money, fewer people and less time, constraining journalists’ ability to travel or meet people” (p 142).

113. Nevertheless, there is a danger in taking a too apocalyptic view of the state of the traditional media. Fifty years ago, it was predicted that the creation of television would mean the death of newspapers. Although newspapers, both national and regional, have declined they have not died and even with the expansion of the new media, we do not believe that they are in such imminent danger. The UK has one of the highest levels of newspaper readership in Europe and newspapers are the second most used source of news behind television<sup>31</sup>.
114. A number of our witnesses from newspapers (who admittedly have an interest) recognised the challenges but believed that the industry would cope. Rebekah Wade said she was “quite upbeat” about the future of newspapers (Q 1494). Richard Wallace argued “there is a great press tradition in this country which we can maintain not only off-line, as they call it in newspapers, but on-line” (Q 494). Simon Kelner told us that “My belief is that newspapers still do have a future role to play in a modern democracy” (Q 683). All agreed that newspaper companies would need to accommodate the electronic media. Alan Rusbridger summed this up:
- “I am not too gloomy about the future. A lot of it is out of our hands and, as an editor, all you can do is to make sure that the digital version of your product is as good, if not better than your print version so that it is ready for whatever technological or economic changes await round the corner” (Q 234).
115. As for television, it remains the most important force in the provision of news. Ed Richards underlined this “if I were to pick a single statistic out of our New News, Future News report which struck me as crucial, it would be the answer to the question that we posed people, “What is your primary source of news?”. The finding, which I did not anticipate, was that television news—the share of that—was, first, two-thirds of people and that, secondly, it had remained stable. Despite this glut of new information and access to the internet, the significance of television as the primary source of news had remained stable” (Q 861).
116. In summary then, we believe that the traditional media companies remain of vital importance in delivering news and are likely to remain so for the foreseeable future. Television news programmes are watched by millions of people every day; national newspapers are seen by governments and oppositions as crucially important in the political debate; regional and local newspapers continue to have substantial influence in their areas; and radio news has both national and local importance. The ownership of these dominant news providers still remains an issue of public importance.

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<sup>31</sup> *New News, Future News: The challenges for television news after digital switchover*, Ofcom, 4 July 2007; fig 3.2.

### CHAPTER 3: WHY DOES OWNERSHIP MATTER?

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117. Understanding the link between ownership and news output is of fundamental importance given that the law currently regulates ownership as a means of promoting diversity in output. This chapter will examine the impact that an owner can have on a news organisation.
118. In the UK there is a critical difference in the impact an owner can have on the content of a newspaper or internet site compared to the impact they can have on broadcast news. This is because there are statutory impartiality requirements that limit to some extent the influence which owners of a television or radio news operation can exercise. There is still scope for influence (for example differing approaches to journalism and profit maximisation can impact on the editorial direction and the quality of broadcast news) but not to the extent that exists in newspapers and on the internet. For this reason this chapter focuses on how owners can influence news output in the absence of content regulation. Where influence can be exercised regardless of content regulation we have said so.
119. There is a range of ways that ownership can impact on news output. These include:
- Direct intervention by an owner
  - Indirect influence of an owner through the appointment of an editor who shares his views
  - The influence of the business approaches that an owner can take
  - Different approaches to journalism

This chapter will consider each of these in turn.

#### Direct intervention

120. The traditional image of the newspaper proprietor was that of a hands-on owner who expected his publication to mirror his political views and interests. This kind of proprietor was personified by figures such as Lord Northcliffe, Lord Beaverbrook and the first Lord Rothermere. These men were as much interested in the opportunity to convey their own political philosophies direct to the electorate and the Government as they were in the money-making potential of their newspapers. In his book “Newspaper Power” Professor Jeremy Tunstall argues that “These old press lords did not even want to buy more newspapers; the logical way for a press lord to spend his time was in persecuting editors and politicians”<sup>32</sup>.
121. There is nothing necessarily wrong with an owner having some say over content, except where regulators have imposed conditions to stop it happening. Andrew Neil, a media commentator and editor of *The Sunday Times* from 1983 to 1994, said:

“... in Britain [there is] ... a rather bizarre assumption that the person who owns the newspaper, puts up the capital to buy it, takes all the risks, pays the bills and deals with any fallout that an editor gets up to, including massive libel bills, should be the one person that should have

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<sup>32</sup> Jeremy Tunstall, *Newspaper Power*, Clarendon Press, 1996, pg. 79.



no say over the content of the newspaper, and that just seems to me to be bizarre ... After all, frankly that person surely has more right to a say than anybody else in the land other than the editor ...” (Q 1649)

122. During the course of this inquiry we took evidence from owners of newspapers and serving newspaper editors and we asked all of them for instances when owners became involved in a particular story or in laying down a particular editorial line—on issues such as political endorsements, the war in Iraq or the Euro. In all that evidence only one person was willing to admit openly to acting as a “traditional proprietor”, and that was Rupert Murdoch.
123. When we met Mr Murdoch he was quite candid about the fact that, at least in relation to his UK tabloids, he has “editorial control on major issues” (see appendix four). Interestingly Rebekah Wade, whom Mr Murdoch appointed as the Editor of The Sun and previously as Editor of the News of the World, contradicted the evidence of her proprietor and insisted that he did not exercise editorial control on major issues (QQ 1461–1463). She claimed that even on decisions such as which political party The Sun would back at a General Election, she would consult Mr Murdoch, but the decision was ultimately hers (Q 1463).
124. In general, we found ex-editors were much more forthcoming about instances in their careers when owners had interfered in their editorial line. Andrew Neil, who was one of Rupert Murdoch’s longest serving editors at The Sunday Times, has written about Mr Murdoch’s decision to switch the allegiance of The Sun and the News of the World to the Labour Party in the 1997 general election: “The decision to place his two Tory tabloids—the biggest-selling in Britain—behind Blair and the Labour party was entirely Rupert’s. Their editors played almost no part in the decision and many of the staff, especially on The Sun, were very unhappy about it. But they had no say in the matter and were never consulted”<sup>33</sup>.
125. Although Rupert Murdoch was the only owner who admitted to becoming involved in the content of his papers, we heard several examples of other owners doing the same. We took evidence from Roy Greenslade, Editor of the Daily Mirror from 1990 to 1991, when the paper was owned by the late Robert Maxwell. Mr Greenslade told us that Mr Maxwell was “an overt interferer ... He liked to appear in the newspaper as often as he possibly could and he liked to have an involvement in virtually every story, not just in domestic politics but often in foreign politics” (Q 1718). Dominic Lawson, Editor of The Sunday Telegraph from 1995 to 2005, gave us two examples where owners he had worked for asked him to change something in a way that he was uncomfortable with. One example involved Conrad Black asking him to run a Leader as part of a commercial spat involving The Sunday Times and the other example involved the current Chairman of the Telegraph Media Group, Aidan Barclay, who asked him to pull a story about a paternity case involving David Blunkett because he did not want to find himself on the wrong side of a “powerful man” (Q 930). (Unfortunately, Mr Barclay declined our requests for him to give oral evidence, so we were unable to put this to him.)
126. In both these cases, Mr Lawson managed to resist the pressure that was put on him, but as he told us, the owner can decide what is in his paper, it is just unwise for him to do so (Q 930). It is interesting that, even though

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<sup>33</sup> Andrew Neil, *Full Disclosure*, Pan Books, 1996.

Dominic Lawson insisted that he only once experienced interference from Conrad Black, one of his predecessors Sir Max Hastings has suggested a slightly different relationship with the same proprietor. He has written, for example, that “among the great enthusiasms of [Black’s] life were the United States and the Reagan Presidency”. For this reason, “I was always sensitive to the fact that, while I enjoyed considerable latitude in many areas, the paper must tread warily in its treatment of the United States”<sup>34</sup>. Earlier in his book, he states that the Rothermeres “are the only newspaper owners I have worked for who have shown themselves sincerely committed to the doctrine of editorial independence”<sup>35</sup>. In his evidence Lord Rothermere, the Chairman of the Daily Mail and General Trust (DMGT), confirmed that he never interferes in the editorial content of his newspapers (Q 2537).

127. There have been many other published accounts of proprietorial interference. For example, David Hellier (a senior city and business correspondent at Express Newspapers from 1996 to 2003) wrote a piece for the British Journalism Review called ‘Life with Richard Desmond’. This article contained many examples of Mr Desmond asking journalists to spike stories, particularly business stories that were negative about his friends’ businesses or did not chime with his view of the world<sup>36</sup>.
128. It is not necessary for an owner to give a direct instruction in order to influence content. Andrew Neil told us that “There are many ways in which you can influence a newspaper without giving a downright instruction. Throughout the 11 years that I was Editor of The Sunday Times, I never got an instruction to take a particular line, I never got an instruction to put something on the front page and I do not think I even got an instruction not to do something, but I was never left in any doubt what he wanted” (Q 1650).
129. In the recent past, the competition authorities have recognised that an owner can have a direct impact on editorial policy and newspaper content. For example in 1990, the Monopolies and Mergers Commission (MMC) blocked the transfer of a controlling interest in The Bristol Evening Post plc to Mr David Sullivan who at that point had a 50 per cent interest in Sport Newspapers Ltd, publisher of the Sunday Sport and the Daily Sport.
130. The MMC blocked the transfer on the grounds that it might adversely affect the public interest. The MMC report stated that “if the acquisition of shares were allowed Mr Sullivan could be expected to influence editorial policy and the character and content of these papers and that this would harm both the accurate presentation of news and the free expression of opinion”. To back this up the MMC said that Mr Sullivan was “an active proprietor of Sport Newspapers Ltd with clear views on the content and promotion of his own publications. These views are communicated to his editors regularly, usually several times a week. A weekly article appears under his name in the Sunday Sport. During his involvement with the Daily Star he was, we were told, in daily communication with the editor”<sup>37</sup>.

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<sup>34</sup> Max Hastings, *Editor*, Macmillan, 2002, p67.

<sup>35</sup> *Ibid.*

<sup>36</sup> David Hellier, *Life with Richard Desmond*, British Journalism Review 2003; 14; 35.

<sup>37</sup> Mr David Sullivan and The Bristol Evening Post PLC: *A report on the proposed transfer of a controlling interest as defined in section 57(4) of the Fair Trading Act 1973*. The Monopolies and Mergers Commission 1990. [http://www.competition-commission.org.uk/rep\\_pub/reports/1990/274david.htm](http://www.competition-commission.org.uk/rep_pub/reports/1990/274david.htm)

131. In summary, the evidence we received on direct intervention by an owner suggests it can and does happen, but that it is probably less overt now than it used to be. More common is the indirect influence that an owner can have.

### Indirect influence of an owner

132. Usually the appointment of a newspaper's editor is down to the owner of that paper. This gives the owner a clear mechanism of influence over his title's editorial agenda. If an owner of a newspaper appoints an editor that he trusts to act in his image then there is no real need for that owner to become involved in particular stories or editorial lines. If he chooses to he can take a step back, safe in the knowledge that his policies will be followed.
133. Rebekah Wade told us that this was the mechanism through which Rupert Murdoch ensured The Sun reflects his general views. She explained "Mr Murdoch appoints the Editor of The Sun and of the News of the World and, in that sense, he is the traditional proprietor" (Q 1461). She went on to say "I think it would be fair to say that, before any appointment, he knew me pretty well ... he would be aware of my views, both social views, cultural views and political views" (Q 1462). "Take Europe for example—that is quite a good one to bring up—Mr Murdoch was absolutely aware of my views on Europe, I think even before I became Editor of the News of the World, maybe even Deputy Editor ... So the European campaign absolutely comes from me" (Q 1466).
134. It is notable that when Rupert Murdoch purchased The Times and The Sunday Times he gave certain undertakings to avoid the purchase being referred to the Monopolies and Mergers Commission. One of these undertakings was that he would seek the approval of the Independent National Directors of The Times regarding the hiring and firing of editors (for further information see paras 214–220). The fact that Mr Murdoch offered this undertaking to avoid a referral suggests that he recognised the power and influence that a proprietor can have over a newspaper when he alone can choose the Editor.
135. Once an editor is in place it is usually the owner who has the power to fire him<sup>38</sup> so even when the editor and owner have different views there is considerable incentive for the editor to avoid upsetting his owner. Dominic Lawson alluded to this when he referred to the fact that the Telegraph papers have had a very high turnover of editors since the Barclay family took over in 2004—three different editors of The Daily Telegraph and four different editors of The Sunday Telegraph. Mr Lawson stated that "... one of the problems, if you have a situation where there was a very high turnover of editors ... is that that makes the editors frightened. They feel that their tenure is a weak one and that makes them more likely to defer to ... pressure" (Q 932).
136. Although selecting an editor does give a proprietor a clear mechanism for influencing content we did also hear of proprietors who happily appointed editors who they knew held different views to their own. Andrew Marr edited The Independent from 1996–1998, he told us that Tony O'Reilly, the Chief Executive of Independent News and Media, has "very different political

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<sup>38</sup> Although we note that in some companies the dismissal of an Editor is a decision taken by the whole Board. In her evidence, Sly Bailey the Chief Executive of Trinity Mirror, told us that when she wished to dismiss Piers Morgan as Editor of the Daily Mirror she made a recommendation to the Board (Q 2653).

opinions from those expressed by The Independent” but never interferes in its content (Q 931).

137. The position of editor-in-chief should also be noted. Lord Rothermere told us about the Editor-in-Chief of Associated Newspapers, a position that is currently held by Paul Dacre who is also Editor of the Daily Mail. As Editor-in-Chief, Mr Dacre oversees the Daily Mail, The Mail on Sunday, the London Evening Standard and Metro, as well as the London Lite. He is responsible for appointing editors to these titles in conjunction with the nominations committee of the DMGT Board. He is also a member of that Board himself (Q 2567). Lord Rothermere and the DMGT Board believe in giving their editors “a lot of discretion, particularly in the editorial area” (Q 2581) but nevertheless a considerable amount of power still rests with one man whom the Chairman of DMGT appoints.

### **The business approach of an owner**

138. Some owners take a long view of the need for investment while others take a short-term view of profits. This impacts on the type and quality of journalism that a paper can invest in.
139. Roy Greenslade suggested that there are “four reasons for owning a newspaper ... profit, propaganda, prestige and public service” (Q 1727). He went on to explain that “generally a public limited company will own it for profit ... Tony O’Reilly owns The Independent newspapers which have always made a loss ever since he bought them; he calls them a calling card, he clearly owns them for prestige. We know that Rupert Murdoch ... owns them partly for propaganda and partly for profit. We know that the Scott Trust will say that The Guardian they own is for public service, and we will, by the way, always hear every proprietor pay lip service to the idea that they are in fact in it for public service, despite the other reasons” (Q 1727). Obviously these different emphases will impact on the content of the paper.
140. We received evidence about some owners taking a long term view of profits and understanding the importance of investing in news to attract new customers. Peter Wright, the Editor of The Mail on Sunday, told us that “It is true that Lord Rothermere and his son, who is now Chairman of the company, take a long view and they are prepared to invest over long periods of time in something in which they believe, and it is the case that some PLC companies are looking for short-term return, and you do not necessarily get that in the newspaper industry” (Q 505). Robert Thomson, the Editor of The Times, told us that Rupert Murdoch recognises the importance of The Times and therefore “has supported The Times with investment over many, many years” during a period of great losses (Q 270).
141. On the other side of the coin are owners who buy news organisations and milk them for profit. During our visit to the US, Leonard Downie Jr., the Executive Editor of The Washington Post, discussed the impact of relentless profit maximisation on journalism. He explained that the large conglomerates that have bought out many regional papers in the US insist on maintaining a very large profit margin. To do this they cut news room staff as soon as their purchase has gone through and this was the beginning of a vicious circle as they then lose readers (thus showing that such an approach to profit making is short sighted).

142. The public interest groups whom we visited in the US were also concerned about the loss of journalists and much less sanguine than the US television networks about sustaining television news. Bill Buzenberg, at the Center for Public Integrity, told us that around 3,500 journalists had been lost to the industry in the last five years and that television was making no investment in reporters or editors. Professor Tom Rosenstiel, at the Project for Excellence in Journalism, suggested that corporations were concerned about diminishing profits rather than going into loss and that television stations routinely expected to make around 40% profit. Chris Murray at the Consumers Union agreed that the problem was high profit expectations (see appendix four).
143. An owner's approach to profit making and investment in news gathering can affect news content in broadcasting as well. Broadcast news output may be affected by cost-cutting measures, targeted investment, retrenchment—although the impact is less severe for the BBC which is funded by the licence fee and ITV which is required by Ofcom to resource its news appropriately. If a new owner bought Sky News and attempted to run it for profit alone, this could have a significant impact on content.

### Different approaches to journalism

144. A more subtle but potentially more powerful influence can be exercised over the whole journalistic ethos of a news organisation or broadcaster, which in turn can determine the news output. This influence can emanate from the particular vision of an owner or an editor-in-chief, from a family ownership tradition, or from structural or organisational principles which dictate a particular editorial direction. These influences can be manifested through what kind of journalism is invested in, and what kinds of stories are followed or not followed. Such influence may be reflected as much in what does *not* appear in a newspaper or news bulletin as what does.
145. An example of this type of influence is given in William Shawcross's biography of Rupert Murdoch. Shawcross suggested that "The ethos of News [Corporation] discouraged independent investigation or troublesome journalism ... Murdoch was generally disinclined to upset the established order"<sup>39</sup> and "He believed that Watergate-type investigations were not the purpose of journalism"<sup>40</sup>. The late Hugo Young, who had been a political columnist on *The Sunday Times* and subsequently became chairman of the Scott Trust, wrote in 1984 of the impact of Murdoch's takeover of *The Sunday Times* that "The investigative tradition, which depends on detachment and irreverence as well as professional competence, has been all but abandoned"<sup>41</sup>.
146. Another example of such influence was given in the evidence of Dominic Lawson. For his first eight years as Editor of *The Sunday Telegraph* Mr Lawson worked for Conrad Black but in 2004 the paper was bought out by the Barclay family. Mr Lawson told the Committee that "Conrad Black was a great international figure, a global figure, so you had very good foreign pages. The Barclays are more parochial figures and you now find that *The Telegraph* has no full-time staff correspondent in Paris, no full-time staff correspondent in Brussels, and you see then that it is picking

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<sup>39</sup> William Shawcross, *Murdoch*, 1994, Pocket Books, pg. 298.

<sup>40</sup> *Ibid*, pg. 266.

<sup>41</sup> Article in *Political Quarterly*, quoted in: Nick Davies *Flat Earth News*, Chatto and Windus, 2008, pg. 303.

up agency copy which appears under the title of “By Telegraph correspondent” which it clearly is not” (Q 938). He also suggested that “Conrad Black understood that a lot of what newspapers did was about causing trouble, making mischief, throwing bricks through windows—what newspapers do from time immemorial. I think the Barclay brothers want a quiet life, do not want any aggro, want it all to be nice and smooth” (Q 933).

147. However, in his evidence to us William Lewis, the current Editor-in-Chief of The Daily Telegraph and The Sunday Telegraph, defended the Barclays, saying that he did not recognize Mr Lawson’s description of them and their approach to foreign reporting (Q 1433). We cannot know the exact details of how the change in ownership has affected The Sunday Telegraph but what is important about Mr Lawson’s evidence is that is an illustration of an editor who felt that he was being asked to approach journalism differently after an ownership change.
148. When Andrew Marr was appointed as Editor of The Independent the newspaper had two large shareholders with the same percentage of shares: the Mirror Group and Tony O’Reilly’s Independent News and Media. Mr Marr told us that “There was an intense pressure about what sort of paper it was going to be in terms of what it covered and its news agenda and all those sorts of things from the Mirror Group side” (Q 911).
149. Alan Rusbridger, the Editor of The Guardian, told us that the journalistic ethos of his paper is protected by the Scott Trust and its principles. He explained that the paper is still run according to the dictum of “Comment is free, fact is sacred” and that the paper took a decision not to follow the fashion of blurring the lines between fact and comment (Q 205). He also told us that it was a deliberately “specialist-led” newspaper, with 37 specialists including four science correspondents, seven political correspondents and between four and five covering education (Q 233), although we note that he also said that The Guardian now employs fewer specialist correspondents than it once did (Q 222).
150. We heard evidence from broadcasters that, despite being subject to stricter regulatory codes on accuracy and impartiality, there are still clear organisational and cultural values which influence their news output and ensure the necessary diversity in broadcast news. Independent Television News told us that, while they retain complete editorial control over their bulletins, they provide a service to their customers (the broadcasters) according to their requirements (Q 12).
151. Each of the three commercial public service broadcasters made it clear that they frame their editorial requirements differently. For Channel 4, Jim Gray told us that Channel 4 consciously looks for depth, range and perspectives “not pursued elsewhere” (Q 78). Dorothy Byrne talked of “seeing the world from perspectives of other people” and taking a multiculturalist approach. She told us that each news programme had a detailed editorial specification to achieve those aims for Channel 4 news programmes, although the day-to-day realisation of those aims was up to ITN. There was daily contact about the content of particular bulletins and a weekly meeting to discuss forward strategy (Q 86). It is therefore clear that, while ITN is free to implement Channel 4’s news brief according to its own standards of journalistic professionalism and integrity, the overall news agenda and news framework is laid down by Channel 4. The channel, in turn, derives its approach to news from its statutory obligations laid down by the Communications Act 2003.

152. For ITV, Michael Grade told us that ITN provided a “different product” to the BBC and believed that it “has always felt more accessible without being frivolous” (Q 998). While the day-to-day news agenda is again delegated to ITN, the commissioning editor of ITV has conversations with ITN about what is being planned. For example, Mark Wood, the Chief Executive of ITN, told us that “we provide a service to our customers around their requirements and we agree with them in quite intense coordination, what kind of news service they want ... However, there is then a very clear dividing line, on the other side of which is editorial control. Editorial control is with the editorial management with ITN and is, if you like, sacrosanct” (Q 12).
153. For Five, Sue Robertson told us that the face and type of news broadcast reflects the personality or brand of your channel (Q 150). Chris Shaw said that the channel lays down the overall strategy for its news bulletins and will discuss programmes post-transmission but the day-to-day decision making is left to Sky. He also said that they seek to make it to bring a “distinctive approach” to their news, which they want to be “fresher, clearer, more straightforward than others”, with the emphasis on clarity and accessibility (QQ 131, 132). Five does not seek to do long-form investigative reports, and does not see investigative journalism as its hallmark. In all three cases, it is clear that the news requirements are designed to fit in with the culture, branding and general approach of the respective channels.

### Different ownership structures

154. It is clear from the evidence above that the approach an owner takes to a news organisation can affect content in several different ways. We believe that different ownership structures could have different impacts on journalism and content. The experience of Leonard Downie Jr that we outlined in para 141 suggests that in the United States the content of regional newspapers was changed when the large conglomerates which were accountable to shareholders started to buy the titles from private family-run companies which were under less pressure to make profits.
155. In the UK most national newspapers are owned by public companies such as DMGT, or by private companies such as the Telegraph Group. However, The Guardian and The Observer are owned by the Scott Trust, which was created in 1936 to safeguard the journalistic independence and liberal values of The Guardian. Alan Rusbridger told us that he believed that because there is no board or proprietor or publisher, there is a “different kind of editorial process ... your relationship is purely on a horizontal level with your colleagues and your readers and I think that makes you more conscious and possibly more accountable to your readers” (Q 208). Paul Myners, the Chairman of the Guardian Media Group, suggested that the Trust model “gives the editors a degree of independence and freedom which I think is admirable and something which is a source of distinct advantage to us” (Q 2473).

### Conclusion

156. It is clear that the ownership of a news organisation can impact on its content.
157. In broadcast news, the presence of content regulation and impartiality rules limits the kind of influence an owner can have. However, owners of

broadcast news can have an impact on content through setting an editorial agenda and through the levels of investment in journalism that they are willing to make. For the commercial PSBs, issues of quantity, scheduling and (in ITV's case) resources are regulated by Ofcom, but beyond that news output is at the discretion of the broadcaster. For the BBC, news output is monitored by the Trust and editorial decisions will to some extent depend on the service licences to be agreed for each individual BBC TV channel and radio station.

158. However, for newspapers and internet news providers, there are more varied and more frequent opportunities for owners to influence content. Examples in this chapter show that owners have several potential mechanisms of influence—whether that be direct interference in a story, communication to the editor of what is expected of him, appointment of an editor and team that reflect a particular world view, investment in journalism or investment in specific types of journalism<sup>42</sup>.
159. As Professor Baker, from the University of Pennsylvania Law School, told us during our US visit: proprietors have always influenced the agendas of their newspapers. Historically this was not a threat as no single proprietor controlled too much of the media. As the next chapter shows, this may no longer be the case.

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<sup>42</sup> Although in the case of broadcasting, some of these mechanisms of influence cannot operate due to content and standards regulation.



## CHAPTER 4: WHY CONSOLIDATION MATTERS

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### Introduction

160. As news providers have been subject to greater market pressures there has been a trend towards consolidation of ownership. This is true within certain sectors and across the media as a whole. This chapter starts by considering who owns each sector of the news media and what else they own, before considering the advantages and disadvantages of ownership consolidation.

### National Press Ownership

161. Eight owners now dominate the national press. This level of concentration within the national newspaper market has not changed since Guardian Media Group bought The Observer in 1993. However, there have been increasing levels of cross-media ownership. Nowadays, most of the companies that own national newspapers also have large holdings in other media enterprises. Table one shows the eight national newspaper publishers and some of their other media assets.

**TABLE 1**  
**Top ten national newspaper publishers**

<b>Publisher</b>	<b>National newspaper titles</b>	<b>Total national market share (based on circulation)<sup>43</sup></b>	<b>Other relevant UK media assets include</b>	<b>Other international assets include</b>
News International (a wholly owned subsidiary of News Corporation plc)	The Times Sun The Sunday Times News of the World	35.5%	NewsCorp owns 39% of BSkyB <sup>44</sup> BSkyB has a 17.9% share in ITV1 (although it has been ordered to reduce its stake to no more than 7.5%). News International owns the London paper (an evening freesheet)	NewsCorp has numerous international media assets. Some of the biggest are: Fox News (USA), Star Television (Asia), The New York Post (USA), Dow Jones (USA), The Wall Street Journal (USA), 20th Century Fox Film, Harper Collins Publishers, News Limited (publishers of national and regional newspapers in Australia) <sup>45</sup>
Daily Mail and General Trust	Daily Mail The Mail on Sunday	19.3%	Evening Standard Metro (a morning freesheet) London Lite (an evening freesheet) Northcliffe Media (large UK regional newspaper publisher with over 100 UK publications—see table two) 15.6% stake in the Press Association <sup>46</sup> 14.3% of GCap Media plc <sup>47</sup> (see table four)	DMG Information (an international provider of business information) Euromoney Institutional Investor (a business to business media group which publishes over 100 magazines, newsletters and journals) DMG World Media (an international exhibition and trade publishing company) DMG Radio Australia (holder of 10 radio licences in Australia) <sup>48</sup>

<sup>43</sup> Jan–Jun 2007—ABC figures taken from the Guardian Media Guide 2008, edited by Janine Gibson, pg. 24.

<sup>44</sup> News Corporation Annual Report, 2007, pg. 83.

<sup>45</sup> News Corporation Annual Report, 2007.

<sup>46</sup> Daily Mail and General Trust Annual Report, 2007, pg. 99.

<sup>47</sup> Ibid.

<sup>48</sup> Daily Mail and General Trust Annual Report, 2007.

Publisher	National newspaper titles	Total national market share (based on circulation) <sup>43</sup>	Other relevant UK media assets include	Other international assets include
Trinity Mirror	Daily Mirror Sunday Mirror The People Daily Record Sunday Mail	20.3%	21.5% stake in the Press Association <sup>49</sup> Trinity Mirror's Regional Division is the largest UK regional newspaper publisher (see table two) <sup>50</sup> Scottish Daily Record and Sunday Mail Ltd publisher the Daily Record and Sunday Mail, as well as seven other Scottish publications <sup>51</sup>	—
Northern and Shell	Daily Express Daily Star Sunday Express Daily Star Sunday	11.9%	Northern and Shell publishes the celebrity gossip magazines: OK!, New and Star Cable television channels Television X and Express Shopping Channel <sup>52</sup>	—
Telegraph Media Group	The Daily Telegraph The Sunday Telegraph	6.1%	the Spectator Spectator Business	—

<sup>49</sup> Trinity-Mirror Annual Report, 2007, pg. 71.

<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

<sup>52</sup> Northern and Shell Annual Report, 2007.

Publisher	National newspaper titles	Total national market share (based on circulation) <sup>43</sup>	Other relevant UK media assets include	Other international assets include
Guardian Media Group	The Guardian The Observer	3.4%	<p>GMG Regional Media (publishers of the Manchester Evening News and a number of other regional newspapers in the North West and South of England)</p> <p>GMG Radio (operator of 13 analogue and 24 digital radio stations)</p> <p>Trader Media Group—jointly owned with Apex Partners (publisher of Auto Trader)</p> <p>EMap Communications—jointly owned with Apex Partners (publisher of various business magazines including Broadcast, Nursing Times, Construction News)<sup>53</sup></p>	—
Independent News & Media	The Independent The Independent on Sunday	1.8%	<p>The Belfast Telegraph</p> <p>Sunday Life (an Irish title)<sup>54</sup></p>	<p>Numerous, including: New Zealand Herald, 12 Australian network radio stations, INM South Africa (publisher of various SA newspapers) and Danik Jagran (the most read Hindi language paper in India)<sup>55</sup></p>

<sup>53</sup> Guardian Media Group Annual Report, 2007.

<sup>54</sup> Independent News and Media Annual Report, 2007.

<sup>55</sup> Ibid.

Publisher	National newspaper titles	Total national market share (based on circulation) <sup>43</sup>	Other relevant UK media assets include	Other international assets include
Pearson	Financial Times	1.8%	FT.com—an audited business website FT business—publisher of UK finance magazines	FT Group also runs a pan-European network of national business newspapers and two companies which provide business data and analysis. Pearson Group owns 50% of Economist Newspaper Ltd <sup>56</sup> ; the Penguin Group publishing business; and Pearson Education, a leading education company. <sup>57</sup>

<sup>56</sup> Pearson Annual Report and Accounts 2007, pg. 71.

<sup>57</sup> Pearson Annual Report and Accounts 2007, pg. 102.

### Regional and local press ownership

162. Four publishers dominate the regional and local press. The consolidation of ownership of UK local and regional newspapers has been particularly marked. The four biggest local and regional publishers are Trinity Mirror, the Daily Mail and General Trust (owner of Associated Newspapers and Northcliffe Media), Johnston Press and Newsquest Media Group. These four now have almost 70% market share across the UK<sup>58</sup>. In addition to their acquisitions of regional and local newspapers all but one of these groups (and most of the smaller groups) have significant cross-media interests (see table two).

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<sup>58</sup> PPA figures taken from the Guardian Media Guide 2008, edited by Janine Gibson, pg. 29.

**TABLE 2**  
**Top ten regional newspaper publishers**

<b>Publisher (and selection of major titles)</b>	<b>Number of titles<sup>59</sup></b>	<b>Weekly circulation (m)<sup>60</sup></b>	<b>Total group market share (based on circulation)<sup>61</sup></b>	<b>Other UK media assets</b>	<b>Other international media assets</b>
Trinity Mirror plc (Birmingham Post; Coventry Evening Telegraph; Liverpool Echo; Western Mail; and the Newcastle Sunday Sun)	185	11.2	16.7%	See table one for the other assets of Mirror	
Johnston Press plc (The Scotsman; Yorkshire Post; Lancashire Evening Post; and Halifax Courier)	283	8.8	13.2%	n/a	n/a
Newsquest Media Group Ltd—a wholly owned subsidiary of Gannet plc. (The Argus; Northern Echo; The Herald);	215	9.7	14.4%	n/a	Gannet's American media assets include 85 daily newspapers, 23 television stations and a news wire service.

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

<sup>61</sup> Ibid.

Publisher (and selection of major titles)	Number of titles <sup>59</sup>	Weekly circulation (m) <sup>60</sup>	Total group market share (based on circulation) <sup>61</sup>	Other UK media assets	Other international media assets
Associated Newspapers—Owned by DMGT plc. (Evening Standard; Metro; London Lite).	13	9.1	13.5%	See table one for the other assets of DMGT	See table one for the other assets of DMGT
Northcliffe Media Ltd—Owned by DMGT plc. (Nottingham Evening Post; Leicester Mercury; Western Daily News)	135	7.9	11.8%	See table one for the other assets of DMGT	See table one for the other assets of DMGT
Guardian Media Group (Manchester Evening News; Stockport Times; Macclesfield Express; and Rochdale Observer).	43	2.6	3.9%	See table one for the other assets of GMG	n/a
News International Newspapers (The London Paper)	1	2.4	3.5%	See table one for the other assets of News International	See table one for the other assets of News International
The Midland News Association (West Midlands Express and Star; and Shropshire Star)	19	2.0	2.9%	n/a	n/a
DC Thomson & Co Ltd (Aberdeen Evening Express)	6	1.9	2.8%	n/a	n/a



### Television news ownership

163. Only three companies produce national television news: the BBC, ITN and BSkyB. It is broadcast by the BBC, ITV, Channel 4, Five and Sky. Regional television news is produced by the BBC and by the channel 3 licence holders.
164. The BBC is the dominant force in television news provision. In 2006, the combined audiences of BBC1, BBC2 and BBC News 24 news programmes gave the BBC 60.4% of UK television news audiences (ref).
165. The striking example of consolidation in the commercial sector is ITV. The ownership of the ITV Network has consolidated considerably since the passage of the Broadcasting Act 1990. ITV plc currently owns 11 of the 15 channel 3 regional licences that make up the ITV network. Originally, no ITV company was allowed to hold more than one regional licence in order to ensure plurality of ownership and diversity of output. The Broadcasting Act 1990 allowed for some consolidation within the network, although no single ITV company was allowed to have more than 15% market share. Within the newly liberalised ownership rules, Granada and Carlton acquired the majority of the regional ITV franchises.
166. In 1994, Granada acquired LWT (London Weekend Television) and bought Yorkshire and Tyne Tees Television in 1997 to form the Granada Media Group. In 2000, Granada also purchased United News and Media's two ITV franchises, Anglia TV<sup>62</sup> and Meridian Broadcasting<sup>63</sup> and the following year it bought Border TV<sup>64</sup> from the Capital Radio group. Carlton first entered the ITV network in 1987 when it bought a 19% stake in Central Independent Television and in 1991 it replaced Thames Television as the London weekday licence holder and bought HTV<sup>65</sup>. By 1993, Carlton had bought a 20% stake in GMTV (increased to 25% in 1999) and in 1996, Carlton also acquired an 81% shareholding in Central and West Country TV. The ownership rules still prevented the creation of a single ITV company but with the passage of the Communications Act 2003, these restrictions were removed. In February 2004, the merger of Granada and Carlton was completed, creating ITV plc.

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<sup>62</sup> Bedfordshire, Buckinghamshire, Essex, Hertfordshire, Norfolk, Northamptonshire and Suffolk.

<sup>63</sup> Berkshire, Hampshire, Kent, and Surrey.

<sup>64</sup> Northern Cumbria, Isle of Man and South-West Scotland.

<sup>65</sup> Wales and West of England.

**TABLE 3**  
**Television news broadcasters and producers**

Broadcaster	Share of UK TV news viewing (in October 2006) <sup>66</sup>	Major shareholders	Other media interests include
BBC	BBC1—50.6% BBC2—4.6% BBC News (formally BBC News 24)—5.2%	The BBC is a Public Corporation established by Royal Charter.	BBC Radio—BBC national radio stations have 47% of total radio listening share BBC online BBC Worldwide (commercial arm of the BBC—manages content sales, product sales and commercial channels) BBC World News (the corporation's commercial, international 24 hour news channel).
ITV plc	ITV1—26.8%	ITV plc's biggest shareholder is currently BSkyB, which owns a 17.9% stake (although it has been ordered to reduce its stake to no more than 7.5%).	40% stake in Independent Television News (ITN); 5.6% of Scottish Media Group; and 75% of GMTV <sup>67</sup> .
Channel 4	4.5%	Established by statute as a public corporation.	
Five	2.8%	Channel 5 is a wholly owned subsidiary of the RTL Group.	RTL Group also operates television and radio stations in Germany, France, Spain, Belgium, and the Netherlands Bertelsmann is a privately held stock corporation. The Bertelsmann Group is one of the world's largest

<sup>66</sup> *New News, Future News: The challenges for television news after digital switchover*, Ofcom, 4 July 2007; figure 3.2. Analysis is across all hours.

<sup>67</sup> ITV Annual Report, 2007, pgs.97–98.

Broadcaster	Share of UK TV news viewing (in October 2006) <sup>68</sup>	Major shareholders	Other media interests include
BSkyB	4.9%	RTL is majority owned by the Bertelsmann Group.	media companies. Its other global media assets include: Random House, the world's largest book-publishing group; Gruner + Jahr, Europe's biggest magazine publisher; and Freemantle Media (a TV production company).
BSkyB	4.9%	BSkyB's largest shareholder, News Corporation, has management control and a controlling interest in the company (a 39% shareholding) <sup>68</sup> .	Sky News Radio provides national and international news bulletins to stations owned by three major radio groups: Global Radio, Guardian Media Group Radio, and Virgin Radio.
ITN	ITN makes national news for ITV and Channel 4 (see above)	ITV (40%), Reuters (20%), Daily Mail & General Trust (20%) United Business Media (20%) <sup>69</sup> .	ITN Source (video content sales); ITN On (mobile, radio, online content); ITN Factual (documentaries); and ITN Consulting (media consultancy). 20% of Independent Radio News Ltd (ITN is the contracted news provider for IRN).

<sup>68</sup> News Corporation Annual Report 2007, pg. 83.

<sup>69</sup> www.itn.co.uk/news/corp\_board.html

### Radio news ownership

167. National radio news is produced by three companies. The BBC produces bulletins for its own channels and Independent Radio News and Sky News Radio supply the commercial radio sector. Independent Radio News is a private limited company with three major shareholders: GCap Media (54%), Bauer (22%) and ITN (20%). It provides national and international news bulletins to both GCap Media and Bauer Radio. Sky News Radio is a division of BSkyB. It provides national and international news bulletins to Virgin Radio, UTV Radio (including talkSPORT), and Global Radio (including LBC). Local radio news is produced by the individual stations, although greater pooling of news gathering resources has taken place through the establishment of regional news hubs.
168. Consolidation of ownership of local commercial radio stations has been marked. For example, the four biggest radio companies now have 77% of the commercial radio market (see table four).

**TABLE 4**  
**Radio news broadcasters**

<b>Radio Group</b>	<b>Share of total radio listening share</b>	<b>Share of commercial radio listening<sup>70</sup></b>	<b>Major shareholders/owners</b>	<b>Other media interests</b>
BBC national radio	47% <sup>71</sup>	n/a	The BBC is a public corporation established by Royal Charter.	See table three
BBC local/ regional radio	9.9% <sup>72</sup>			
GCap Media plc	12% <sup>73</sup>	29%	In June 2008, Global Radio completed a takeover of GCap Media plc. However, pending completion of an OFT merger investigation, the companies will be maintained as separate entities.	GCap Media owns 54% of Independent Radio News <sup>74</sup> . GCap Media also owns Digital One, the first national digital multiplex, in addition to 39% of all local multiplexes <sup>75</sup> .
Bauer Radio	10.3% <sup>76</sup>	25%	Bauer Radio Ltd is the wholly owned subsidiary of German private company, H Bauer.	Bauer was originally a European magazine publisher and produces over 200 magazines in 15 countries. It also owns 22% of Independent Radio News.

<sup>70</sup> RAJAR data, all individuals 15+ for period October 2007 to March 2008.

<sup>71</sup> RAJAR data, all individuals 15+ for period January to March 2008.

<sup>72</sup> RAJAR data, all individuals 15+ for period January to March 2008.

<sup>73</sup> RAJAR data, all individuals 15+ for period October 2007 to March 2008.

<sup>74</sup> GCap Media Annual report, pg. 68.

<sup>75</sup> Multiplexes are system for broadcasting radio transmissions.

<sup>76</sup> RAJAR data, all individuals 15+ for period October 2007 to March 2008.

Radio Group	Share of total radio listening share	Share of commercial radio listening <sup>70</sup>	Major shareholders/owners	Other media interests
Global Radio	5% <sup>77</sup>	12%	Global Radio is a UK private limited company and a wholly owned subsidiary of GRG. 87.7% GRG's shares are held indirectly by Tabor family trusts. The remaining approximately 12.3 % of GRG's shares are held by the Global Radio Directors. <sup>78</sup> In June 2008, Global Radio completed a £375m takeover of GCap Media plc. However, pending completion of an OFT merger investigation, the companies will be maintained as separate entities.	—
GMG Radio	4.6% <sup>79</sup>	11%	GMG Radio is a wholly owned subsidiary of Guardian Media Group (which is owned by the Scott Trust).	—
UTV Radio (Inc. TalkSport)	3.2% <sup>80</sup>	7.6%	UTV Radio is a wholly owned subsidiary of UTV Media (a UK plc)	—
Virgin Radio Network	1.5% <sup>81</sup>	3.7%	Times Infotainment Media Ltd (a wholly owned subsidiary of Times of India Group).	Times Now (a 24 hour English language news channel, in partnership with Reuters); it also has numerous newspaper, magazine and radio assets in India.

<sup>77</sup> RAJAR data, all individuals 15+ for period October 2007 to March 2008.

<sup>78</sup> Recommended cash acquisition of GCap Media plc by Global Radio Acquisitions Limited a wholly-owned subsidiary of Global Radio UK Limited to be effected by means of a Scheme of Arrangement under section 895 of the Companies Act 2006, pg. 70 ([www.thisisglobal.com/radio/downloads/gemini-scheme-document.pdf](http://www.thisisglobal.com/radio/downloads/gemini-scheme-document.pdf))

<sup>79</sup> RAJAR data, all individuals 15+ for period October 2007 to March 2008.

<sup>80</sup> RAJAR data, all individuals 15+ for period October 2007 to March 2008.

<sup>81</sup> RAJAR data, all individuals 15+ for period October 2007 to March 2008.

### Online news ownership

169. As discussed in chapter two, traditional news providers have used their market position and newsgathering infrastructure to create a strong online presence. They have been able to transfer their dominance of the mainstream media to the internet and in the process attract an ever bigger audience. This is shown by the fact that UK citizens predominantly use sites that are run by existing news providers. In one study, Ofcom found that of the top ten news websites by unique user, four were run by internet based organisations. These were Google News (a news aggregator site), Yahoo! News, AOL News, and MSN News (all sites that rely on news agency reports)<sup>82</sup>.

### The causes of consolidation

170. It is clear that consolidation provides opportunities for making savings through sharing resources. As discussed in chapter two, most sectors of the news media are struggling to cope with declining revenues from both advertising and sales, and are looking for ways to make savings in order to remain profitable. Professor Richard Collins, Professor of Media Studies at the Open University, put this to us:

“The responses open to owners of legacy media are becoming more and more restricted as the circulation and advertising revenues decrease. So, either they can reduce costs or they can merge. My sense is that unless there is a striking increase in public intervention in media markets, essentially we are going to see a tightening of the ownership screw” (Q 723).

171. Those who argue for a relaxation of the rules on media ownership assert that consolidation allows savings to be made through economies of scale, without cutting spend on actual journalism. Although this argument was refuted by others (see paras 179 to 183 below) it was put forcefully by many witnesses.
172. Russell Whitehair from The Newspaper Society told us that consolidation of the local and regional newspaper industry “brings extra resource, it brings economies of scale but it does not detract from the focus that those companies will have in serving each local community” (Q 626). Peter Wright, the Editor of The Mail on Sunday, said that his paper benefited from being part of a large group because they were able to share printing presses which would be very expensive if they were a stand alone business (Q 510). Rebekah Wade, the Editor of The Sun, said that the journalism at her paper benefited from having an owner who could afford to invest in new printing presses and give her good budgets for journalism. She suggested this was particular unusual at a time when other newspaper groups were cutting editorial budgets (Q 1476).
173. Simon Kelner, the Editor of The Independent, argued that editorially there are many advantages to being underpinned by a large multi-national media organisation “There are many benefits for our papers around the world in being able to use the journalism that is in The Independent. It is not just a one-way street; we quite often use reports from our papers in a remote part of South Africa, for instance, or a political piece from Ireland or Australia. It is a two-way street in that respect” (Q 670).

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<sup>82</sup> *New News, Future News: The challenges for television news after digital switchover*, Ofcom, 4 July 2007; fig 3.11.

174. The ITV companies argued in advance of both the 1996 and 2003 relaxations in the ownership rules governing Channel 3, that consolidation would allow for a more efficient and streamlined commercial television channel, better able to invest in original programmes and thus meet the challenge from a burgeoning number of cable and satellite channels.
175. The radio industry is currently campaigning for a relaxation of its complex ownership rules. Radio Centre told us that “Removing the current mono-sector ownership restrictions on radio will allow Commercial Radio groups to seek superior economies of scale through consolidation and the sharing of resources, thus safeguarding their ongoing investment in the content which listeners value at a time when competition for advertising revenue has never been fiercer” (p 402). Radio Centre does not, however, wish to see a relaxation in the rules governing mergers between newspapers and radio stations in the same local area (p 402).
176. In relation to radio news a trend of particular interest is “news-hubbing”, which is the sharing of news resources amongst local stations in a similar area that have shared ownership. Radio Centre argued that, “Clearly news-hubbing is made much easier when stations are under concentrated ownership ... there is no evidence that balance and diversity of opinion have suffered as a result of these smaller groups’ news-hubbing arrangements. With companies of this size, sharing news operations allows for a higher quality of news production and more formalised editorial structures, with anecdotal reports suggesting that this tends to reduce the incidence of mistakes with regard to fairness, accuracy and impartiality. In addition, common ownership helps stations to gain better access to external content, revenue and marketing opportunities” (p 405).
177. While several witnesses noted the business benefits brought by consolidation within sectors of the media, there is less evidence that cross-media consolidation brings similar benefits. Charles Sinclair, the Chief Executive of DMGT, told us:
- “we have owned a variety of media assets in television, radio, newspapers and magazines, in the way we run things we have been rather disappointed in the cross-media benefits. They have been notably absent in any type of editorial synergy. Our television assets, when we owned them, never had anything to do with our papers. Even our national papers editorially are very separate, and all they really share are printing presses and distribution systems. They even have separate advertising sales forces and completely separate editorial groups. We do share printing with the regional newspapers, but that is about as far as it gets. We never got anything out of our very limited ownership of local radio. So cross-media I would say was an aspiration which broadly, in our case, did not deliver much in terms of commercial benefit” (Q 2596).

### **The case against consolidation**

178. In the light of the evidence above, should the consolidation of the news media be a matter of concern? We heard a number of reasons why it might be.



*The effect on localism and investment in journalism*

179. Local journalism was an area many witnesses felt was particularly at risk when large national or global companies bought small locally-owned businesses. The National Union of Journalists argued that the consolidation of local and regional newspapers in the UK has affected the nature of their content:
- “The big PLCs see local newspapers only as another business existing as a vehicle for profit making for shareholders. This has transformed the traditional trade-off between profits and the provision of service and need to engender a sense of community in the areas they circulate in ... Crucially, this new ethos has allowed company chiefs to take the decision to make deep cuts in editorial budgets—especially cuts in staff ... For regional newspapers, this has meant a widespread cutting back on formal reporting of time consuming news opportunities” (p 143).
180. While there are benefits from economies of scale such as shared printing, the logistics of sharing can impact on quality. For example if a local newspaper group has centralised printing resources this will impact on those publications in its range which are printed last or based furthest from the centralised printer. In some cases, these publications will have to be printed a day in advance which will impact on the immediacy and relevance of stories.
181. Additional evidence comes from the United States, where the effect of consolidation on localism is a matter of great debate. It is perhaps an indicator of what could happen in this country. In the 1990s, the US government significantly relaxed the radio ownership rules. As a result, large multi-national companies started buying many local radio stations. For a decade Clearchannel was the industry giant, owning nearly triple the number of stations of its nearest rival. To many in the industry, the influence of multi-national companies was a worrying development. Critics claimed that unique local programming was being jeopardised by greater homogenisation of opinion, news and music. Clearchannel was at the forefront of public criticism that national programming was subsuming local interests. For example, in Minot, North Dakota in 2002, the New York Times claimed that the local Clearchannel station did not report a train derailment of toxic chemicals. This was widely attributed to centralisation of news production.
182. In 2002, the US Federal Communications Commissions (FCC) sought to relax further US ownership limits at the local level. This proved controversial. Two of the FCC commissioners published dissenting views and several parties sought court reviews of various aspects of the decision. In 2003 the changes were blocked by the courts. During our visit to the US we met staff of the FCC who are engaged in another review of ownership rules. Studies commissioned by the FCC have indicated that as companies expand, so does diversity within each market. However, during our visit we also met representatives of the Consumers’ Union which is one of the bodies that sought to block the FCC’s deregulatory proposals in 2003. The Consumers’ Union have accused the FCC of fixing the design of the studies on the effect of ownership. They claim to have found FCC e-mails detailing which academics to employ if particular study results were wanted (see appendix four).
183. Several parties, including some industry representatives in the US, took the line that consolidation actually had the effect of reducing investment in

original journalism as new owners sought to maximise returns to investors and shareholders. Darius Walker, the New York bureau chief of CNN, told us that consolidation has been bad for diversity and quality. He said that the drive for money and more profitability invariably meant that news and research were sacrificed, reducing quality and the number of voices available. Leonard Downie Jr of the Washington Post made the same point about “chain owned newspapers” that cut back on journalism to maintain their profits. In their oral evidence, the National Union of Journalists countered the Newspaper Society evidence arguing that, for example, Newsquest had reduced its editorial staff by 2000 in the last three years as it consolidated its ownership of local papers (Q 775).

### *Cross-promotion*

184. We received evidence on how cross-promotion of other parts of the business within large organisations can affect the impartiality of news.
185. In 2001 the US organisation, the Project for Excellence in Journalism, published a study that found media outlets tend to cover their parent companies products much more than others, but only declare the link 15% of the time. For example, CBS was then owned by Viacom, whose holdings ranged from MTV, Simon & Schuster book publishers to Paramount studios and beyond. The study found that the networks’ morning magazine news programmes featured more stories about their own parent company’s wares than they did about any other single company. CBS was nearly twice as likely to carry Viacom products as ABC and NBC combined. The coverage ranged from interviews with contestants on other CBS shows to interviews with the stars of Paramount movies.
186. No similar study has been done within UK broadcasting but Professor Purvis, Professor of Television Journalism at City University, suggested that based on his experiences television companies like to report their own successes (Q 734). In the print industry, there have been numerous instances of owners exploiting their newspapers for commercial advantage. In a recent book, Nick Davies wrote how “Tiny Rowland repeatedly meddled in the inner workings of The Observer to win political favours in Africa, where his company, Lonrho, had vast business interests. Robert Maxwell did the same to score political advantage to assist his investments, particularly in the Soviet Union and Eastern Europe”<sup>83</sup>. One of the few systematic studies of cross-promotion was conducted in the run-up to Sky’s satellite television’s launch in opposition to British Satellite Broadcasting in 1988/9. Independent research found that News International newspapers—owned, like Sky, by News Corporation—devoted over seven times as much space to promotional events surrounding the launch than other national newspapers<sup>84</sup>. The BBC also devotes significant time to trailing its programmes across all its own platforms—television, radio and online.
187. The other side of the coin is news outlets not covering stories that might be contrary to their owner’s business interests. It is widely suspected that this is the case, even though every serving editor we interviewed denied that they

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<sup>83</sup> Nick Davies, *Flat Earth News*, Chatto & Windus, 2008, pg. 19.

<sup>84</sup> *Events and issues relevant to competition in satellite television between British Satellite Broadcasting and News International*, The European Institute for the Media, Manchester University, April 1989.

would have any reticence about running a newsworthy story even if it was damaging to their parent corporation. Ex-editors were more forthcoming. For example, Andrew Neil, who edited *The Sunday Times* from 1983 to 1994, told us that “no newspaper group in this country, none, covers its own affairs well” (Q 1684).

188. He went on to give a very vivid example of what happened to him as Editor of *The Sunday Times* when he engaged in journalism that was harmful to his owner’s business interests. In 1994, *The Sunday Times* published a series of investigations exposing alleged corruption by the Malaysian government. As a result of these stories, Andrew Neil claimed that the Malaysian Prime Minister, Mahathir Mohammed was “furious and made it clear that the chances of Star TV (a News Corporation satellite-TV service in Asia) being allowed into Malaysia were less than zero”<sup>85</sup>. This resulted in Rupert Murdoch telling him not to run any more articles on the matter.
189. Andrew Neil resigned soon after but when we asked what would have happened had he wanted to stay, he told us “I think my position would have become untenable over time, over quite quick time. I would then have ceased to be on the same planet as him on a serious issue, one of business interests, and he would have found ways of making life pretty intolerable for the editor. It would not have been a case of just being fired right away, but it would have been a case of money drying up, budgets not appearing” (Q 1678).
190. Andrew Neil summarised what this meant for journalism in a big corporation when it challenged business interests: “Here was *The Sunday Times* in the middle of one of the biggest disputes and journalistic investigations in 1994 ... every other newspaper and media outlet was rushing to catch up with this superb piece of investigative journalism, and our proprietor found it boring. I think you can only draw your own conclusions” (Q 1681).
191. Another example, this time from the publishing sector, relates to HarperCollins’ 1998 decision to cancel its publication of Chris Patten’s memoirs of his time as Governor of Hong Kong. HarperCollins is owned by News Corporation, which was in the process of establishing businesses in China, including the satellite broadcaster Star TV. HarperCollins initially said it cancelled the book because it was “boring”. But then an internal memo from a HarperCollins official surfaced, citing Rupert Murdoch’s concern about “negative aspects of publication.” After Chris Patten sued, the publishing house “unreservedly apologized” and admitted the allegations that the book was boring were “untrue”<sup>86</sup>.

### *Restricting market entry and diminishing pluralism*

192. We heard arguments about access to the mass media. One argument suggested that a potentially damaging consequence of consolidation was that it raised barriers to market entry. This was a point made by Professor Curran, Professor of Communications at Goldsmiths, University of London, “concentration ... matters enormously in terms of restricting entry into the market. It is very, very difficult to set up a daily paper or indeed launch a major television channel because of the established power of

<sup>85</sup> *Lessons from a Former Murdoch man*, Andrew Neil, Condé Nast Portfolio, July 30 2007.

<sup>86</sup> Steve Stecklow and Aaron O. Patrick in London, Martin Peers in Sydney, Australia, and Andrew Higgins in New York; *Calling the shots: In Murdoch’s Career, A Hand on the News His Aggressive Style Can Blur Boundaries*; by Wall Street Journal, June 5, 2007.

incumbents” (Q 730). This argument was also articulated by Lord Puttnam “I would put it to you that cartel behaviour is the natural instinct of incumbent organisations. We have very poor regulation in unravelling and dealing with and punishing cartel behaviour” (Q 2113).

193. We are conscious that for many in the industry, the new opportunities afforded by broadband, the internet, convergence, blogging, social networking sites, mobile phones and other forms of instant electronic communication invalidate anxieties about media concentration. Several industry witnesses made this point to us although, interestingly, none of the citizen groups, academics, regulators or Government ministers did so. We agree that technological developments do offer many more opportunities for democratic participation and communication than ever before, and that such opportunities should be welcomed and encouraged. However, we are satisfied by the data presented to us and summarised in chapter two that the traditional mass media still command the greatest attention and greatest power, and will continue to do so for some time. We are also conscious that the new information technologies rely considerably on the existing mass media for original journalism.

*The relationship between media owners and politicians*

194. The fewer owners, the greater their potential political power. Newspapers have sought to influence politics since time immemorial and that has not changed. We took evidence from Alastair Campbell, Director of Communications and Strategy for the former Prime Minister Tony Blair 2001–03 and Chief Press Secretary 1997–2001, and from Sir Christopher Meyer, Government Spokesman and Press Secretary to the former Prime Minister John Major from 1994 to 1996. Both witnesses were clear that senior politicians consider the press an important tool in shaping public opinion and work hard to try to ensure positive coverage. This suggests that there is a danger in allowing one individual to amass too much control of the media, in case they use that power to influence government policy.
195. The public may find it easier to trust the relationship between their elected representatives and the media if governments were less secretive about releasing information in this area. Unfortunately, it has proved very hard to elicit information about the relationship between senior ministers and senior members of the press. Various Members of both Houses of Parliament have tabled written questions asking for details of meetings between Ministers and particular media proprietors but have failed to elicit the required information. Requests under the Freedom of Information Act 2000 have been similarly unsuccessful. One member of this House, Lord Avebury, sought information about the times and dates of Tony Blair’s meetings with Rupert Murdoch and Richard Desmond, but was refused answers for several years. Both Downing Street and the Freedom of Information Officer at the Cabinet Office said that the release of the information would be prejudicial to the effective conduct of public affairs. Lord Avebury was in the process of taking his case to the Information Tribunal when the Cabinet Office chose to release the information the day after Mr Blair resigned.
196. In his written evidence, Mr Tim Nichols, a former MP’s ex-researcher, detailed the attempts of the MP he worked for to acquire information about such meetings. Various written parliamentary questions were tabled, but answers to these questions were refused under exemptions 2 and 7 of the Code of Practice on Access to Government Information. In his evidence,

Mr Nichols points out that “Exemption 2 of the Code of Practice on Access to Government Information covers internal discussion and advice, while exemption 7 covers the effective management and operations of public services. The citing of these exemptions appears to entail that national newspaper editors and proprietors are involved in internal government discussions, including on policy options, and have a particular role relevant to the effective management and operations of public services (p 590).”

197. While reluctance on the part of Ministers to publicise their meetings with proprietors and editors is obviously not helpful in boosting confidence about the relationship between politicians and the press, there is a wider point to be made. All senior politicians, in both the Government and opposition, have an interest in having good relations with the media. The most important aspect from the public’s perspective is that such relationships are as open and transparent as possible. **We take the view that the relationship between policy makers and the media is a legitimate area of public interest. We therefore propose that politicians in all parties are open and candid about their meetings with media owners and editors.**

### Conclusion

198. Like other industries, consolidation in the media has moved on apace over the last twenty years. The commercial pressures are clear enough. The financial synergies, for example from merging headquarters’ functions, can provide a strong argument for bringing companies together. The trend has been most obvious in both independent television and regional and local newspapers. One argument in favour of consolidation of local and regional newspaper companies is that the savings achieved mean that titles that were perhaps under threat of closure can be maintained, thereby preserving diversity of voice.
199. Consolidation brings savings and in theory those savings can be invested in improved journalism. In practice, this does not always seem to have been the result. For example, ITV is trying to cut back their regional and local news coverage. Consolidation can also lead to newspapers being printed early, at some distance from the local market and, as the National Union of Journalists argue, with smaller editorial budgets.
200. Another aspect of consolidation has been the way that companies have expanded across the media. As in many other sectors of the economy, independent, stand-alone companies have become fewer. News Corporation owns not only four national newspapers through News International, but also has an almost 40% stake in BSkyB, as well as owning the publisher HarperCollins plus significant international news outlets. Gannett, the American company, which controls nearly 15% of the UK regional newspaper market, also owns daily newspapers and 23 television stations overseas. Bertelsmann, the privately run German group, owns UK broadcaster, Five, as well as television stations across Europe and the publisher Random House. The Pearson Group owns the Financial Times, the publisher Penguin and 50% of The Economist. While the Daily Mail and General Trust and Trinity Mirror own national newspapers, free newspapers and large groups of regional newspapers as well.
201. Locally, nationally and internationally, the news media are becoming concentrated in fewer hands, and that brings with it risks in a democracy. Consolidation can reduce the number of voices available to the public; it can mean that disproportionate power to influence government and the political process is placed in a few hands. That is the risk and that is why we believe there remains a need for a special regime to cover media mergers.

## **CHAPTER 5: THE CASE FOR MEDIA OWNERSHIP REGULATION**

202. There has always been a broad political consensus in the UK that ownership of the media should be considered separately from ownership of other assets. In 2001, the Government published a consultation paper on media ownership in which it was stated that “A healthy democracy depends on a culture of dissent and argument, which would inevitably be diminished if there were only a limited number of providers of news”<sup>87</sup>. This was a sentiment shared by the previous Conservative administration “A free and diverse media are an indispensable part of the democratic process. They provide the multiplicity of voices and opinions that informs the public, influences opinion, and engenders political debate. They promote the culture of dissent which any healthy democracy must have. If one voice becomes too powerful, this process is placed in jeopardy and democracy is damaged”<sup>88</sup>. It is also a view of the competition regulator. The Competition Commission stated in written evidence to us that “Whether or not they raise competition concerns, certain mergers raise public interest considerations. Media mergers in particular may raise plurality concerns because they might concentrate newspaper and other media ownership in too few hands, to the detriment of the quality of journalism and broadcasting” (p 604).
203. These concerns were expressed during the passage of the Communications Bill in 2003, and in part they were addressed by amendments to the Enterprise Act 2002, which provided that in addition to the standard UK merger regime, media mergers may also be subject to a Public Interest Test (see paras 237 to 240).
204. During the course of this inquiry, some witnesses suggested that there was no need for specific regulation of media ownership over and above normal competition regulation. Three main arguments were put in support of this case. The first is that the proliferation of ways to access the news, and the accompanying increase in competition faced by news providers, means that concerns about ownership levels are out of date. The second is that diversity of voice can be protected through other means such as internal safeguards within news organisations. Another argument relating to the newspaper industry is that the Press Complaints Commission (PCC) could be given an enhanced role. We will consider each of these arguments in turn.

### **Are concerns about ownership outdated?**

205. Rupert Murdoch told us that he cannot understand why the UK Government is exercised about ownership levels. He believes this concern is “ten years out of date” now that there are so many news outlets for people to choose from. Professor Purvis, Professor of Television Journalism, at City University, told us that “the barriers of entry to the news business are lower than they have ever been ... The access to the means of distribution and the access to the content by the consumer have changed radically and I think that that is a major offset to the concern about ownership” (Q 719).

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<sup>87</sup> *Consultation on media ownership rules*, Department for Culture, Media and Sport, 26 November 2001, para 1.7.

<sup>88</sup> *Media Ownership: The government’s proposals*, Department of National Heritage, 1995, para 1.4.

206. The Newspaper Society also believed that the proliferation of news sources, and the resulting increase in competition that news providers face, points towards a need for “further liberalisation of media ownership controls” (p 106). The Daily Mail and General Trust agreed “rather than experiencing an overall increase in concentration of ownership, the news environment is in fact diversifying at an ever-increasing pace. In addition to the range of commercial radio and commercial analogue television broadcasters, the development of digital television, and an increase in the provision of free rather than paid-for newspapers—all of which offer other sources of news media—there has been a major and continuing expansion of internet news sources” (p 538).
207. However, the evidence in chapter two clearly shows that while there has been an increase in ways to access the news, there has been no corresponding increase in the amount of newsgathering. The traditional news companies continue to be the source of choice for most readers, they invest most in original journalism and still set the day’s political agenda. As Professor Rosenstiel of the Project for Excellence in Journalism said to us in America, “the dirty little secret of the information revolution is that much of it is repackaging existing information rather than newsgathering” (see appendix four).
208. New media companies such as Google, Yahoo! and MSN do affect the health of the news market because of the advertising they attract but they have not contributed to the amount of news being gathered. Nevertheless, it is clear that they have contributed to the faster, easier and more widespread dissemination of news via their internet search engines.
209. Professor Gibbons, Professor of Law at the University of Manchester, told us that while the presence of new news providers should be taken into account by the competition authorities, their existence did not affect the need for media ownership regulation: “It is open to the authorities to take those [new news providers] into account ... It is still the case that internet news is a small part of total news availability and really serves to complement standard news organisations’ offerings. Indeed, much of it is offered by standard news organisations. I think that one would expect the authorities, in applying this test, to take that into account, and indeed I think the Competition Commission did do that in the recent Sky case, but it came to the conclusion that was not weighted” (Q 1961).
210. **We do not accept that the increase of news sources invalidates the case for special treatment of the media through ownership regulation. We believe that there is still a danger that if media ownership becomes too concentrated the diversity of voices available could be diminished.**

### Internal safeguards

211. If safeguards can be put in place within a news organisation to prevent an owner influencing content then it could be argued that there is no need for limits on media ownership. In broadcast news, the content regulatory structures outlined in chapter two, have lessened the influence an owner can have on news. This was recognised by the Competition Commission in its recent report on BSkyB’s acquisition of a 17.9% stake in BSkyB. It stated that “We note that there are a number of internal and regulatory constraints

in the production of television news which are likely to limit any possible single minority shareholder influence on editorial decisions”<sup>89</sup>.

212. However, in newspaper and online news different examples can be found of internal structures put in place to protect editorial independence. A widely respected example is the ownership structure of the Guardian Media Group. As explained in para 155, the Guardian Media Group is owned by the Scott Trust, which was created in 1936 to safeguard the journalistic independence and liberal values of The Guardian. The core purpose of the Scott Trust is to secure the financial and editorial independence of The Guardian in perpetuity: as a quality national newspaper without party affiliation while remaining faithful to its liberal tradition. The Guardian Media Group is bound by the Scott Trust to uphold a set of values laid down by the former Guardian editor, CP Scott, and now enshrined as the Scott Trust values. The Scott Trust model is unique and probably does provide a degree of protection for journalistic independence. We believe it is unlikely that another newspaper will ever choose to recreate the Scott Trust model.
213. Editorial independence is not only achieved through models like the Scott Trust. Traditions of editorial independence can develop in public companies too. Lord Rothermere, the Chairman of the Daily Mail and General Trust, made it clear that the “convention” at DMGT “is to allow editors to edit” (Q 2585). However, this is a convention and is dependent on the nature of the Chairman and Board, there is no internal structure safeguarding the culture at DMGT.
214. Another internal structure designed to protect editorial independence is the Independent National Directors at The Times and The Sunday Times. In 1966 the Monopolies Commission reported on the transfer of The Times and The Sunday Times from Lord Astor to Lord Thomson. At the time of the merger there was concern that the transfer would damage the character of The Times; that the purchase would result in less competition and diversity of opinion in the newspaper market; and that the outside influence of the Thomson organisation might be allowed to interfere with the accurate presentation of news. The Times Publishing Company was similarly concerned and negotiated provisions that it considered provided adequate safeguards. One such provision was that the Board of The Times and The Sunday Times would include four “national figures” who it was hoped would represent the national interest. However, the Monopolies and Mergers Commission doubted that “any reliance can be placed on such safeguards” and asserted that “the inclusion of national figures on the board could only be window-dressing”<sup>90</sup>. Despite this scepticism the national figures were appointed to the board but in practice it was Lord Thomson’s own hands-off approach as proprietor that provided the real defence of editorial independence during his years in charge of The Times and The Sunday Times.
215. When Rupert Murdoch sought to purchase The Times and The Sunday Times in 1981 he agreed to strengthen the role of the national figures (now called the Independent National Directors). He made this agreement in

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<sup>89</sup> *Acquisition by British Sky Broadcasting Group plc of 17.9 per cent of the shares of ITV plc*, Competition Commission report, para 5.69.

<sup>90</sup> *The Times newspaper and The Sunday Times newspaper: A Report on the proposed transfer to a newspaper proprietor*, Monopolies and Mergers Commission, December 1966, para 176.



order to avoid his purchase being referred to the Monopolies and Mergers Commission. Rupert Murdoch was also responding to concerns from the then editors of *The Times* and *The Sunday Times* who both wished to ensure their editorial independence within the new company.

216. The new Articles of Association of Times Newspaper Holdings Limited were passed in February 1981. Paragraphs 78 and 79 of the Articles state that there shall be no more than 20 directors of Times Newspaper Holdings and that at least six of these shall be “the Independent National Directors”. All the directors are paid by Times Newspaper Holdings Ltd. The Independent National Directors serve three-year terms and although they have the power to appoint their successors, the Company has the right of veto. The agreement of a majority of the Independent National Directors is required to:

- Dispose of the company, i.e. transfer the titles or authorise a sale
- Appoint and dismiss the Editor-in-Chief; the Editor of *The Times*, and the Editor of *The Sunday Times* and
- Resolve disputes between the Editors and the Company, their decision being final and binding.

217. It is questionable how effective the Independent National Directors have been, even with the increased powers that Rupert Murdoch agreed to give them. The system was strongly criticised by Harold Evans who was Editor of *The Sunday Times* when Rupert Murdoch bought it, and who was then appointed as Editor of *The Times*. Mr Evans had fought for the increased powers of the Independent National Directors but in practice, he found they provided him with no effective protection. In his autobiography he wrote that none of the guarantees that Rupert Murdoch gave to safeguard editorial independence “are worth the paper they are written on—unless the proprietor shares the spirit of them. If he does, they are merely ornamental; if he does not, they are unworkable ... Internal freedom cannot be acquired by external rules”<sup>91</sup>. Andrew Neil, Editor of *The Sunday Times* from 1983 to 1994, agreed “It was a conceit invented ... to allow Mr Murdoch to take over these papers in the first place, and it was put in place for that reason. It was not really put in place to protect the independence of the editors” (Q 1689).

218. A further example of internal structures to protect editorial independence can be seen in the regional press. In June 1993, the Daily Mail and General Trust applied for the Secretary of State’s consent to its acquisition of T. Bailey Forman Ltd, the publisher of the Nottingham Evening Post and other local newspaper titles in the East Midlands. The case was referred to the Monopolies and Mergers Commission, which concluded that “diversity of opinion can only be adequately protected if the Nottingham Evening Post is not in the same ownership as the daily evening newspapers in Derby and Leicester, any condition would have to involve divestment of one or both of these titles”<sup>92</sup>. It advised the Secretary of State to reject the transfer<sup>93</sup>. However, in December 1994, the Government rejected the Monopolies and Mergers Commission’s advice and consented to the transfer subject to conditions. These included the establishment of an editorial board

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<sup>91</sup> Harold Evans, *Good Times, Bad Times*, Weidenfeld and Nicolson, 1983, pgs. 461–462.

<sup>92</sup> *A report on the proposed transfer of seven local newspapers published in Nottingham*, Monopolies and Mergers Commission, para 1.11.

<sup>93</sup> *Ibid*, paras 1.4, 1.7, and 1.10.

responsible for maintaining editorial independence at the Nottingham Evening Post. They also included some competition specific safeguards<sup>94</sup>. We have no way of knowing whether this internal structure proved effective because the competition authorities do not monitor the post-merger situation.

219. Some of our witnesses suggested that no media mergers should be allowed if there was enough doubt about the effect on the diversity of voices available that pre-merger commitments were needed. This was the view of Andrew Neil “If you have to ensure commitments before you allow a merger to go ahead, you probably should not let that merger go ahead” (Q 1797).
220. **We do not believe that an internal company structure can be an adequate substitute for competition law and statutory regulation in ensuring that no single voice becomes too powerful. We are clear that regulation to ensure a plurality of media ownership is still relevant and necessary.**

### Self-regulation of the newspaper industry

221. The newspaper industry is subject to common law, including the law of defamation. In addition it is subject to self-regulation by the Press Complaints Commission (PCC). The PCC is a non-statutory body which deals with complaints from members of the public about the editorial content of newspapers and magazines. The Board of the PCC is made up of 17 members, seven of whom are senior editors of national and regional newspapers and magazines. The remaining ten members form a lay majority who are appointed by the PCC’s Appointments Commission, which includes the Chairman, one industry representative<sup>95</sup> and three independent members<sup>96</sup>. The PCC’s role is to investigate breaches of the industry Code of Practice, which is drawn up and maintained by the Code of Practice Committee (composed of editors of national and regional newspapers and magazines). It does this by investigating complaints from members of the public about the content of newspapers and magazines. It does not proactively investigate compliance with the Code, it only investigates if there has been a specific complaint by someone specifically and directly affected by the story in question.
222. The worth of the PCC as an industry watchdog was called into question by a number of our witnesses. Alastair Campbell, Director of Communications and Strategy for the former Prime Minister Tony Blair 2001–03 and Chief Press Secretary 1997–2001, said “it is a pretty useless organisation” (Q 1869). He went on to explain that “I do not think actually that it offers a real system of redress for people who are traduced by newspapers. I think it is part of a cosy media club” (Q 1870). Lord Puttnam agreed with this assessment when he said, “I have very limited respect for the Press Complaints Commission and the organisations that surround it because I think essentially it is a cartel. It is a self-regulatory organisation that will very

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<sup>94</sup> These include a requirement not to re-enter the market for weekly paid-for newspapers in the East Midlands area; a requirement not to behave in a way that distorts or restricts competition in the newspaper market in the area; and a requirement not to initiate a regional edition of the Daily Mail in the area.

<sup>95</sup> Tim Bowdler, Chief Executive of Johnston Press.

<sup>96</sup> Lord Phillips of Sudbury, Sir David Clementi and Baroness Smith of Gilmorehill.

seldom do anything that will discomfit [the press] or make its life difficult” (Q 2113).

223. Dr Moore, Director of the Media Standards Trust, agreed, “I think that it is astonishing how anachronistic the governing structures of the PCC are ... You have someone who is the Executive Editor at News International sitting on both the funding committee and the editorial committee. You have an editor of the Daily Mail sitting both on the editorial code committee and on the PCC. In other words, they are both setting the rules and policing the rules themselves and then monitoring themselves. The whole thing is slightly absurd in a way which I think is why there is an urgent need to review it and to undertake an independent review of the self-regulation particularly as it expands” (Q 769).
224. The system of self-regulation, as currently constituted, has particular implications for ensuring ethical and journalistic standards are upheld. This is because as Sir Simon Jenkins, former Editor of the Times from 1990–1992, told us, one of the defences against “buccaneering newspaper ownership is the way in which the profession regulates itself ... I think that one of the defences that journalists and journalism have against proprietorial interference or unethical practices is a far more rigorous structure of self regulation ... and I don’t think you are getting it at the moment at all” (Q 1798).
225. Sir Christopher Meyer, the Chairman of the PCC, strongly defended the Commission but also admitted that the remit of the organisation is limited. When asked whether the PCC would ever investigate a complaint about cross-promotion within a newspaper, he was clear that “I do not do commercial” (Q 1860). Given its current remit the PCC is not currently equipped to carry out a role in protecting editorial independence and there is no sign that the newspaper industry would agree to a wider role for it.
226. The Press Complaints Commission is an internal complaints body, which lacks independence from the industry. Its own terms of reference are to deal with complaints about the editorial content of newspapers and magazines. It was never designed or established to proactively promote journalistic standards or ethics. It does not have the powers necessary to prevent the voice of any one owner becoming too powerful and there is no prospect of the industry giving it such powers.
227. In summary we are clear that none of these developments in the media industry mean that regulation of media ownership is now out of date or unnecessary. In light of this, the next chapter will examine whether any changes are needed to the current system of media ownership regulation.

## **CHAPTER 6: CHANGES TO MEDIA OWNERSHIP REGULATION**

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228. This chapter examines the regulatory regime for media mergers. It outlines the current framework of media ownership regulation, which is based around the Public Interest Test for media mergers. We propose certain changes to ensure that the system is as independent, robust and stream-lined as possible.

### *The standard merger regime*

229. The Enterprise Act 2002 sets out the standard merger regime and the media merger regime which includes the Public Interest Test. If a non-media merger or acquisition qualifies as a “relevant merger situation” and meets a certain turnover threshold then it will be investigated and considered by the competition authorities. A relevant merger situation is created when enterprises cease to be distinct, so that in effect, they have come under common ownership or control.

230. In addition to the common ownership or control test, a merger will only be investigated if it meets either the turnover test or share of supply test. The turnover test is met if the UK turnover of the acquired enterprise exceeds £70 million. The share of supply test is met if, as a result of the merger, at least 25% of goods or services of any description supplied in the UK (or in a substantial part of the UK) are supplied by, or to, the merged entity. A final proviso is that the share of supply test only applies to activities that overlap in relevant markets.

231. The Office of Fair Trading (OFT) is the authority of first inquiry and will assess whether or not a relevant merger situation has been created. It will then make a judgment on whether the merger could cause a substantial lessening of competition. The OFT can accept undertakings-in-lieu from the relevant parties to prevent a reference to the Competition Commission. At no stage in the standard merger regime is there any role for Government ministers.

232. Media mergers and acquisitions are subject to the standard merger regime like any other sector. However, because of the special position of the media, media mergers and acquisitions can be subject to an additional level of scrutiny that looks at their impact on the public interest.

### *The media merger regime*

233. The Public Interest Test was introduced by the Communications Act 2003 which amended the Enterprise Act 2002. Before this legislation, media mergers were still subject to separate ownership restrictions. These took the form of restrictions on ownership of particular combinations of broadcast media, restrictions on cross-media ownership and a specific merger regime for newspapers. The purpose of these restrictions was to ensure plurality in media ownership.

234. The Communications Act 2003 was deregulatory in its approach. In a policy document considered by the Joint Committee on the Draft Communications Bill, and published on 7 May 2003 the Government explained that the aim of the new legislation was to liberalise and simplify media ownership rules. The reasons given for doing this were that:

- (a) the Government believed that the existing rules had proved inflexible and inconsistent in their effect in the face of changing media market;
- (b) the changing nature of media markets, and in particular the greater number of media outlets facilitated by digital technology, was helping to increase plurality and thus necessitated fewer controls to ensure plurality; and
- (c) the Government believed that liberalisation could bring real economic advantages, creating more British media players of a size to compete effectively on an international stage, attracting more investment into British media markets and encouraging larger media players to provide a more diverse output in order to avoid competition for audiences with other stations that they own<sup>97</sup>.

235. The Communications Act 2003 made some important changes to the way in which media mergers are considered. First, it changed many of the historical limits on media ownership by:

- lifting the restrictions on mergers of ITV companies (but retaining some limits on ownership of ITV so that a company holding a national ITV licence cannot merge with a company owning 20 per cent of the national newspaper market, nor can it merge with a company owning more than 20 per cent of the newspapers of that region);
- lifting the rules preventing a company owning 20% of the national newspaper market from owning Channel 5;
- increasing the scope for cross-media mergers;
- increasing the scope for radio mergers; and
- allowing non-EEA companies to own UK television and radio companies.

236. As well as lifting specific restrictions on mergers, in particular cross-media mergers, the Communications Act also introduced a separate regime for considering the public interest implications of a media merger. This is known as the Public Interest Test. It was not part of the Government's initial proposals when the Bill was published but was the result of a compromise between the Government and the House of Lords which was concerned about the implications for the citizen of the Government's deregulatory approach.

237. The Public Interest Test was inserted into section 58 of the Enterprise Act by section 375 of the Communications Act. The Enterprise Act had already created a Public Interest Test to be applied to mergers with national security implications. The Communications Act extended the application of this test to media mergers. Lord Puttnam, Chairman of the Joint Committee which scrutinised the draft Communications Bill, described this arrangement as "a double lock whereby you use the provisions of the Enterprise Act to look at things from a competition perspective and at the same time you looked at those same provisions from the perspective of the public interest. By creating these two locks, you were likely to get a reasonable result" (Q 2097).

#### *The considerations in the Public Interest Test*

238. The Communications Act inserted two slightly different sets of public interest considerations into the Enterprise Act. One set for newspaper mergers, and one for broadcasting mergers and cross media mergers.

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<sup>97</sup> *Report of the Joint Committee on the draft Communications Bill*, Session 2001–02, HL Paper 169-I, para 223.

239. In the case of newspaper mergers, the three public interest considerations are the need for:
- accurate presentation of news;
  - free expression of opinion;
  - to the extent that it is reasonable and practicable, a sufficient plurality of views in newspapers in each market for newspapers in the UK or a part of the UK<sup>98</sup>.
240. In the case of broadcasting or cross-media mergers, the three public interest considerations are more specific and detailed. They are the need for:
- in relation to every different audience in the UK or in a particular area or locality of the UK, for there to be a sufficient plurality of persons with control of the media enterprises serving that audience;
  - the availability throughout the UK of a wide range of broadcasting which (taken as a whole) is both of high quality and calculated to appeal to a wide variety of tastes and interests; and
  - persons carrying on media enterprises, and for those with control of such enterprises, to have a genuine commitment to the attainment in relation to broadcasting of the standards objectives set out in section 319 of the Communications Act 2003<sup>99</sup>.
241. Neither the public interest considerations for newspaper mergers nor those for broadcasting and cross-media mergers include any requirement to establish that a merger will not adversely affect professional news gathering and investigative journalism. This is a significant omission given the evidence highlighted in chapter two, which showed that it is the expensive job of news gathering that is suffering most.
242. Chapters two and four show that there is no evidence that the economies of scale that consolidation brings necessarily lead to investment in news gathering. It is news gathering and investigative journalism that distinguishes a great news organisation. It is therefore clearly in the public interest that a media merger does not negatively impact in the amount of time and money devoted to this type of journalism.
243. **We recommend that the public interest considerations for newspaper mergers and broadcasting and cross-media mergers are amended to refer specifically to a need to establish whether a merger will impact adversely on news gathering.**

*The considerations for newspaper mergers*

244. A comparison of the public interest considerations for newspaper mergers (see para 239) and those for broadcast and cross-media mergers (see para 240) shows that the newspaper considerations are considerably less rigorous.
245. In relation to broadcasting and cross-media mergers plurality of ownership may be considered, but for newspaper mergers this is not necessary. The need is merely for a “plurality of views” in newspapers and even this has the caveat of only when it is reasonable or practicable. As highlighted above there

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<sup>98</sup> Enterprise Act 2002, Section 58 (2A)(2B).

<sup>99</sup> Enterprise Act 2002, Section 58, (2C)(a).

is also no requirement to prove that a merger will not impact on the commitment to newsgathering.

246. We are also concerned that the considerations for newspaper mergers are hard to measure objectively and are in need of review. How can accurate presentation of news be measured and considered before a merger has gone ahead?
247. Ofcom is the body charged with conducting the initial investigation of the public interest implications of a newspaper merger, once the Secretary of State has issued an intervention notice. However, Ofcom seemed unaware of this responsibility. Ed Richards, the Chief Executive of Ofcom, told us that in relation to newspapers, Ofcom only has “marginal responsibilities in relation to cross-media ownership rules” (Q 856). But the fact is that Ofcom has the important responsibility of advising the Secretary of State about whether a newspaper merger is likely to harm the public interest and therefore whether there is a case for referring the merger to the Competition Commission on public interest grounds. Ofcom is charged with promoting the interests of citizens in communications matters, and its duties towards newspaper mergers clearly fit with this brief.
248. Trinity Mirror’s written evidence states that Ofcom has conceded it is not well equipped to offer the Secretary of State advice on the public interest considerations of newspaper mergers. Trinity Mirror therefore calls for a more limited role for Ofcom in newspaper mergers (p 558). However, if Ofcom had a more limited role then there is no obvious body who could advise the Secretary of State. We therefore believe the solution is not to limit Ofcom’s role but to ensure it has the skills and expertise to carry-out its duties. The need for a review of the public interest considerations for newspaper mergers provides an opportunity for Ofcom to build expertise in this area.
249. **We recommend that the considerations set out in the Public Interest Test for newspaper mergers should be reviewed by Ofcom. This exercise should consider the rigour of the criteria and how they can be assessed. Conducting such a review will give Ofcom the opportunity to start building an expertise in advance of actually having to look at a newspaper merger.**

#### *Scope of the Public Interest Test*

250. When the Government introduced the amendments to establish the Public Interest Test during third reading of the Communications Bill in the House of Lords, the Minister explained that “In principle, all media mergers, including cross-media mergers, can be subject to a media plurality test. However, we intend as a matter of policy normally to apply the test in practice to those areas only where the current rules are being removed completely”<sup>100</sup>. This means that the Secretary of State will normally only trigger the Public Interest Test for mergers that involve:
- National newspapers with more than 20% of the market and the Channel 5 licence holder;
  - National newspapers with more than 20% of the market and a national radio service;

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<sup>100</sup> Lord Hansard, 8 July 2003, col 157.

- Mergers involving a change in control of one or more Channel 3 licences such that the acquirer would control licences accounting for an audience share of greater than 15% (though such acquisitions are less likely to raise concerns where the acquirer is already an existing ITV licence holder in view of ITV's proven track record as a public service broadcaster);
  - Two Channel 3 licences for the same region;
  - A Channel 3 licence holder and the Channel 5 licence holder;
  - A national Channel 3 licence holder and a national radio service;
  - The Channel 5 licence holder and a national radio service;
  - Two or more national radio services;
  - Owners from outside the European Economic Area (except where prior to the Communications Act 2003 there were no restrictions on non-EEA ownership)<sup>101</sup>.
251. However, although it was the Government's intention to only use the Public Interest Test in these circumstances, there is flexibility in the system. The Public Interest Test could be applied to any media merger and the Government's own guidance suggests it might be used in exceptional circumstances when a merger gave rise to "serious public interest concerns", in particular the Government highlight three specific areas:
- Where a large number of educational or news channels came under single control;
  - Where all the music channels came under single control; and
  - Where a new entrant to local radio has not shown a commitment to broadcasting standards in other media or countries<sup>102</sup>.
252. We have received evidence calling for the Government to signal an intention to use the Public Interest Test for a wider range of mergers. For example, the Guardian Media Group argued that "under current competition rules, a Google acquisition of a major UK media asset might not automatically trigger an investigation. Such a move would raise genuine 'public interest' concerns—with Google's share of voice in the online world reaching levels similar to that of the analogue terrestrial broadcasters on television" (p 324). Lord Puttnam stated in his written evidence that there is a need to consider the influence of larger internet players (p 431).
253. We understand why the Government provided guidance to the market about the likely areas of application of the Public Interest Test. It provided a degree of predictability at a time when ownership rules were being lifted or significantly amended. However, we have concerns about the relatively narrow scope envisaged for the use of the Public Interest Test. For example, although the Public Interest Test could be used to investigate the implications of a large internet company acquiring a UK media enterprise, the Government's guidance indicates that the Secretary of State would be unlikely to trigger the Test if such a merger took place. **We recommend that the Government should be more flexible and adopt a case-by-**

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<sup>101</sup> *Guidance on the operation of the public interest merger provisions relating to newspaper and other media mergers*, Department of Trade and Industry, May 2004.

<sup>102</sup> *Ibid*, para 8.8.



**case approach when considering which media mergers the Public Interest Test should apply to. We believe that it would be essential to apply the test if a major international internet company bought a stake in a UK news provider.**

*The role of Ministers*

254. The most significant difference between the standard and media merger regimes is the degree of ministerial involvement. Under normal merger rules, the OFT and the Competition Commission operate without reference to any Minister. However, in keeping with previous media merger regimes, Ministers have a significant role in the Public Interest Test. Specifically, the Secretary of State for Business, Enterprise and Regulatory Reform has the following responsibilities:
- He is the only person with the power to trigger the Public Interest Test. He does this by issuing an Intervention Notice. This sets out instructions to the OFT and Ofcom to produce reports. The OFT will investigate whether the merger will be likely to raise competition issues and Ofcom will investigate whether the merger could raise public interest concerns;
  - He receives advice from Ofcom on whether a media merger is likely to raise public interest concerns and then has the power to either accept or reject that advice and decide whether the case should be referred for a full investigation by the Competition Commission;
  - If the Competition Commission is asked to conduct a full investigation, then once it has issued its final report, he must decide whether he agrees with its conclusions on the implications for the public interest. (In doing so he is bound by the Competition Commission's decision on whether there has been a substantial lessening of competition);
  - If he judges that the public interest is at stake then he must decide whether to accept or reject the Competition Commission's proposed remedy. If he rejects it, he can suggest a remedy of his own.
255. We are concerned about the role of the Secretary of State in the Public Interest Test. Governments of all persuasions spend time building good relationships with powerful media proprietors. This is not necessarily wrong but it does raise a possible conflict of interest if the same people who want, and need, to stay on the right side of a media company, have the final say on that company's business interests.
256. Sir Christopher Meyer, Press Secretary from 1994 to 1996 to the former Prime Minister John Major, discussed how much influence politicians believe media coverage has on their success: "politicians of all parties get far too steamed up and worked up about what is written about them in newspapers because they fear that the headline and the story is going to influence the voters' view of them as individuals, as politicians, and then affect the way they vote" (Q 1801). If a politician is that concerned about media coverage then it makes sense that they will want to have good relationships with powerful media owners. This illustrates the potential conflict of interests.
257. Several witnesses expressed concern about ministerial involvement in the Public Interest Test. The media commentator Roy Greenslade thought that the Competition Commission were "more likely to be more objective" (Q 1742). Sir Simon Jenkins, former Editor of The Times from 1990–1992,

- was convinced that “the Minister should not be involved” (Q 1788). Michael Grade, the Chairman of ITV, said, “I am not quite sure I fully understand why it is necessary for the Government of the day to be involved in signing off the decision of an independent body like the Competition Commission” (Q 1054). Jocelyn Hay, Founder and Chairman of the Voice of the Listener and Viewer, argued that because “The media is so important politically ... where you have concentrated cross-media ownership of newspapers and radio stations and television stations, there is, again, huge potential for subtle, behind-the-scenes pressure” (Q 1338).
258. Lord Puttnam questioned whether politicians actually wanted this level of control over media mergers. After discussions with the Secretary of State for Business, Enterprise and Regulatory Reform, he felt that the “clear sense was he would like this whole thing a million miles away from him. He did not think these decisions falling on his desk had any political or any other form of attractive mileage” (Q 2131). Roy Greenslade concurred with this assessment, saying “I think the Secretary of State might enjoy being taken out of it because I think it puts immense pressure on the Secretary of State from internal politics and external pressures and the Competition Commission can make a rational decision” (Q 1743).
259. We are particularly concerned that Ministers are the only people with the power to initiate the Public Interest Test. At the beginning of the process the Ministers’ decision may be subject to very little scrutiny because the case will not yet necessarily have a high public profile. At least at the end of the process the Secretary of State’s decision will be subject to significant media and public scrutiny.
260. One possible safeguard would be to give Ofcom concurrent powers with the Secretary of State to initiate the Public Interest Test. Professor Prosser, Professor of Public Law at Bristol University, made the case for Ofcom to have this power. He stated that “the early stage of deciding whether to investigate seems to be something which could be left to the independent regulator. That regulator will know the market better than the Minister, one hopes, or the civil servants, because it is the job of the regulator to keep the market under supervision. It would seem to me that that would be very desirable” (Q 1980). We agree. How can Ofcom pro-actively promote the interests of the citizen in media mergers if it cannot decide that there should be an investigation of the impact a media merger has on those interests?
261. **We recommend that Ofcom should be given the power to initiate the Public Interest Test. This would sit more comfortably with Ofcom’s duty to *promote* the interests of the citizen. We do not believe that the power to trigger a Public Interest Test should be taken away from Ministers. Along with Ofcom, Ministers should retain the power in the event that they consider there is a risk to the public interest that Ofcom has not fully recognised. Therefore, the power to issue an Intervention Notice should be held by both Ofcom and the Secretary of State.**
262. At the other end of the process, we are content that the Secretary of State should retain the power to make a final judgment on the validity of the Competition Commission’s findings and decide on what remedies are appropriate if a merger is considered to act against the public interest. We accept that Ministers have a legitimate role at this point. As Professor Prosser stated “in the end there is an important role for the Minister because he or

she will be able to take an overall look at the public interest and take into account non-competition based concerns, but that is distinct from being involved in the investigation itself” (Q 1944).

263. John Hutton MP, the Secretary of State for Business, Enterprise and Regulatory Reform, stated that, “Speaking personally I think it would be exceptionally difficult to imagine a set of circumstances where, having intervened and referred to the Competition Commission and the Competition Commission makes recommendations on these public interest grounds, that any Secretary of State would say, “I am sorry, I am not accepting the findings of the Competition Commission”. I think that would have to be a unique set of circumstances. I would find it very hard to envisage that actually coming about” (Q 2372).
264. While it can be argued that there is still a conflict of interest in Ministers having the final say on the recommendations of the Competition Commission, this part of the process will be very high profile. The recent BSkyB/ITV judgment was covered in great detail by the press and discussed in Parliament. Given this level of scrutiny we believe that there are sufficient safeguards at this end of the process. Ultimately, there is the option of judicial review if it is believed that Ministers have made an unreasonable decision.

#### *Streamlining the process*

265. Application of the Public Interest Test is currently a five (possibly six) stage process:
- The Secretary of State issues an Intervention Notice;
  - Ofcom and the OFT report back to the Secretary of State;
  - The Secretary of State decides whether to refer the case to the Competition Commission (if he decides not to then the process stops here);
  - The Competition Commission reports back to the Secretary of State;
  - The Secretary of State makes a final decision;
  - Interested parties can appeal case to the Competition Appeals Tribunal.
266. We heard repeated complaints from witnesses about the complexity of this process and the length of time that it takes. Michael Grade stated that “my only complaint is that everything seems to take so long” (Q 1048). Virgin Media agreed with this assessment, stating that the regulatory authorities should be “sufficiently resourced in order to move at speed and in order to make a judgment that actually has an impact rather than makes a ruling once the market has moved on” (Q 1120). Mr Clark, Trustee and former Board Member of the Voice of the Listener and Viewer, concluded that “it is a very tedious process at the moment: the reference to Ofcom, the reference to the Competition Commission, the reference to the Secretary of State. Time seems to be the real problem in it. Huge swathes of time disappear in the whole thing” (Q 1339).
267. One reason why the process takes so long is that Ofcom initially investigates the likely public interest implications of a media merger and, if the Secretary of State accepts there are public interest implications, then the Competition Commission is asked to carry-out a more detailed investigation of the public

interest implications. This system means there are two consecutive investigations of the same subject. We are concerned that this system does not take full advantage of Ofcom's media expertise, and instead asks a purely competition focused regulator to give the final advice to the Secretary of State on whether a merger raises public interest concerns. A number of witnesses were concerned about the Competition Commission's qualifications for investigating the public interest. Professor Prosser believed that it "is not the best body to decide on issues of plurality, given that plurality is not essentially an economic issue ... Ofcom would be a better qualified body to examine the plurality issues" (Q 1968). This view was supported by Professor Woods, Professor of Law at the University of Essex, who said, "I have concerns with plurality issues being determined in the final instance by the Competition Commission, merely because with its focus it has a very narrow view" (Q 1985).

268. The only use of the Public Interest Test so far has been the recent and high profile case of BSkyB's purchase of a 17.9% stake in ITV. After its investigation Ofcom concluded that because of the acquisition, "there may not be a sufficient plurality of persons with control of the media enterprises serving the UK cross-media audience for national news and the UK TV audience for national news"<sup>103</sup>. Later in the process the Competition Commission considered the same issue. Its final report drew different conclusions to Ofcom in that it "did not expect BSkyB's ability materially to influence ITV to have an adverse effect on plurality of news" and that therefore "the acquisition would not materially affect the sufficiency of plurality of persons with control of media enterprises servicing audiences for news"<sup>104</sup>. In summary the two regulators came to different conclusions about whether the merger would affect the plurality of news.
269. When asked about this discrepancy, Ed Richards stated that "We were a little surprised at the finding on plurality" (Q 901). Nevertheless, he went on to say that "We are pretty relaxed about it, though, because they found a concern in relation to competition. As a result of finding a concern in relation to competition, they have raised the question about the appropriateness and the appropriate level and conditions of that shareholding, and therefore the issue will be addressed through that means" (Q 900).
270. We do not share Ofcom's sense of relaxation. Given the design of the Public Interest Test it would have been perfectly possible for the Competition Commission to have come to different conclusions to Ofcom not only on plurality but on the appropriateness of the merger overall. It is just a coincidence that despite disagreeing with Ofcom on plurality, the Competition Commission found there was a significant lessening of competition and therefore suggested there was a problem with the merger. If the Competition Commission has not found a significant lessening of competition then there would have been a situation where one regulator had suggested a merger was likely to operate against the public interest, but the other regulator, the one with the powers to recommend remedies, found there was no problem at all and recommended the merger go ahead.

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<sup>103</sup> *Report to the Secretary of State pursuant to Section 44a of the Enterprise Act 2002 of British Sky Broadcasting plc's acquisition of 17.9% shareholding in ITV plc*, Ofcom, Section 5, para 5.1.

<sup>104</sup> *Acquisition by British Sky Broadcasting plc of 17.9% of the shares of ITV plc*, Competition Commission, para 41.

271. The BSkyB/ITV case has only served to reinforce our concern that Ofcom does not have a strong enough input. **We recommend that legislation should be amended so that Ofcom investigates the mergers only on the basis of the public interest criteria, and the Competition Commission considers only the competition aspects of a merger. They should make their recommendations separately to the Secretary of State on whether the merger should be blocked or go ahead (with or without remedies). The Secretary of State would then have the final responsibility for accepting or rejecting Ofcom's recommendations and remedies, as they relate to the public interest criteria. As is the case now, the Secretary of State would continue to be bound by the Competition Commission's findings on the competition issues.**

*Clarifying the remit of Ofcom*

272. If Ofcom is to have the new powers that we recommend then it is important to consider how those powers fit into its remit. The Communications Act 2003 gave Ofcom a principal duty to further the interests of both citizens in relation to communication matters and consumers in relevant markets (where appropriate by promoting competition). Ofcom's duties to further the interests of the citizen will be of particular importance when considering a merger's impact on the public interest. Public interest considerations and citizenship considerations are very closely related.
273. The dual aspects of Ofcom's consumer and citizenship duties have been a cause of much debate, primarily because of the sometimes competing interests of citizens and consumers. Professor Woods raised concerns about this: "I think Ofcom is not helped in that regard. Certainly it is left to its own devices in making a choice about which version, the consumer or the citizen, to prioritise in the event of conflict. I am rather uneasy about that" (Q 1974).
274. Jocelyn Hay questioned whether Ofcom strikes a sufficient balance between consumer and citizenship issues: "in the Communications Act the word "consumer" (or "consumerism") is mentioned 79 times; "citizen" is mentioned three times. Ofcom, the regulator, has tended to continue with this emphasis at the beginning, in conflating the two when the interests are not the same, and its regulatory approach focuses much more on the economic value for money than on the citizenship side" (Q 1316). Professor Woods agreed, "I think there is a problem with the Act in the sense that you have the two duties specified one after the other, but then that is more or less it for citizenship" (Q 1974). Professor Prosser felt that there "is always going to be a problem where you have a combined regulator ... there will be two ways of viewing things: the interests of consumers and the interests of citizens. In the end, they are not the same thing. This is something which has come out strongly in the Review of Public Service Broadcasting, for example. There is a conflict there" (Q 1969).
275. Citizenship issues are particularly important with regards to news provision. Ed Richards said "a plural, diverse range of high-quality news in this country ... ranks most highly from our own perspective; it ranks most highly from the general public, ... in relation to meeting our duties which we were set by Parliament to further the interests of citizens as well as consumers I think that this is very near the top of the tree" (Q 903). In fact it is the protection of citizenship interests that provide the rationale for special intervention in media mergers. While the OFT and the Competition Commission have

remits to consider the implications of mergers from a market perspective, only Ofcom is charged with protecting citizenship rights. We therefore believe that when Ofcom plays its role in the Public Interest Test, citizenship issues should be at the centre of its considerations. **We recommend that when Ofcom considers the public interest considerations of a media merger it should be required to put the needs of the citizen ahead of the needs of the consumer.**

### *Ofcom's Content Board*

276. It is mainly the Content Board which champions the interests of citizens within Ofcom. One example of this was given to us by Jocelyn Hay “when ITV said it was going to drop its non-news regional programmes, the Content Board advised that that should not happen for a year but the main Board took no notice of that report at all” (Q 1346). Ofcom’s Content Board is a sub-committee of the main Ofcom Board, with delegated and advisory responsibility for a wide range of content issues, predominantly dealing with broadcasting. It was set up under Section 12(1) of the Communications Act 2003. The Content Board serves as Ofcom’s primary forum for the regulation of television and radio quality and standards.
277. Lord Puttnam explained why the Joint Committee that scrutinised the Communications Bill considered the Content Board necessary: “The original Bill was a purely economically focused regulator called Ofcom which was to make purely economic decisions. One of the achievements of the Scrutiny Committee was to broaden this out ... to include issues that covered plurality, quality of content and range of content ... Once we had the Public Interest Test as part of the debate, we moved into the committee structure of Ofcom itself. In order to deal with these issues the Content [Board] was created” (Q 2106).
278. Some witnesses have questioned though whether the current arrangement, whereby the Chair of the Content Board also serves as Ofcom’s Deputy Chairman on the main board, is sufficient to ensure citizen interests are properly represented throughout Ofcom. For example, Jocelyn Hay felt that “The Content Board appears to have very little power at all and its views are not necessarily taken notice of. They are very seldom reported in Ofcom’s annual plan and its annual report. There is very little mention of the Content Board, apart from handling complaints” (Q 1346).
279. Section 13(3) of the Communications Act 2003 states that the Content Board should have “at least a significant influence on” the main board’s decisions. The evidence we received questions whether this statutory requirement is being fulfilled, at least in respect of enforcing the public service or “positive” content obligations laid down in the Act. This is worrying because the Content Board is where the citizens’ interests might be expected to be properly represented and protected. **We are concerned that Ofcom is inadequately implementing Section 13(3) of the Communications Act and believe that it should review whether the Content Board has a significant influence on Management Board decisions in respect of Ofcom’s duty to promote the purposes of public service television as laid down by Section 3(4)(a) of the Communications Act. We ask that Ofcom publish the findings of this review so that they can be acted on by Parliament if necessary.**

### Local media ownership

280. As we outlined in chapter four, the regional and local newspaper industry and the local commercial radio industry have already experienced significant consolidation. In part, this was encouraged by the Communications Act 2003 which was deregulatory in its approach. However, a number of regulatory rules governing mergers at a local level remain. These include:
- Two sets of rules involving points systems limiting the acquisition of local analogue and digital radio licences within individual areas;
  - A set of rules also involving a points system restricting local cross-media ownership between local radio, Channel 3 and local newspapers;
  - Restrictions on the ownership of national and local multiplexes;
  - The carrying out of a public interest investigation at the Secretary of State's discretion; and
  - Restrictions on ownership by religious (and certain other) bodies.

### Local radio ownership

281. The current rules on local radio ownership are designed to ensure that there are at least two owners of local radio stations, plus the BBC, in any market where there are more than two local commercial stations<sup>105</sup>. Analogue and digital stations are considered separately, and in Ofcom's words, "because almost every station's market is unique, with many overlaps between stations' markets, the calculation of the ownership limits has to be carried out on a case-by-case basis, and is far from transparent"<sup>106</sup>. Radio Centre, argued that "radio-specific rules on concentration of ownership should be removed" because "this anachronistic approach is impeding the pace of consolidation within the commercial radio sector, which still consists of 70 separate owners" (p 411).
282. While we understand the financial reasons put forward in support of consolidation, we nevertheless note that the four biggest radio companies (GCap Media 29%, Bauer Radio 25%, Global Radio 12.2%, and GMG Radio 11.2%) have over 77% market share of all commercial listeners. In addition, if the proposed £375 million GCap Media and Global Radio merger goes ahead, it will give one company over 40% of a single commercial market. However, we are mindful of increasing integration within and between media sectors, particularly with regards to different platforms.
283. Ofcom's considered radio ownership rules following on from its review of the media ownership regulations in 2004. Ofcom concluded that "that there is a case for Government to consider simplifying the local analogue and digital services rules, at the appropriate time, allowing further consolidation while protecting plurality. This could take the form of bringing together the local analogue and DAB rules into a single set of rules, although other options are available"<sup>107</sup>. The Government told us that "The Government in principle accepts Ofcom's recommendations and will work closely with them to see where there may be a case for change to the existing rules" (p 501). **Given**

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<sup>105</sup> Media Ownership (Local Radio and Appointed News Provider) Order 2003.

<sup>106</sup> *The Future of Radio—the next phase*, Ofcom, November 2007, para 4.64.

<sup>107</sup> *Ibid*, para 4.82.

**the position of the Government and Ofcom, we recommend that the analogue and digital local radio ownership rules should be amalgamated.**

*Local cross-media ownership rules*

284. The local cross-media ownership rules operate using a points system that prevents local newspapers with an aggregate market share of 50% or more, and Channel 3 regional licence holders, from owning local analogue radio licences in the same area if they would have more than 45% of the total points available in that area. The rules are designed to ensure that there are at least three local media voices in every area where there is a range of services.
285. In its last review of media ownership rules, Ofcom argued for no change: "... plurality of voice in a local area remains important, even though radio itself is not a primary source of news. Taking local newspapers and local radio together under common ownership could unacceptably diminish the range of voices in an area"<sup>108</sup>. This was supported by Radio Centre (p 408). The Chief Executive, Andrew Harrison, told us that the size of the local radio industry is small in comparison to the local newspaper industry "The total turnover for the sector is about £600 million across these 320 stations. So this is a very small sector of the overall media world. Johnston Press alone, the local newspaper group, turns over more than all of commercial radio" (Q 2026). Against this, the Newspaper Society argued in favour of liberalising the local cross-media ownership controls. It stated that "The justification for special controls over such media transactions cannot be sustained. They should be treated in the same way as any other industry and subject only to general competition law" (p 106).
286. The case for lifting the local cross-media ownership restrictions is based on the fact that in some areas it may not be economically viable to sustain at least three independent local media voices which can afford to engage in news gathering. The Newspaper Society argued that the restrictions "fail to acknowledge the commercial realities faced by regional media operations". It added that local news providers now have to compete with a "huge range of other media for audience and advertising: the Internet, ever expanding variety of online advertising and marketing services, directories, direct mail, advertising only publications, magazines, national newspapers, national, regional and local radio and television and their associated activities, particularly their ever developing online publications and variety of online services (BBC and commercial broadcasters)" (p 105).
287. We understand the concerns that a local cross-media merger could potentially impact on the diversity of voices available to people in a given area. However, if the local cross-media ownership restrictions are lifted, then the impact of local cross-media mergers could be examined through the application of the Public Interest Test, which would be triggered if a local cross-media merger might result in a threat to the diversity of local media provision in a particular area. Following subsequent investigation the merger could be blocked if necessary.

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<sup>108</sup> The Future of Radio (The future of FM and AM services and the alignment of analogue and digital regulation), Ofcom, para 4.73.



288. We believe that the Public Interest Test provides appropriate safeguards for maintaining a diversity of voices in local news provision. Therefore we believe that there is no need for specific cross-media ownership restrictions at a local level. The Public Interest Test is a more flexible tool than blanket restrictions on local cross-media mergers—it allows the competition authorities to consider the merits of any proposed merger on a case-by-case basis.
289. **We recommend that the local cross-media ownership restrictions should be lifted. But Ofcom must carefully monitor any local cross-media mergers and apply the Public Interest Test if any are likely to raise public interest considerations.**

*Non-EEA ownership of UK Broadcasting*

290. Until the Communications Act 2003 relaxed the foreign ownership rules, ownership of certain broadcasting licences, most notably for television and radio, were restricted for owners outside of the European Economic Area (EEA)<sup>109</sup>. The Government told us that:
- “opening up the UK broadcasting industry to foreign ownership still has the potential to increase productivity and efficiency, offering access to capital and to new management skills and ideas. At the same time the Act includes content regulation which ensures that the quality of programming is not threatened. These content rules apply equally strongly to foreign owners” (p 502).
291. When the Government was first developing the policy behind the Communications Act it did not intend to lift the historic restrictions on non-EEA ownership of broadcast licences because it was unlikely other countries would allow UK companies to have reciprocal rights in this area. The Government stated in its 2001 consultation on media ownership rules that “Without reciprocal arrangements with other nations that would allow our own companies to expand into their markets, we do not feel we could justify lifting our ban at the present time”<sup>110</sup>. However, the Government later reversed its position. Tessa Jowell MP, then Secretary of State for Culture, Media and Sport, told the Joint Committee on the Draft Communications Bill that while the decision to lift restrictions was being used as a negotiating tool in discussions with US authorities it was “a negotiation in train”. She concluded however that there was “no case for holding out for reciprocal agreement”, in part because no change in US policy appeared likely (QQ 992, 988).
292. The Campaign for Press and Broadcasting Freedom addressed the parallel issue of reciprocity between the US and the UK “the key issue here is the potential takeover of UK media by powerful US-based global media groups, and the lack of reciprocity in terms of rules on media ownership. The US specifically excludes foreign ownership of us television networks” (p 139). In several countries including the USA, UK companies are still prevented from owning domestic media companies.
293. We asked Andy Burnham MP, the Secretary of State for Culture, Media and Sport, whether the Government had made any recent progress towards

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<sup>109</sup> The EEA = European Union + European Free Trade Association (Norway, Iceland and Liechtenstein).

<sup>110</sup> *Consultation on media ownership rules*, DCMS, 26 November 2001, p.18.

securing reciprocal rights. He told us that “There is not an example that immediately comes to my mind of a market that changed its rules in response to our request” (Q 2436). When asked why the policy had changed and what work was being done to ensure reciprocal ownership rights for UK companies, he replied: “We feel that we should be open to the benefits that overseas owners of media can bring but, to answer the point, we should continue to press for the same ability for our own media interests” (QQ 2437, 2437).

294. Lord Rothermere, the Chairman of the Daily Mail and General Trust, told us that the DMGT could not plan on launching titles similar to the Daily Mail overseas because “foreign ownership restrictions, and various regulations and restrictions on our ability to produce the kind of newspaper with the kind of editorial independence that we enjoy in Britain” (Q 2607)
295. **The current inequitable situation facing UK companies is preventing their legitimate expansion into new markets. We urge the Government to continue its efforts to achieve reciprocal rights for UK companies. Without further information it is difficult to measure progress on this matter. We recommend that the Department for Culture, Media and Sport should publish an annual report on progress towards securing reciprocal ownership rights. This should detail the extent of ongoing negotiations with countries where the Government is seeking to achieve reciprocal rights, and explain the reasons why ownership limits remain in place.**

## CHAPTER 7: THE IMPORTANCE OF PUBLIC SERVICE BROADCASTING

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296. This report has argued for a system of media regulation which as far as possible provides a range of voices and prevents one voice from becoming too powerful. We believe that the Public Interest Test alongside competition law provides important safeguards for the public and can be further strengthened. Nevertheless this report also shows how over the last 25 years consolidation has meant a greater concentration of ownership. We have also seen international media companies develop with control being exercised outside the UK and the emergence of vastly powerful global internet companies who are not necessarily subject to domestic regulations. No one can tell how this process will develop over the next 25 years: as Rupert Murdoch told the committee in New York the state of the news media is “fairly chaotic”. Many of our witnesses thought that news provision would come under even greater pressure leading to less diversity and virtually everyone agreed that the next years would be challenging for newspapers, radio and television. In facing this challenge the UK has one immense advantage—public service broadcasting.
297. The PSB channels are the BBC and channels 3 (ITV), 4 (Channel 4) and 5 (Five). The essence of public service broadcasting is that the broadcasters receive public support in return for undertaking certain programming commitments. This public support takes several forms; in the case of the BBC there is the licence fee which amounted to nearly £3.25 billion pounds of income in the financial year 2006–2007 (the BBC also benefits from other forms of support). For the commercial PSBs support includes free or cheap access to the limited analogue spectrum which reaches the great majority of UK households. In addition they benefit from reserved digital capacity as well as due prominence on Electronic Programme Guides. In return for this support each channel has a slightly different set of obligations covering a range of programming from news to sport and children’s programming to locally produced content.
298. It is these channels that still provide the main source of news for most people. A 2007 survey for Ofcom’s latest review of PSB show that: 53% of the public still use the “main channels”<sup>111</sup> as their main source of news about the UK; 49% use them as their main source of news about the world and 56% use them as their main source of news about Scottish, Welsh, Northern Irish and regional events<sup>112</sup>.

### The BBC

299. The cornerstone of our PSB system is the BBC. BBC news was seen by many witnesses as setting the benchmark for quality in the UK and internationally. Andrew Neil, a media commentator and editor of *The Sunday Times* from 1983 to 1994, stated that “the BBC is vital to the diversity of our media” (Q 1705). The BBC’s role in producing foreign news was particularly emphasised. Witnesses told us that the BBC is the only UK news provider that does not heavily rely on news agencies for foreign news.

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<sup>111</sup> As opposed to the “digital channels” which were asked about separately.

<sup>112</sup> *Phase One: The Digital Opportunity: Ofcom’s second public service broadcasting review*, Ofcom, 10 April 2008, fig 5.

David Schlesinger, the Editor-in-Chief at Reuters, told us that “if I were starting out in the business wanting to be a foreign correspondent, the only places I would look would be to AFP, Reuters, the BBC and maybe one or two others” (Q 1592). Mark Thompson, the BBC’s Director-General, told the Committee that the BBC is recognised as one of only a few news organisations capable of foreign news gathering (Q 1274).

300. The BBC is also greatly admired in the US. When we visited the US Mark Whitaker, the Senior Vice President of NBC News, told us that the international leader in foreign coverage is the BBC. CNN viewed the BBC as an excellent model for serious news reporting. The Editor of The Washington Post told us that as serious news was diminishing on many US platforms, US citizens were turning to the BBC website for serious news. Professor Rosenstiel, the Director of the Project for Excellence in Journalism, suggested that there will always be a need for institutions that can spend money on covering stories such as Iraq but that in the future only the big players such as The New York Times and the BBC will continue to be able to do that.
301. **The strength of BBC news is its reporters and those that support them. Between them they provide a depth and range of news which is among the best in the world. We believe that nothing should be allowed to reduce the BBC’s ability to sustain this high quality news operation.**
302. We are therefore concerned that the BBC is undertaking a raft of job cuts, many of which are in its news section. These job cuts were announced on 18 October 2007 as part of a strategy called “Delivering Creative Futures”. The BBC stated that the six year plan would result in 2,500 post closures and a net loss of 1,800 jobs, or around 10% of the workforce. The BBC claims it will deliver “More weight to Journalism, knowledge, UK drama, comedy, arts, children’s and less weight to entertainment, movies, acquired programmes and light factual” (p 302). Mark Thompson said that the number of journalists would be reduced by 400 from 7,200 to 6,800 (Q 1257).
303. Shortly after the cuts were announced Mark Thompson told us that the cuts were necessary because in the most recent licence fee settlement the BBC had been awarded £2 billion less over the next six years than it had hoped for (Q 1252). He insisted that although the total number of journalists was going to reduce, this would not affect news gathering, and overall the proportion of the licence fee spent on journalism as a whole would go up over the period (Q 1256). He went on to explain that “the combination of new technology and some opportunities we have not just to reduce duplication ... but also to look at the way we create our news programmes across television, radio and the web, together mean that we can deliver the same or higher quality of journalism with somewhat fewer people” (Q 1256).
304. However this view has to be contrasted against those of others at the BBC including the presenter Jeremy Paxman. Mr Paxman delivered the MacTaggart Lecture at the Edinburgh Television Festival in 2007. During that lecture he said that “On Newsnight over the last three years we’ve been required to make budget cuts of fifteen percent. We have lost producers, researchers and reporters. Nor can we make the films we once made. Now we’re told we are likely to have to make more cuts: at least a further twenty percent over five years. It is unsustainable, and I cannot see how the

programme can survive in anything like its current form if the cuts are implemented". Mark Thompson responded to this by saying that the cuts were substantially less than Paxman had feared (Q 1277). We are very sceptical about Mr Thompson's assertion that Newsnight, and other flagship news programmes, will not suffer as a result of the cuts. It is clear that the belief of those producing Newsnight is that it will suffer, and already has suffered.

305. We were particularly concerned that the BBC is choosing to make cuts in journalism which in our view would inevitably affect the quality and depth of news and current affairs provision. The evidence we reviewed in chapter two showed just how under pressure news provision is and how cuts are being made in foreign news operations. These industry-wide cuts make the BBC's role in news gathering particularly important. We accept that any management must look to providing the best value for money in news as elsewhere. Nevertheless the reductions have not all been in the name of greater efficiency but because of a poorer than expected licence fee settlement. We believe that the BBC should avoid making cuts which have the effect of harming high quality and efficient news programmes when journalism is so central to the Corporation's PSB remit.
306. We note in passing Jonathan Ross's comments that he is worth "1000 BBC journalists"<sup>113</sup>. Salaries like Mr Ross' (who is reported to be paid a £6 million annual salary by the BBC) can only be afforded after the public service duties like news and current affairs have been financed. In April 2008 the BBC Trust published a report on the amount of money the Corporation is paying for "on-screen and on-air talent". It concluded there was no evidence that the BBC was paying more than the 'market price' for talent or pushing up prices overall. As the report showed however, in 2006/07, the BBC paid-out £204m to "on-screen and on-air talent" and that inflation in this market was rising by 6% a year, compared to only 3.6% internally. **The BBC's spending on the salaries of its presenters and personalities represents a considerable proportion of the BBC's licence-fee funded budget. We recommend that the BBC Trust should monitor closely spending growth in this area to ensure that the Corporation can adequately fulfil and fund all its public purposes and particularly news and current affairs.**

### The commercial PSB channels

307. The commercial PSB channels provide strong competition for the BBC. Each channel provides different editorial styles and content. News at Ten has a different format to the BBC's 10 o'clock news. Channel Four news is different to both, as is Five news. The result is that the viewers have access to a range of voices and programmes that can attract different audiences. Ofcom's research shows that the public value diversity in public service broadcasting and that this is particularly true for news and current affairs. Participants in Ofcom's research suggested that competition for quality was a crucial benefit of plurality. Competition was seen to deliver a number of benefits including: high quality programming, impartiality and accountability. People also felt that plural provision catered for different tastes and provided different viewpoints<sup>114</sup>.

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<sup>113</sup> Mr Ross made this claim while presenting the British Comedy Awards in December 2007.

<sup>114</sup> *Phase One: The Digital Opportunity*, Ofcom's second public service broadcasting review, Ofcom, 10 April 2008, para 3.39.

### How can PSB channels be afforded?

308. The future of the commercial PSBs is now in question. Historically the commercial PSBs have undertaken their public service obligations in return for access to the limited analogue spectrum. They receive in effect an implied subsidy and competition was restricted by the capacity of analogue spectrum. However, as analogue switch-off approaches, the value of this subsidy is rapidly decreasing. By 2012 the analogue signal will be switched off entirely.
309. At the same time the PSBs are also losing advertising revenues. When there were only two commercial channels they faced little competition for advertisers. Now there are literally hundreds of commercial channels on the digital platform and audiences are fragmenting. Some television advertising is transferring online and as mentioned in chapter two, Google's overall headline advertising revenues surpassed ITV1's for the first time in the third quarter of 2007<sup>115</sup>.
310. Ofcom suggests that looking forward to 2012 the revenue of commercial public service broadcasters will come under further pressure. It is estimated that by 2012 the value of the direct and indirect funding for ITV1, Channel 4 and Five will have declined by around two-thirds or £335 million since the passing of the Communications Act in 2003<sup>116</sup>.
311. On present trends funding for public service broadcasting will become increasingly concentrated on the BBC. By 2012/13, the BBC is forecast to receive 91% of all PSB funding, up from 81% in 2003/04<sup>117</sup>.
312. The future of channels 3, 4 and 5 are uncertain. In the period up to the end of the current commercial broadcasting licences (from 2011 to 2014) Ofcom suggests that ITV may find it harder and harder to sustain programming in the nations and regions. It says that one or more of the ITV1 licensees may consider handing back their licences. More recently The Guardian has reported that ITV is already calculating the costs of handing back some of its licences and losing its PSB status<sup>118</sup>.
313. Ofcom's analysis of Five's PSB contribution up to 2011 is more optimistic but it suggests that Channel 4's contribution to PSB could come under significant pressure in various areas including current affairs and international news. Luke Johnson, the Chairman of Channel 4, told us that Channel 4 is already finding it hard to commission independent production companies to make documentaries because it cannot offer them the money they need (Q 2233). For Channel 4 to continue its PSB contribution beyond 2011 it will need a new remit, a sustainable and proportionate funding model and accountability arrangements.
314. If plurality in the delivery of public service content is still required then new funds will need to be found for providers beyond the BBC. The choices have been well rehearsed:

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<sup>115</sup> Dan Sabbagh, *Google Shows ITV a Vision for the Future*, The Times, 30 October 2007.

<sup>116</sup> *Phase One: The Digital Opportunity*, Ofcom's second public service broadcasting review, Ofcom, 10 April 2008, para 7.17.

<sup>117</sup> *Ibid*, paras 7.11 and 7.12.

<sup>118</sup> <http://www.guardian.co.uk/media/2008/apr/25/itv.television1>

- (i) **Direct public funding:** possible options include direct taxation or proceeds from spectrum auctions or spectrum charging;
  - (ii) **The licence fee:** possible options include using the licence fee funds currently ring-fenced for the Digital Switchover Help Scheme, top-slicing the licence fee so that non-BBC providers can benefit from it, or using BBC assets to support other providers;
  - (iii) **Regulatory assets:** possible options include access to digital spectrum at below-market prices and revising the rules restricting the amount of advertising allowed;
  - (iv) **Industry funding:** a wide range of industry levies could be considered (for example, in France a tax on internet providers is currently being considered as a way of funding public service broadcasting).
315. We note that Ofcom assert that “it is likely that the main channels will want to continue UK national and international news after DSO, with or without regulatory obligation”<sup>119</sup>. However, the situation in the United States suggests that when news provision is left entirely to commercial forces it suffers. In the US the major networks have all moved their main news bulletins out of prime time due to commercial pressures, they have also cut journalism budgets and cut foreign news coverage. We also note that Ofcom have admitted that “Without a continuing regulatory requirement for “high quality” there may be unavoidable commercial pressures for cheaper, less original journalism”<sup>120</sup>.
316. ITN also referred to this, stating “while we believe there are good reasons for commercial PSB channels to continue to deliver national and international news post DSO, with or without regulatory obligation, (i.e. respectable viewing figures, anchor points for viewing, status and credibility, lower production costs) there is also a risk that a future ITV management might seek to marginalise news in favour of cheaply produced, cash generative programming such as quiz shows” (p 3).
317. Although the value of the direct and indirect subsidies given to the PSBs is decreasing they will continue to have some worth. While spectrum scarcity will be much less of an issue after digital switchover, it is becoming apparent that it will not be eradicated altogether on the digital terrestrial platform (i.e. Freeview) which is the most popular means of receiving digital television. There will therefore almost certainly be scope for negotiating with ITV and Five over news obligations in return for Freeview licences.
318. **We emphatically believe that Public Service Broadcasting cannot be left to the BBC alone. We are very struck by Ofcom’s prediction that by 2012/13 the BBC will receive 91% of all PSB funding. A continuing plurality of public service broadcasters should be an aim of public policy. This is particularly crucial for news and current affairs. Ofcom’s research shows that the public values this plurality, especially in news. It also serves the valuable purpose of providing competition for the BBC. We therefore urge Ofcom to make news**

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<sup>119</sup> *New News, Future News: The challenges for television news after digital switchover*, Ofcom, 4 July 2007; para 1.4.

<sup>120</sup> *Ibid*, pg. 6.

**provision a priority on the PSBs when it comes to negotiating future service obligations.**

319. Eventually it will be for the Government to propose which channels will be given support and what form that support will take. The committee will want to return to this but in the meantime we make three comments.
320. First, there are a number of issues that Government could act on now. One short term source of extra funding for the PSBs that we think Ofcom should consider are the residual funds from the BBC's targeted help scheme for digital switchover. This help scheme offers assistance with switchover to specified groups. It is being administered by the BBC and funded with up to £603 million ring-fenced by the Government in the licence fee to 2012–13. Following an early trial of this help scheme in Copeland, the NAO published a Value-For-Money report on preparations for digital switchover. The report indicated that the BBC may not need to use all the money that has been ring-fenced: "It is too early to draw firm conclusions on the funding requirement for the help scheme as the Copeland switchover had some distinctive features which mean it may not be representative. Our illustrative re-run of the Departments' cost model for the help scheme suggests that in a scenario where national take-up of scheme assistance mirrored that in Copeland, the funding requirement in the licence fee settlement to 2012–13 would reduce by some £250 million"<sup>121</sup>.
321. Several of our witnesses have suggested that the funds left over from this help scheme could be used to assist the commercial PSBs with switchover. Lord Puttnam, the Deputy Chairman of Channel 4, told us "My dream scenario is that somewhere between £100 and 150 million of [the residual funds from the targeted help scheme] be made available to Channel 4 to underpin its public service offering, and another £50 million becoming contestable funding, generally available in some other—possibly digital new media, form. That would be a convenient, relatively simple solution" (Q 2072). Luke Johnson told the Committee that there is "an elegance" to such a solution (Q 2249). Of course this would not be a long-term solution; any monies left over from the targeted help scheme will be available as a one off opportunity. **We suggest that any residual funds left over from the BBC's targeted help scheme should be used to support the commercial PSBs in the medium term**<sup>122</sup>.
322. Secondly, **we believe that ITV's proposal for the abolition of the Contracts Rights Renewal system merits further consideration.** The Contract Rights Renewal regulates the price of ITV airtime and restrains how ITV can negotiate with advertisers. It was put in place following the merger of Carlton and Granada. ITV had told us that it "is constraining ITV's ability to respond to market changes. It requires ITV1 to fulfil terms in contracts that reflect market conditions in 2002 and constrains ITV's ability to negotiate terms that reflect changes in those market conditions. In addition, it has contributed to price deflation—the price of UK airtime has fallen from the most valuable to the cheapest in Europe over ten years—which in turn is limiting ITV's ability to invest in content" (p 224). If the

<sup>121</sup> *Value for Money Report: Preparing for Digital Switchover*, National Audit Office, Executive Summary, February 2008.

<sup>122</sup> Any such transfer of funds would need to conform with European Union rules on State Aid in relation to public service broadcasting.



Contract Rights Renewal was abolished then ITV would have more money to invest in PSB content, although the impact on the other commercial PSBs would need to be considered. The obvious attraction of this proposal is that it is a non-subsidy solution.

323. **Thirdly, we are sceptical of the various proposals that have been put forward for top slicing the BBC licence fee.** We observe that often these proposals have come from individuals or organisations who are no friends of the BBC and want to see a weaker corporation. The one certainty is that top slicing would lead to fewer resources for the BBC and our concern is that news and current affairs would again suffer.
324. During his evidence to us Andy Burnham MP, the Secretary of State for Culture, Media and Sport suggested that there are ways the BBC could support other public service broadcasters without top-slicing the licence fee. In particular he proposed sharing facilities, such as equipment and studios, “rather than the BBC handing over a part of its current income or that being “top-sliced”, could it make infrastructure available for others to use?” (Q 2428) **We believe there is scope in the idea of sharing BBC facilities with other public service broadcasters and that this proposal should be further examined. The Government should take forward this work.**
325. What is clear from our examination is that the BBC will be at the centre of a fierce debate on the future of public service broadcasting. We repeat one of the main proposals in our last report where we expressed concern that the governance arrangements established by the last Royal Charter have resulted in a chairman of the BBC Trust who is more of a regulator than a chairman of one of the biggest media corporations in the world. Indeed as the Royal Charter makes clear the very title chairman of the BBC is an only “honorary” one only. **We remain to be convinced that the new BBC corporate governance arrangements are more effective than those they replaced.**

### Privatising Channel 4?

326. Channel 4 plays a very valuable role in news provision and has an important contribution to make to the diversity of television news. Ofcom recognised that Channel 4 has made a particular commitment to international coverage and the use of independent news producers which distinguishes its output from that of its competitors<sup>123</sup>.
327. Channel 4’s structure is unique. It is publicly owned although dependent upon commercial advertising revenue. Against this background there have been a number of proposals for Channel 4 to be privatised. In the past there has been some discussion about privatising Channel 4. Luke Johnson told us that he is very much against such a step (Q 2265). He told us that if Channel 4 was run to satisfy shareholders then without a doubt it would turn its back on the majority of its news and current affairs programming “as quickly as you could” (Q 2263). Andy Duncan, the Chief Executive, said the channel would also move to cut its main news bulletin from an hour to 30 minutes (Q 2262). When we took evidence from the Secretary of State for Culture, Media and Sport, he was unable to give us an assurance that the

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<sup>123</sup> *New News, Future News: The challenges for television news after digital switchover*, Ofcom, 4 July 2007; paras 3.31 & 3.32.

Government would not privatise Channel 4. When we asked him to rule out unequivocally privatisation he stated that “These are not only decisions for me” (Q 2439).

328. We believe that Channel 4 deserves certainty about its future structure particularly at a time when the outlook for the industry is so confused. From the point of view of news and current affairs we can see no advantage in making a change and can envisage no safeguards that would ensure Channel 4’s commitment to quality news and current affairs would be maintained if it were privatised. We note also Channel 4’s major role in using UK based independent producers. We urge the Government to provide Channel 4 with some certainty by clearly stating that privatisation is not an option under consideration.

### The future of local and regional news

329. Last year ITV proposed to Ofcom that from 2009 there should be a new structure for regional news in England and the Scottish Borders which would merge some regions effectively to reduce the number of regions by two. It also wished to phase out the news programmes produced in what they call ‘subregions’. After meeting considerable opposition to these proposals ITV has now put forward an alternative structure which while still effectively reducing the number of regions would provide most of them with peak-time sub-regional or local ‘opt-outs’—news summaries targeted at specific areas which are included within regional news programmes.
330. In his evidence to us Michael Grade, the Chairman of ITV, explained the reasoning behind these proposals “we do believe that there is value for ITV audiences in the provision of regional news. There is an important democratic duty on us, I think ... not to leave the BBC with a monopoly of regional news supply but we have to do it in a way that we can justify to our shareholders. The old map, which is an analogue map based on the original ITV transmitter configuration, is just not viable. What I wanted to do was to come up with a model, embracing technology, which is about portability of newsgathering now, which has changed out of all recognition ... I do not think the viewers will notice much, if any, difference because the newsgathering on the ground is what counts. The fact that we do not have a building in this town or that town is neither here nor there” (Q 1017).
331. Ofcom is researching and evaluating these proposals and will launch a detailed consultation in the autumn. We note that there is some evidence that if ITV cuts back on its regional news provision then this will affect ITN’s news gathering capabilities and have a knock on effect on the quality of Channel 4 news. In its written evidence Channel 4 stated “A retreat in terms of the amount of newsgathering in the nations and regions by ITV would have a knock-on impact on the quality and range of newsgathering resource available to ITN’s other customers including Channel 4 News” (p 457).
332. **We are concerned about ITV’s proposals to scale back its regional news structure. Ofcom should carefully examine whether ITV’s policy will have an impact on local newsrooms and their ability to quickly and accurately cover stories of national importance. Ofcom should also consider the implications that a cut in ITV regional news commitments will have on the news gathering capabilities of ITN and in turn the overall quality of ITV and Channel 4 news. We believe that plurality of regional television news is important and if ITV reduce**

**their commitments in this area the BBC will have very little effective competition.**

**Are changes needed to the regulatory framework governing PSBs?**

333. The Communications Act 2003 imposes four separate obligations on PSBs in terms of news. These obligations relate to the quantity of news, its place in the schedule, a requirement that it be of “high quality” and in the case of Channel 3 that its news provider is appropriately resourced.
334. The same Act sets quotas for UK national news, international news and UK nations/regional news on the commercial PSBs in both peak and off-peak viewing times. We are content with the system for assessing and setting quotas across the PSBs at appropriate places in the schedule, we received no evidence calling for change to this system.
335. The Communications Act 2003 also requires Ofcom to ensure that the news programmes and current affairs programmes broadcast on the commercial PSBs are of “high quality” and deal with both national and international matters. For the BBC this is the responsibility of the BBC Trust. However, the term “high quality” is not defined in legislation and Ofcom have not designed any systematic way of monitoring the quality of news or holding companies responsible for the quality of their broadcast news.
336. When we were in the US we were very impressed by the work of the Project for Excellence in Journalism, which produces an annual report on the state of the US news media. This report monitors changes in the type of stories that news organisations are covering, the balance of national and international coverage, reliance on news agencies, the degree of original journalism they are investing in and many other factors. There is no equivalent study of the UK news media and in the case of broadcast news it would be a particularly valuable tool with which to monitor adherence to statutory duties.
337. **We recommend that Ofcom should work to define more systematically “high-quality” news and to agree a number of indicators for assessing it. Ofcom should produce an annual report monitoring the quality and quantity of PSB news and Ofcom should also develop a mechanism for holding companies responsible if their news falls short of quality thresholds.**
338. In addition to its powers to assess the quantity, scheduling and quality of PSB news, Ofcom has a particular power under the 2003 Act in relation to Channel 3 to ensure that its news programmes can compete with all other television news programmes, most notably the BBC. In order to ensure this Ofcom has powers to check the resources available to whichever company it approves as Channel 3’s news provider (currently ITN).
339. ITV News attracts the largest audiences of any of the commercial PSBs’ news bulletins and the regulatory system is set up to reflect its important position as the main news competitor to the BBC. This relationship between the level of regulation and the size of the audience is also reflected in the Secretary of State’s reserved power to require Channel 5’s news to be provided by an appointed news provider if its audience becomes “broadly equivalent” to Channel 3’s<sup>124</sup>.

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<sup>124</sup> Communications Act 2003, S283 (1)(5).

340. Given the evidence we reviewed in chapter two about the declining number of specialist correspondents and the increasing reliance on news agencies and press releases, it would be sensible for Ofcom to be able to monitor the resources available to all the companies which provide news for the commercial PSBs. While we welcome the flexibility within the Communications Act that allows the Secretary of State to require Five news to be provided by an appointed news provider, we see no sense in the Secretary of State having this power when Ofcom is the industry expert. Ed Richards, the Chief Executive of Ofcom, suggested that he would be in favour of symmetry in Ofcom's regulatory powers for all commercial PSB news providers. He told us that if you were to try and identify any omission in the Communications Act 2003 then not giving Ofcom "an equivalent locus in relation to resourcing of Channel 4, Channel 5, and regional news" would be one of them (Q 872).
341. **We therefore recommend that Ofcom should be given powers to check the resourcing of all the commercial PSB news providers, rather than just Channel 3's appointed news provider. Ofcom should also develop a series of indicators against which to measure the resourcing of a news organisation and should publish an annual report on the resourcing of all the PSB news services (this could be published as part of the annual report on quality recommended in para 337).**
342. **In para 337 and para 341 we recommend that Ofcom should monitor the resourcing, quality and quantity of news on the commercial PSB channels and publish an annual report. While we believe Ofcom should start doing this as soon as possible, in the future we believe there should be a statutory duty on Ofcom to undertake these new duties.**

**Are changes needed to the code of standards all broadcast news is subject to?**

343. In addition to the quantity, quality and scheduling requirements that PSB news is subject to, *all* UK radio and television broadcasts are currently subject to regulation governing the standards of their output. These standards are universal and do not just apply to the five terrestrial channels. They relate to impartiality and accuracy, harm and offence and privacy and fairness. Of particular relevance to news broadcasts are the requirements that all news included in television and radio services should be presented with "due impartiality". Ofcom's Broadcasting Code defines "due impartiality":
- "'Due' is an important qualification to the concept of impartiality. Impartiality itself means not favouring one side over another. 'Due' means adequate or appropriate to the subject and nature of the programme. So 'due impartiality' does not mean an equal division of time has to be given to every view, or that every argument and every facet of every argument has to be represented. The approach to due impartiality may vary according to the nature of the subject, the type of programme and channel, the likely expectation of the audience as to

content, and the extent to which the content and approach is signalled to the audience”<sup>125</sup>.

344. Ofcom has launched a public debate about the future of the impartiality requirements. They proposed that a debate should begin on whether the non-PSB channels should be allowed to offer partial news in the same way that newspapers and some websites do at present and whether impartiality is a barrier to diversity. We are concerned with this argument. We believe that impartial news is vital to the functioning of a free and informed society. It is also an important safeguard against proprietorial interference in news. The benefits of the requirements for due impartiality can be seen in the relatively high levels of trust placed in television and radio news by the public. The most recent figures, published in the *British Journalism Review*, demonstrate that although trust in journalism is falling across the board, the public distinction between broadcast and print remains. While 61% of the public trust BBC journalists to “tell the truth” and 51% trust Channel 4 and ITV journalists, the equivalent figures for print journalists are 43% for the quality press, 18% for the mid-market press and 15% for the red-tops<sup>126</sup>.
345. However, there are some who question whether the existing regulatory system is sustainable beyond digital switchover. Ofcom, for example, states that “universal impartiality may become less enforceable in a digital environment”. It goes on to argue that channels with PSB status should remain subject to impartiality rules but asks “For channels other than the main PSBs, is impartiality still important, or is it a barrier to diversity in an era with a wide range of services available to viewers?”<sup>127</sup>.
346. The television journalists who gave evidence to us valued impartiality requirements. Ms Dorothy Byrne, Channel 4’s Head of News and Current Affairs told us, “I would say that due impartiality is what makes the viewer understand that they can trust the news and that it is true ...” (Q 82) Mr Jonathan Munro, Deputy Editor, ITV News and Director of News supported this argument: “the unique selling point of terrestrial television news [is that] our standards need to be maintained at the very highest level on accuracy, on impartiality [and] on sourcing ... that will be the difference between what we do and what is available on a website” (Q 53).
347. The reputation and proven track record of PSBs are also important when developing their own online news ventures. Dorothy Byrne thought that in “news on the web and radio, in each of these new territories what we are taking is the name Channel 4 News and saying to people: “You can switch this on, you can tap into it but you know that it is impartial; you know that you can trust it” (Q 83).
348. Unlike all the other public service broadcasters, the BBC’s news is subject to regulation on impartiality and fairness, not by Ofcom but by the BBC Trust. In June 2007, the Trust produced a report which stated that “Impartiality has always been (together with independence) the BBC’s defining quality”<sup>128</sup>.

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<sup>125</sup> Ofcom Standards Code, Section 5—Due Impartiality and Due Accuracy and Undue Prominence of Views and Opinions.

<sup>126</sup> *Trust and the Media a BJR/You Gov Poll*, *The British Journalism Review*, Vol 19, No. 2, June 2008.

<sup>127</sup> *New News, Future News: The challenges for television news after digital switchover*, Ofcom, 4 July 2007; pg. 71.

<sup>128</sup> *From Seesaw to Wagon Wheel—Safeguarding impartiality in the 21st century*, BBC Trust, June 2007, pg. 2.

349. **We believe that the impartiality requirements of PSBs are an important safeguard of the plurality of voices heard on broadcast news. While Ofcom is not proposing to relax the impartiality rules for the PSBs, we feel it is important to underline why they will continue to be necessary post-digital switchover.**

*Impartiality on the non-PSB channels*

350. The question asked by Ofcom is “For channels other than the main PSBs, is impartiality still important, or is it a barrier to diversity”. In considering this question, we believe that it is important to distinguish between news for a UK audience, and news produced abroad for a foreign audience but re-broadcast in the UK to small audiences on satellite and cable television.
351. Many experienced journalists within the industry questioned the benefit of relaxing the impartiality rules for non-PSBs. Dorothy Byrne said that, “all news should be duly impartial and that it would be a retrograde step in a multicultural society, in particular, to say that we would have news programmes or channels which pandered to prejudices of particular groups. I do not think it helps anybody in society to start having news which is not duly impartial. I think that would be going backwards” (Q 83). Jim Gray, News Editor of Channel 4 News, supported this assessment, saying “at heart, an authentic news service as opposed to an opinion-based news service should be duly impartial” (Q 83). Channel Four’s written submission stated that, “We believe that the maintenance of these requirements is central to maintaining the quality of broadcast journalism in the UK” (p 455). We do not, therefore, support the proposal floated by Ofcom to remove impartiality requirements for non-PSB licensed TV services. In the current circumstances the removal of these provisions would largely affect just one major news provider—Sky—which is itself controlled by a company that owns over 35% of the UK’s national newspaper market.
352. Much of the debate surrounding the relaxation of impartiality rules has been concerned with engaging those parts of society that feel alienated from mainstream news and its agendas. The evidence that we heard raises considerable doubts as to whether impartiality lies at the core of the problem. Our own research has shown that readership of newspapers, which are partial, has declined most markedly amongst the young. We therefore see little evidence in other markets that partial news is any more likely to attract younger audiences than impartial news. This conclusion is reinforced by evidence from the United States where the Fairness Doctrine (the US version of impartiality rules) was abandoned in the 1980s but this abandonment has not led to a greater engagement with news.
353. **We believe that any weakening of the impartiality requirements as they apply to UK broadcasters would have a negative impact in the quality and trustworthiness of the country’s news. Such a move would not benefit the public or journalists and could run the risk of undermining the most important medium for news.**

*Impartiality on foreign based news channels*

354. It is very hard for Ofcom to enforce the impartiality requirements on news produced abroad but re-broadcast here to small audiences on cable and satellite television. Ed Richards told us that there is already, in effect, a two-tier regulatory system:

“Hitherto, we have not sought to regulate the channels like Fox, and there are two or three others ... The reason why we have not so far done so is because there are two defining differences which mark them out as very different to the main UK channels. The first is that they are targeted, very clearly and explicitly, at a different audience. Their presence in the UK is really a re-broadcast ... The second difference is that, certainly at the moment, they have extremely small audience shares” (Q 877).

355. Ofcom has three options in dealing with impartiality on foreign broadcasters: First, a blanket application of the rules with full enforcement on all UK and non-UK broadcasters (including fines and suspension if necessary); second, a complete separation of regulation for UK and foreign broadcasters, with no impartiality rules applied to foreign broadcasters; third, a regulatory approach that combines full enforcement of UK broadcasters with an approach to non-UK broadcasters which takes into account the size of their UK audience.
356. Professor Purvis, Professor of Television Journalism at City University, summarised the problem “There is partly a realpolitik here that says, “Actually, can we really tell Al Jazeera and Fox News what to do? Would it not be better to reflect that in perhaps a two-tier regulatory system?” (Q 735) Professor Prosser, Professor of Public Law at the University of Bristol, agreed with his colleague’s assessment, commenting that “Regulating international media of that kind is very difficult. It seems to me that all we can do is to try to support an alternative, which would be a strong system of public service broadcasting, which does have the necessary filters” (Q 2010).
357. We feel this last approach combines a genuine commitment to maintaining UK broadcasting standards with a practical understanding that foreign broadcasters have different cultures, values and agendas. A heavy-handed approach to non-UK based broadcasters is most likely to result in them either being suspended or withdrawing their service themselves, which would not benefit diversity of voice.
358. **We therefore recommend that Ofcom should take this last option as it applies to most news coverage. Ofcom should monitor the audience share of non-UK based news broadcasters licensed in the UK and set a viewing threshold that would guide its regulatory approach.**

## CHAPTER 8: THE MEDIA AND PARLIAMENT

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359. We started this report by underlining the fundamental importance of a free media in democracy. The freedom of the press under the law extends to the freedom of other media to report the news without censorship or interference. Government and Parliament may seek to influence the way that the news is presented and views expressed but they have absolutely no right to control. Any attempt to do that should be fiercely resisted. But does the freedom of the media mean that they should not be subject to questioning?
360. The media cannot expect that alone among British institutions they will be exempt from serious examination. They claim (rightly) that they have the right to expose and reveal. Therefore it would be the height of hypocrisy if owners and editors refused to answer questions about their policies and activities. Such questioning is also necessary in a democracy. It is the quid pro quo for freedom of the Press. The public have a perfect right to know, for example, who controls the media and what influence the owners bring to bear—which has been one of the main themes of our inquiry.
361. In reviewing the relationship between the media and Parliament there is a clear difference between the public service broadcasters, who receive public subsidy, and the press and new media who do not. We believe however, that although newspapers receive no public subsidy, there is a legitimate democratic expectation that they be open about how they approach their role.
362. The BBC receives nearly three and a quarter billion pounds a year in licence fee income. As a result their work is guided according to a set of rules laid down in a Royal Charter. The Government consults with the public on the terms of the charter and the licence fee is subject to parliamentary approval. But in practice public and parliamentary involvement has always been limited. The terms of the Royal Charter are agreed exclusively by the Government and the BBC who may choose to ignore the views put forward in the public consultation. The charter itself is not subject to mandatory parliamentary approval (although there have by convention been votes in the House of Commons to either accept or reject the Agreement between the Government and the BBC which accompanies the Royal Charter). As for the licence fee this is put before Parliament but only in the most unsatisfactory form: it is not possible to amend it.
363. We return to proposals we have made in our previous report when we argued that under the Royal Charter process the Government of the day has almost unchecked powers to change the entire constitution of the BBC. **We believe that the public interest would be better served by placing the BBC on a statutory footing by an Act of Parliament. We also believe that Parliament should have a greater involvement in the setting of the licence fee.**
364. Some inside the BBC have opposed these proposals on the grounds that it is interfering with the corporation's independence. We do not believe that objection is valid. It would simply be substituting open and transparent parliamentary scrutiny and approval for what is now a deal done behind closed doors between the Government and the BBC. The BBC themselves might like to reflect whether their position is best maintained by such a



system and whether Parliament might be an important check given the prospect of decisions in the future like the top-slicing of the licence fee.

365. Having said that we have no complaint against either the BBC or the other public service broadcasters in their willingness to appear before this select committee. With the press, however, we had substantially more difficulty. Some chairmen and editors readily agreed to come to give evidence—while Rupert Murdoch and Sir Christopher Meyer, the chairman of the Press Complaints Commission, volunteered to see the committee. Others were markedly more reluctant.
366. In one or two cases negotiations went on for several months before agreement was forthcoming and in one case we were met with outright refusal. In spite of four invitations between January and April to appear, Mr Aidan Barclay, the chairman of the Telegraph Media Group, continued to decline to appear before us.
367. In summary Mr Barclay stated that he was chairman of a private company and has never spoken in public about the newspaper or media issues. He argued that he is not currently taking a role in policy debates about media ownership and that it is not in the Telegraph group's commercial interests to share his views or strategy with competitors. For these reasons he stated that it would be inappropriate for him to give oral evidence to the committee, although he did offer a private and off the record briefing. He added that the editor of The Daily Telegraph had already given evidence.
368. We reject these arguments. It has never been our purpose to take commercially confidential evidence and there has been no complaint on this raised by any media company throughout our inquiry. We were grateful for the evidence of the editor of The Daily Telegraph but the editor is not the proprietor and cannot answer on questions of ownership. Off the record briefings are of no practical use to an inquiry like this as they cannot be quoted and by definition are not open to public scrutiny. The fact that Mr Barclay runs a private company is an argument why he should appear. He is one of the few private owners in the media industry and the influence that he chooses to have—or does not choose to have—upon the news that the Telegraph newspapers print is a matter of genuine public interest.
369. Above all we do not believe that the proprietor of two important national newspapers can claim that he cannot be questioned by a parliamentary select committee. Newspapers themselves call for maximum openness and condemn secrecy and attempts at “cover ups”. Yet here we have a newspaper proprietor seeking to hide behind a shield of privacy that his newspapers would not accept for a minute when dealing with other members of the public.
370. But the case goes beyond one man. The owners of the media and the editors who work for them have immense power. The very least that the public can expect is that they should be questioned on how they exercise that power. The freedom of the media should be accompanied by the freedom of Parliament to question how that freedom is being exercised. There are some potentially major questions here. Foreign ownership provides particular problems: not all foreign owners may be as accommodating as Rupert Murdoch. It is all the more reason why the principle of attendance before parliamentary Select Committees should be established.

371. Select Committees of the House of Lords have the power to send for persons and papers. However, only the House as a whole has the power, by order, to compel the attendance of witnesses. The same applies in the Commons, though in practice this power is rarely used in either House. The last time it was used in the Commons was in 1992, when it was ordered that Ian and Kevin Maxwell give evidence to the Social Security Committee inquiry into the Mirror Group pension funds. No House of Lords committee has attempted to compel the attendance of witnesses in modern times.
372. This reluctance to compel attendance is not surprising. The procedure is laborious: it requires, first, a report from the committee recommending that a particular witness be ordered to attend. The report would then be debated on the floor of the House (the business managers making time available), and the order agreed. The final part of the process in the Lords would be for the Clerk of the Parliaments to sign the order, and for Black Rod to secure the serving of a summons on the witness.
373. **The procedure for compelling the attendance of witnesses before Committees of the House is palpably not fit for purpose at the beginning of the 21st century, and should now be reviewed. If parliamentary inquiries are to serve a useful function in guarding the public interest then a less cumbersome procedure is necessary. We therefore invite the Procedure Committee to consider the options for streamlining the procedure whereby select committees may compel the attendance of witnesses.**

## CHAPTER 9: SUMMARY OF RECOMMENDATIONS

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374. The relationship between policy makers and the media is a legitimate area of public interest. We therefore propose that politicians in all parties are open and candid about their meetings with media owners and editors. [para 197]
375. We do not accept that the increase of news sources invalidates the case for special treatment of the media through ownership regulation. There is still a danger that if media ownership becomes too concentrated the diversity of voices available could be diminished. [para 210]
376. An internal company structure cannot be an adequate substitute for competition law and statutory regulation in ensuring that no single voice becomes too powerful. Regulation to ensure a plurality of media ownership is still relevant and necessary. [para 220]
377. The public interest considerations for newspaper mergers and broadcasting and cross-media mergers should be amended to refer specifically to a need to establish whether a merger will impact adversely on news gathering. [para 243]
378. The considerations set out in the Public Interest Test for newspaper mergers should be reviewed by Ofcom. This exercise should consider the rigour of the criteria and how they can be assessed. Conducting such a review will give Ofcom the opportunity to start building an expertise in advance of actually having to look at a newspaper merger. [para 249]
379. The Government should be more flexible and adopt a case-by-case approach when considering which media mergers the Public Interest Test should apply to. We believe that it would be essential to apply the test if a major international internet company bought a stake in a UK news provider. [para 253]
380. Ofcom should be given the power to initiate the Public Interest Test. This would sit more comfortably with Ofcom's duty to *promote* the interests of the citizen. The power to trigger a Public Interest Test should not be taken away from Ministers. Along with Ofcom, Ministers should retain the power in the event that they consider there is a risk to the public interest that Ofcom has not fully recognised. Therefore, the power to issue an Intervention Notice should be held by both Ofcom and the Secretary of State. [para 261]
381. We recommend that legislation should be amended so that Ofcom investigates media mergers only on the basis of the public interest criteria, and the Competition Commission considers only the competition aspects of a merger. They should make their recommendations separately to the Secretary of State on whether the merger should be blocked or go ahead (with or without remedies). The Secretary of State would then have the final responsibility for accepting or rejecting Ofcom's recommendations and remedies, as they relate to the public interest criteria. As is the case now, the Secretary of State would continue to be bound by the Competition Commission's findings on the competition issues. [para 271]
382. When Ofcom considers the public interest considerations of a media merger it should be required to put the needs of the citizen ahead of the needs of the consumer. [para 275]
383. We are concerned that Ofcom is inadequately implementing Section 13(3) of the Communications Act and believe that it should review whether the Content Board has a significant influence on Management Board decisions

- in respect of Ofcom's duty to promote the purposes of public service television as laid down by Section 3(4)(a) of the Communications Act. Ofcom should publish the findings of this review so that they can be acted on by Parliament if necessary. [para 279]
384. The analogue and digital local radio ownership rules should be amalgamated. [para 283]
385. The local cross-media ownership restrictions relating to local radio and local newspaper companies should be lifted. Ofcom must carefully monitor any local cross-media mergers and apply the Public Interest Test if any are likely to raise public interest considerations. [para 289]
386. The current inequitable situation facing UK companies is preventing their legitimate expansion into new markets. The Government must continue its efforts to achieve reciprocal rights for UK companies. Without further information it is difficult to measure progress on this matter. We recommend that the Department for Culture, Media and Sport publish an annual report on progress towards securing reciprocal ownership rights. This should detail the extent of ongoing negotiations with countries where the Government is seeking to achieve reciprocal rights, and explain the reasons why ownership limits remain in place. [para 295]
387. The strength of BBC news is its reporters and those that support them. Between them they provide a depth and range of news which is among the best in the world. We believe that nothing should be allowed to reduce the BBC's ability to sustain this high quality news operation. [para 301]
388. The BBC's spending on the salaries of its presenters and personalities represents a considerable proportion of the BBC's licence-fee funded budget. The BBC Trust should monitor closely spending growth in this area to ensure that the Corporation can adequately fulfil and fund all its public purposes and particularly news and current affairs. [para 306]
389. We emphatically believe that Public Service Broadcasting cannot be left to the BBC alone. We are very struck by Ofcom's prediction that by 2012/13 the BBC will receive 91% of all PSB funding. A continuing plurality of public service broadcasters should be an aim of public policy. This is particularly crucial for news and current affairs. Ofcom's research shows that the public values this plurality, especially in news. It also serves the valuable purpose of providing competition for the BBC. We urge Ofcom to make news provision a priority on the PSBs when it comes to negotiating future service obligations. [para 318]
390. Any residual funds left over from the BBC's targeted help scheme should be used to support the commercial PSBs in the medium term<sup>129</sup>. [para 321]
391. ITV's proposal for the abolition of the Contracts Rights Renewal system merits further consideration. [para 322]
392. We are sceptical of the various proposals that have been put forward for top slicing the BBC licence fee. [para 323]
393. We believe there is scope in the idea of sharing BBC facilities with other public service broadcasters and that this proposal should be further examined. The Government should take forward this work. [para 324]

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<sup>129</sup> Any such transfer of funds would need to conform with European Union rules on State Aid in relation to public service broadcasting.

394. We remain to be convinced that the new BBC corporate governance arrangements are more effective than those they replaced. [para 325]
395. We are concerned about ITV's proposals to scale back its regional news structure. Ofcom should carefully examine whether ITV's policy will have an impact on local newsrooms and their ability to quickly and accurately cover stories of national importance. Ofcom should also consider the implications that a cut in ITV regional news commitments will have on the news gathering capabilities of ITN and in turn the overall quality of ITV and Channel 4 news. Plurality of regional television news is important and if ITV reduce their commitments in this area the BBC will have very little effective competition. [para 332]
396. Ofcom should work to define more systematically "high-quality" news and to agree a number of indicators for assessing it. Ofcom should produce an annual report monitoring the quality and quantity of PSB news and Ofcom should also develop a mechanism for holding companies responsible if their news falls short of quality thresholds. [para 337]
397. Ofcom should be given powers to check the resourcing of all the commercial PSB news providers, rather than just Channel 3's appointed news provider. Ofcom should also develop a series of indicators against which to measure the resourcing of a news organisation and should publish an annual report on the resourcing of all the PSB news services (this could be published as part of the annual report on quality recommended in para 337). [para 341]
398. Ofcom should start monitoring the resourcing, quality and quantity of news on the commercial PSB channels as soon as possible and should also start publishing an annual report as set out above. However, in the future we believe there should be a statutory duty on Ofcom to undertake these new duties. [para 342]
399. The impartiality requirements of PSBs are an important safeguard of the plurality of voices heard on broadcast news. They will continue to be necessary post-digital switchover. [para 349]
400. Any weakening of the impartiality requirements as they apply to UK broadcasters would have a negative impact in the quality and trustworthiness of the country's news. Such a move would not benefit the public or journalists and could run the risk of undermining the most important medium for news. [para 353]
401. When considering how to apply the impartiality requirements to non-UK based news broadcasters licensed in the UK, Ofcom should take into account the size of their UK audience. It should monitor the UK audience share of these channels and set a viewing threshold that would guide its regulatory approach. [para 358]
402. The public interest would be better served by placing the BBC on a statutory footing by an Act of Parliament. Parliament should have a greater involvement in the setting of the licence fee. [para 363]
403. The procedure for compelling the attendance of witnesses before Committees of the House of Lords is palpably not fit for purpose at the beginning of the 21st century, and should now be reviewed. If parliamentary inquiries are to serve a useful function in guarding the public interest then a less cumbersome procedure is necessary. We invite the Procedure Committee to consider the options for streamlining the procedure whereby select committees may compel the attendance of witnesses. [para 373]

## APPENDIX 1: SELECT COMMITTEE ON COMMUNICATIONS

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The Members of the Committee which conducted this inquiry were:

The Baroness Bonham Carter of Yarnbury  
 The Lord Corbett of Castle Vale  
 The Baroness Eccles of Moulton  
 The Rt Hon the Lord Fowler (Chairman)  
 The Lord Grocott (Lord Grocott was appointed to the Committee on 18 February 2008)  
 The Lord Hastings of Scarisbrick  
 The Baroness Howe of Idlicote  
 The Lord Inglewood  
 The Rt Hon the Lord King of Bridgwater  
 The Baroness McIntosh of Hudnall  
 The Rt Rev the Lord Bishop of Manchester  
 The Lord Maxton  
 The Baroness Scott of Needham Market  
 The Baroness Thornton (Lady Thornton resigned from the Committee on 18 February 2008)

### Declarations of Interest

BONHAM CARTER, Baroness

*\*12(f) Regular remunerated employment*

*Television Executive, Brook Lapping Productions, a subsidiary of Ten Alps Communications plc*

*\*13(c) Financial interests of spouse or relative or friend*

*I also disclose the interests disclosed by Lord Razzall*

*16(b) Voluntary organisations*

*RAPT—Rehabilitation of Addicted Prisoners Trust*

*Other relevant information*

*Employee, BBC (1984–1993)*

*Editor, Channel 4's "A Week in Politics" (1993–1996)*

CORBETT OF CASTLE VALE, Lord

*\*12(i) Visits*

*Visit to Hungary (21–23 March) with All-party EU Accession Group. Fare paid through Parliamentary travel scheme. Accommodation and hospitality provided by Hungarian Parliament*

*Visit to Romania (29 May–2 June). Fare paid through Parliamentary travel scheme. Accommodation and hospitality provided by Romanian Parliament*

*Visit to Liverpool (23–24 June 2006) with my wife, with European Capital of Culture 2008 All-party Parliamentary Group—accommodation and hospitality paid for by Liverpool Culture Company*

*15(a) Membership of public bodies*

*Chairman, Castle Vale Neighbourhood Partnership Board, Birmingham*

ECCLES OF MOULTON, Baroness

*\*12(e) Remunerated directorships*

*Independent National Director, Times Newspapers Holdings Ltd*

*15(b) Trusteeships of cultural bodies*

*Director, Opera North, company limited by guarantee*

*Trustee of York Minister Trust Fund (not a company limited by guarantee; not remunerated)*

*16(a) Trusteeships*

*London Clinic Company limited by guarantee*

*Other relevant information*

*Director, Tyne Tees Television plc (1986–1994)*

#### FOWLER, Lord

*\*12(e) Remunerated directorships*

*Non executive Director, Holcim Ltd*

*Member Advisory Council, Electra QMC, Europe Development Capital Fund plc*

*Chairman, Thomson Foundation*

*15(d) Office-holder in voluntary organisations*

*Vice Chairman, All-party Group on AIDS*

*16(a) Trusteeships*

*Trustee, Terrence Higgins Trust*

*Other relevant information*

*Non Executive Chairman, Midland Independent Newspaper plc (Birmingham Post Group) 1991–1998*

*Non Executive Chairman, Regional Independent Media (Yorkshire Post) 1998–2002*

*Staff, The Times newspaper 1961–1970*

*Life member, National Union of Journalists*

#### GROCOTT, Lord

*\*13(b) Landholdings*

*Rental income from a flat in London*

*Other relevant information*

*Reporter then Producer, ATV and Central Television 1979–1987*

*Member, National Union of Journalists*

#### HASTINGS OF SCARISBRICK, Lord

*\*12(e) Remunerated directorships*

*British Telecom PLC*

*\*12(f) Regular remunerated employment*

*KPMG*

*15(d) Office-holder in voluntary organisations*

*Chairman, Crime Concern 1995–2008*

*Patron, Springboard for Children*

*Patron, Zane*

*Patron, Toy Box*

*16(a) Trusteeships*

*Trustee, Vodafone Group Foundation 2008–*

*Other relevant information*

*Employee, BBC (1994–2006)*

*BBC pensioner*

#### HOWE OF IDLICOTE, Baroness

*15(b) Trusteeships of cultural bodies*

*Trustee, Architectural Association School of Architecture*

*15(d) Office-holder in voluntary organisations  
Board Member of Veolia Environmental Trust plc  
16(a) Trusteeships  
Trustee, Ann Driver Trust*

#### INGLEWOOD, Lord

*\*12(c) Remunerated services  
Political Adviser, House of Lords (unpaid) for the Estates Business Group  
\*12(e) Remunerated directorships  
Chairman, CN Group (Media)  
Director, Pheasant Inn (Bassenthwaite Lake) Ltd (hotel)  
Chairman, Carr's Milling Industries plc (food and agriculture)  
\*12(f) Regular remunerated employment  
Farmer  
\*13(a) Significant shareholdings  
Pheasant Inn (Bassenthwaite Lake) Ltd (hotel)  
\*13(b) Landholdings  
Hutton-in-the-Forest Estate (farmland including residential property in Cumbria)  
Wythop Estate (farmland including residential property in Cumbria)  
Owner Hutton-in-the-Forest (historic house open to the public)  
15(a) Membership of public bodies  
Court of Lancaster University  
Chairman, Reviewing Committee on the Export of Works of Art  
15(c) Office-holder in pressure groups or trade unions  
Friends of the Lake District (nominated by the Committee for the National Consultative Council)  
President, Cumbria Tourist Board  
Member, Historic Houses Association Finance & Policy Committee  
16(a) Trusteeships  
Trustee, Elton Estate, Cambridgeshire  
Trustee, Raby Estates, Co Durham and Shropshire  
Trustee, Thoresby Estate, Nottinghamshire  
Trustee, Calvert Trust  
Trustee, Settle-Carlisle Railway Trust  
Trustee, Whitehaven Community Trust Ltd  
16(b) Voluntary organisations  
Member, Bar  
Member, Royal Institution of Chartered Surveyors  
Fellow, Society of Antiquaries of London  
Other relevant information  
Director, CN Group (1997; Chairman from 2002)  
Consultancy, ITV (June 1998–June 1999)  
Consultancy, BBC (October 1998)  
Patron, Voice of the Listener and Viewer (March 2000)  
Consultancy, BBC (April 2000)  
Member, Commercial Steering Group, BBC (July–November 2004)*

#### KING OF BRIDGWATER, Lord

*\*12(e) Remunerated directorships  
Non-executive Director, London International Exhibition Centre plc and  
London International Exhibition Centre (Holdings) Ltd*



*\*13(b) Landholdings**Minority partner in family farm in Wiltshire (including cottages)**Partner in woodlands in Wiltshire**15(d) Office-holder in voluntary organisations**Patron, UK Defence Forum**President, English Rural Housing Association (23 January 2007)**Vice President, Royal Bath and West Society*

## MCINTOSH OF HUDNALL, Baroness

*15(b) Trusteeships of cultural bodies**Board Member, Roundhouse Trust**Board Member, Royal Academy of Dramatic Art**Trustee, South Bank Sinfonia**Board Member, National Opera Studio**15(d) Office-holder in voluntary organisations**Trustee, Art Inter-Romania**Trustee, Theatres Trust**Trustee, Foundation for Sport and the Arts**Director, Artis Education (non-remunerated)*

## MANCHESTER, Lord Bishop of

*\*12(f) Regular remunerated employment**In receipt of episcopal stipend**15(a) Membership of public bodies**Chair, Sandford St Martin (Religious Broadcasting Awards) Trust**General Synod of the Church of England**Manchester Diocesan Board of Finance**Manchester Church House Co.**Manchester Diocesan Council of Education**Manchester Diocesan Association of Church Schools**Life Governor, Liverpool College**Governor, Hulme Hall**15(d) Office-holder in voluntary organisations**Lord High Almoner to H.M. The Queen**National Chaplain, Royal British Legion**16(b) Voluntary organisations**Manchester Diocese, Mothers' Union**Arches Housing**Disabled Living**Hulme Hall Trust**Wigan & Leigh Hospice**St Ann's Hospice**Manchester University of Change Ringers*

## MAXTON, Lord

*\*13(b) Landholdings**Holiday home in the Isle of Arran**A London flat*

## SCOTT OF NEEDHAM MARKET, Baroness

*\*12(d) Non-parliamentary consultant*

*Centre for Transport Studies (judging and presentation of transport awards)*  
*Atkins (Consultancy)*  
*\*12(e) Remunerated directorships*  
*Non-executive Director, Lloyd's Register*  
*\*12(i) Visits*  
*Visit to Norway (29 August–3 September) hosted by the Norwegian Government under the auspices of the All Party Parliamentary Norway Group*  
*Visit to US (September 2005) under the auspices of BA APPG (British American All-party Parliamentary Group)*  
*Visit to Trinidad (May 2006) CPA*  
*Visit to Guatemala/El Salvador (June 2006) IPU*  
*Visit to Taiwan (July 28–3 August 2007) meeting with the Ministers, members of the People's Democratic Party (fellow members of Liberal International), the British Trade and Cultural Office, parliamentarians and others. Travel and hotel costs paid by the Taipei office in the UK. Courtesy gifts received and given (18 September 2007)*

THORNTON, Baroness (Lady Thornton resigned from the Committee on 18 February 2008, the interests below were current at the start of the inquiry.)

*\*12(d) Non-parliamentary consultant*  
*Chairman of Pall Mall Consult (PR, communications, policy analysis, media and events management and charity promotional work)*  
*\*12(f) Regular remunerated employment*  
*Director of IDEA (appointed by ODPM) (£2,400 per annum)*  
*\*12(g) Controlling shareholdings*  
*50% shareholder of Pall Mall Consult*  
*15(a) Membership of public bodies*  
*Governor of LSE*  
*15(b) Trusteeships of cultural bodies*  
*Fellow of RSA*  
*Friend of Tate*  
*Friend of Royal Academy*  
*15(d) Office-holder in voluntary organisations*  
*Chair, Coalition of Social Enterprise*  
*Board Member, Social Enterprise, London*  
*Board Member, '15' Foundation*  
*Board Member, Training for Life*  
*16(b) Voluntary organisations*  
*Ramblers Association*  
*Emily's List UK Director*  
*British Humanists Society*  
*English Heritage*  
*Labour Women's Network*  
*Member, GMB*  
*National Trust*  
*Cooperative Party*  
*Labour Party*  
*Volunteer for Crisis*

## APPENDIX 2: LIST OF WITNESSES

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The following witnesses provided evidence. Those marked \* gave oral evidence.

- \* Agence France Presse
- \* Bauer Radio
- \* BBC
- \* BBC Radio
- \* Campaign for Press and Broadcasting Freedom
- \* Mr Alastair Campbell
- \* Channel 4
- Channel 4 Radio
- Chartered Institute of Journalists
- Church of England and the Roman Catholic Church
- \* CN Radio
- \* Professor Richard Collins
- Competition Commission
- \* Professor James Curran
- \* Daily Mail and General Trust plc
- \* The Daily Telegraph
- \* Department for Business, Enterprise and Regulatory Reform
- \* Department for Culture, Media and Sport
- European Newspaper Publishers' Association
- \* The Financial Times
- \* Five
- \* Professor Tom Gibbons
- Goldsmiths Media Research Programme
- \* Mr Roy Greenslade
- \* Guardian Media Group
- \* Mr Richard Hooper CBE
- \* Independent Radio News
- \* The Independent
- \* ITN
- \* ITV Plc
- \* Sir Simon Jenkins
- \* Johnston Press plc
- \* Mr Dominic Lawson
- \* The Mail on Sunday

- \* Mr Andrew Marr
- \* Mecom
- \* Media Standards Trust
- \* The Mirror
- National Readership Survey
- \* National Union of Journalists
- \* Mr Andrew Neill
- \* The Newspaper Society
- Newsquest Media
- Mr Tim Nichols
- openDemocracy
- \* Ofcom
- Professor Angela Phillips
- Press Association
- \* Press Complaints Commission
- \* Professor Tony Prosser
- \* Professor Stewart Purvis
- \* Lord Puttnam
- \* RadioCentre
- \* Reuters
- Mr Jacob Rowbottom
- Society of Editors
- \* The Sun
- \* The Times
- Trades Union Congress
- \* Trinity Mirror plc
- \* Virgin Media
- \* Voice of the Listener & Viewer
- \* Professor Lorna Woods

## APPENDIX 3: CALLS FOR EVIDENCE

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### FIRST CALL FOR EVIDENCE

#### *New inquiry: Media ownership and the news*

The House of Lords Select Committee on Communications is announcing today a major new inquiry into media ownership and the news.

This will be a two part inquiry. For the first part of the inquiry the Committee is calling for evidence on changes in how people access the news, changes in the way news is provided, changes in news agendas and how concentrated media ownership affects the balance and diversity of news in a democracy.

For the first part of the inquiry the Committee would particularly welcome evidence on:

How and why have the agendas of news providers changed? How has the content of news programmes and newspapers altered over the years?

How is the way that people access the news changing? The Committee is interested in national and regional trends and figures for television, radio, newspaper and on-line news consumption.

How has the process of news gathering changed? The Committee is interested in the process of news production, the prioritisation of budgets and the deployment of journalistic resources.

What is the impact of the concentration of media ownership on the balance and diversity of opinion seen in the news? Does ownership have an impact on editorial priorities and on news values such as fairness, accuracy and impartiality?

How should the public interest be protected and defined in terms of news provision? Are the public interest considerations set down for Ofcom in the Communications Act 2003 enough to ensure a plurality of debating voices in the UK news media?

Later in the year the Committee will review the evidence received and will then issue a separate call for evidence focusing on the concentration of media ownership, on cross-media ownership and on the regulation of media ownership. The Committee does not yet want to receive evidence on these points.

26 June 2007

### SECOND CALL FOR EVIDENCE

#### *Media Ownership and the News—Part 2*

The House of Lords Select Committee on Communications is announcing today a second call for evidence as part of its major inquiry into media ownership and the news.

The first call for evidence was issued on 26 June 2006 and since then the Committee has received much useful evidence on the trends in news provision and consumption and the impact of ownership on the diversity and independence of the news.

The second part of the inquiry will now focus in more detail on the regulation of news and ownership. The Committee will take into account Ofcom's 2006 review of media ownership rules.

The Committee would welcome evidence on the following questions:

- 1 Are the requirements in the Communications Act 2003 relating to the quality, quantity, scheduling and impartiality of national and regional broadcast news appropriate? Are they sufficient? Will they be appropriate and will they be sufficient after digital switchover?
- 2 Are the public interest considerations for media mergers set down in section 58 of the Enterprise Act 2002<sup>130</sup> strong and clear enough to protect a diverse and high quality news media? Are the conditions under which the Secretary of State can order a public interest investigation appropriate?
- 3 Do current national and local cross-media and single sector media ownership rules set out in UK legislation do enough to ensure a high quality and diverse news media<sup>131</sup>? Or now that most news organizations are moving towards multi-platform operations, have these rules outlived their usefulness and relevance? In this context are there effective actions that can be adopted by news organizations to protect the public interest?
- 4 Do any problems arise from having four bodies involved in the regulation of media markets (the OFT, Ofcom, the Competition Commission and the Secretary of State)? Are there any desirable reforms that would improve the effectiveness of the regulatory regime?
- 5 Has the lifting of all restrictions on foreign ownership of UK media affected the quality and independence of the UK news media, or will it affect it in the future? Has the UK industry benefited, or does it stand to benefit in the future?

13 December 2007

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<sup>130</sup> As amended by section 375 of the Communications Act 2003.

<sup>131</sup> The legislative provisions we are particularly interested in are those covered by Ofcom's triennial review of media ownership rules: Schedule 2 to the Broadcasting Act 1990 (restrictions on the holding of broadcast licences); Schedule 14 to the Communications Act 2003 (restrictions of the holding of certain radio licences, cross-media ownership and additional provisions relating to religious bodies); Sections 280 and 281 of the Communications Act 2003 (Channel 3 news provider); Section 283 of the Communications Act 2003 (Channel 5 news provider); and Part 3 of the Enterprise Act 2002 (insofar as it relates to intervention by the Secretary of State in connection with newspaper or media mergers). We are also interested in views on the requirement for Ofcom to review this area every three years (Section 391 of the Communications Act 2003).

## APPENDIX 4: MINUTE OF THE VISIT TO THE USA

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As part of its ongoing inquiry into media ownership and the news, the select committee on communications undertook a visit to the United States in September 2007.

This document provides a minute of each meeting.

### 16–21 September 2007

#### Meetings with television news broadcasters

*Combined minute of the three meetings with Paul Slavin, Senior Vice President of ABC News Gathering and Marcus Wilford, London Bureau Chief; Mark Whitaker, Senior Vice President of NBC News; and Paul Friedman, Senior Vice President of CBS News—17 September 2007, New York*

1. In the USA television programming is provided by the traditional three networks (ABC, CBS and NBC) and by the newer cable channels. The networks provide a whole range of programming on their channels including morning and evening news programmes. Cable channels tend to focus on one type of programming, therefore there are dedicated 24 cable news channels (the main three being Fox News, CNN and MSNBC). NBC is the only network to also run a cable channel MSNBC.
2. The networks rely on advertising as their main revenue stream (for example advertising forms 95% of ABC's overall revenue). Cable channels receive subscription fees as well as advertising revenue.

#### *Network News Ratings*

3. All the networks are experiencing a decline in audiences for news programmes. Ten years ago they would all have expected an average evening news audience of approx ten million, now CBS attract about six million, NBC attract 7–7.5 million and ABC attract 7.5–8 million. The viewers that remain tend to be older. There are marked declines in viewers in the 25–54 age group which is the main target of advertisers.
4. ABC's evening news programme currently achieves the highest evening news ratings. Mr Slavin believed that the main reason for this is the popularity of the anchor, Charlie Gibson. Also people trust ABC as a brand. To boost news audiences ABC has used an aggressive strategy of breaking into other programmes with news updates.
5. However, while the total ABC evening news audience is growing (it is up by 6% this year), its audience in the 25–54 demographic is declining (it is down by 8% in the same period). Mr Slavin stated that if this group continues to turn away from the evening news, then it is not inconceivable that evening news will disappear across the networks.
6. All the networks cite the same reasons for the loss of viewers. In the early nineties the networks moved their evening news bulletins forward to 6.30pm. At the same time evening commutes were

getting longer and therefore people were not home to watch the news. In addition many young people are turning to the internet for news. The internet is attractive because news stories can be accessed at any time to suit the viewer and people can choose the stories of most interest to them. There is also evidence that younger viewers are more inclined to get their news through satirical shows rather than traditional news bulletins.

7. Peak viewing time for US television is 8pm to 11pm, none of the networks thought that the evening news would ever be moved into this slot. Mr Friedman stated this was due to news flow. If you schedule news at 9pm then you lose your audience for the rest of the evening.

#### *Network News Ownership*

8. ABC is owned by Walt Disney. Mr Slavin stated that nobody from Disney has ever tried to exert pressure on editorial decisions, even when ABC covered Disney related stories. He doubted that there is even cautious self-censorship. His reporters bend over backwards to make sure they are fair.
9. Mr Slavin stated that because they are only a small cog in a successful machine ABC News is not charged with maximising revenue. Their profit figures are not published separately. The Chairman of Disney, Michael Eisner, is interested in news and proud of owning a trusted news source. ABC News may be less profitable than most of Disney's interests but it compensates for this in the value it brings to the reputation of the company. Mr Slavin believed that the only disadvantage to being within such a large corporation is that they tend to be slow decision makers and this can be frustrating when ABC want to innovate quickly.
10. NBC is owned by General Electric (GE). Mr Whitaker stated that nobody from GE has ever tried to exert pressure on editorial decisions. GE understands that the credibility and success of the news division depends on its independence. One example of their independence is that CNBC (their cable business news channel) regularly covers GE and never shies away from observing that the new Chairman has not succeeded in raising the stock price of the company. GE is a global brand. Mr Whitaker stated that it is so big that it can withstand pressure from any government, including foreign government like the Chinese. GE has never suggested that NBC avoid being critical of China.
11. Mr Whitaker agreed with Mr Slavin that there are advantages to being within a large corporation. It gives the news division protection from the "vagaries of television advertising". He also believed that it brings a level of rationalisation and rigour to business decisions within NBC that is totally different from many media companies. GE favour a diversified portfolio and NBC News is an asset that they are proud of.
12. CBS was owned by Viacom but in 2005 Viacom split itself and re-established CBS Corporation with the television network at its core. CBS Corporation and the new Viacom are controlled by National



Amusements. Mr Friedman has worked for all three network news divisions and stated that he has never experienced pressure from any owner. He believed that large corporations are aware that the independence of their network news divisions must be protected. He cited examples where the network owners had fought to protect their news divisions from pressure from advertisers.

*Network News on the Web*

13. All the networks agreed that television news is losing audiences to the internet and therefore they are all working to develop their web presence. However, they are also all struggling with the fact that online news attracts much smaller advertising revenues than television. They all doubted whether advertising revenue from the web would ever match TV advertising revenue.
14. All the networks now ask their journalists to multi-skill. The same journalists feed their broadcast and online news outputs. They are all using their websites to go into each news story in more detail than is possible in a time limited broadcast. They were all upbeat about the high quality of new entrants to the journalism profession.
15. Abcnews.com is attracting larger and larger audiences (traffic is increasing by 20 to 40% each year). ABC expected their internet advertising revenue to double this year. Mr Slavin believed that the internet is a positive development for journalism because it allows people to go deeper into stories. Broadcasts are time limited but the internet allows broadcasters to refer people to their web page for more information. However, he stated that it is harder to channel audiences from the internet to television. Mr Slavin believed that unregulated internet sites and blogs are not a threat as they make people aware of the importance of trusted brands such as ABC.
16. Msnbc.com is a joint venture with Microsoft. It is one of the two largest news content sites in the US (the other being cnn.com). NBC's full television news broadcasts are put on the web as soon as they are aired. People can then download them segment by segment, enabling them to choose to watch only the stories of interest to them and avoid advertising breaks. This is proving very popular. Mr Whitaker is confident about the multi-platform future. While the internet may never match TV revenue dollar for dollar, new technology makes news production cheaper and more efficient.
17. Mr Friedman from CBS was less upbeat. He stated that nobody knows whether the internet will ever provide large audiences and large profits. He was clear that younger people will not be attracted to TV through the net.

*The quality of the network news*

18. All the networks stated that the proliferation of news sources had limited their power to control news agendas. When most people sourced their news from the networks it was easier to ensure that they viewed public service content such as international news. Consumers now have more choice and there is more incentive to

chase ratings. Now people can choose news sources that fit their world view and so their views are rarely challenged.

19. Mr Slavin, from ABC, believed that the networks have a responsibility to provide information on stories of public importance even if they do not attract the audiences. They have to balance hard and soft news. However, he stated that the audience for international news is smaller than it was twenty years ago. An advantage of having the ABC web site is that it allows ABC to be a niche broadcaster as well as appealing to mass audiences.
20. ABC were about to announce seven new international bureaux. Mr Slavin stated that it was no longer efficient to run large brick and mortar foreign bureaux but new technology makes it possible to have fewer staff doing more. The new bureaux will be small and journalists will be expected to multi-skill. They will mainly feed the ABC web site but will supply television if big stories break in their areas. Mr Slavin said that it was possible that such multi-skilling might be detrimental to the quality of output but it was too early to assess this. He felt that ABC had a fundamental question of trust to answer as it had previously closed so many bureaux.
21. Mr Whitaker explained that NBC had recently faced large job cuts which hit news gathering. Their correspondents are now busier and have to feed all their platforms. The war in Iraq is having a detrimental affect on the spread of foreign coverage (it takes \$9 million a year, a tenth of their entire news budget). Mr Whitaker stated that the international leader in foreign coverage is the BBC “the leader and the best”.
22. Mr Friedman of CBS suggested that the OJ Simpson trial (in the mid nineties) was a pivotal moment for news coverage in the US. For the first time all media outlets covered one tabloid story in great detail. They were all rewarded by high ratings. This was the beginning of the belief that tabloid reporting results in good ratings. Mr Friedman stated that no public policy changes could help news in the US. All interventions in the area of free speech are deeply unpopular.
23. Cable channels receive subscription revenue irrespective of how many people tune in. However the networks do not have this reliable income stream. Instead they must rely on advertising revenue.

*Minute of the meeting with Roger Ailes, Chairman and CEO, Fox News—17 September, New York*

24. The Committee met with Mr Ailes accompanied by his colleagues David Rhodes, Vice President of Fox News, John Moody, Executive Vice President of News and John Stack, Vice President of Newsgathering.

*Political balance*

25. The Committee were told that Fox News was launched because Roger Ailes and Rupert Murdoch believed that there was space in the market for “fair and balanced” news. They believed that most news reporting has a left of centre bias. The Committee heard from other witnesses that Fox News provides a right of centre product. However, Mr Ailes vigorously denied this. He stated that the channel has no particular political agenda and an effort is made to balance the stories they produce, although he also said that on some days the channel acts as a balance to the rest of the media.
26. Mr Ailes suggested that the liberal bias of other news providers could be seen through the coverage of issues such as the events at Abu Ghraib prison in Iraq in 2005. He believed that papers such as the New York Times covered the US’s troubles at the prison even when it was not news, nothing new had happened. Fox News only mentioned the prison when new developments occurred.
27. Fox News never endorses any political party or candidate. Mr Ailes stated that they do not shy away from stories damaging to the Republican Party. Just before the 2000 presidential election they ran a story that they knew would damage George W Bush’s campaign. The Bush campaign even asked them to hold the story. They were the only news organisation to get hold of the story (which related to Bush having been caught driving under the influence of alcohol 16 years previously). Therefore they decided it was news worthy and ran it. Following their coverage Bush dropped by five points and Ailes believed that Fox News was probably responsible for the run off in Florida.
28. Mr Ailes believed that Fox News’ “balanced” approach is critical to the channel’s success and that if any other news channel were to move away from the left then Fox would have stiff competition.

*Ratings*

29. When it was launched Fox News’ target was to match CNN’s ratings figures within five years. In fact they caught up with CNN in four years. It took five years of losses and spending of over \$900 million to establish the channel. It has therefore been crucial to have the backing of a large company like News Corp.
30. Mr Ailes stated that the success of Fox News was down to a number of factors: it is a cable channel so draws income from both advertising and subscription; it provides news when it is required and is not forced into an inflexible model of providing evening news at 6.30 and it provides “more of what the consumer wants”.

*Soft vs hard news*

31. Mr Ailes explained that Fox News balance what the audience is looking for with what it is important for them to know “the appeal of the story plays some role in its prominence”. The emphasis is on domestic news and not on foreign coverage. Fox News is not interested in “the failure of the Russian wheat harvest”. They have experimented with limiting their coverage of soft news stories. A case in point was the death of Anna Nicole Smith (Smith was a page three model who married a very elderly oil baron). Fox News experimented by not running this story hour-after-hour like the other channels. However, each time they took it off air CNN beat them in the ratings. Mr Ailes explained that sometimes they would like to walk away from a story, but it is difficult to do so. He was clear that he has to respond to market pressures and that the channel exists “in a ratings society”.

*The internet*

32. The Fox News executives all agreed that a cable news channel had to invest in a corresponding internet site. It is hard to work out the relationship between the web site and the channel—should one platform push viewers to the other? It is also hard to balance the needs of young and old news audiences. Different age groups have different performance measures that they use to judge which news provider is best. Older audiences believe in the importance of thorough research and accurate reporting, younger audiences want stories available as they break, before there has been time for thorough research. If a story that is breaking is not immediately on the web site young visitors will never return. The preference for immediacy over accuracy is illustrated by the popularity of sites such as wikipedia. Mr Ailes believed that it is crucial to educate young people to critically evaluate news sources.

*Minute of the meeting with Darius Walker, New York Bureau Chief, CNN—18  
September 2007, New York*

33. The Committee met with Mr Walker and his colleague Kim Joust.
34. Mr Walker claimed that CNN is the largest commercial news broadcaster in the world with 4,000 journalists, 36 bureaux around the world and 1,000 affiliate agreements. Cnn.com is the most popular news content web site in the US. The company is very upbeat about its future and keen to refute that it is threatened by Fox News.
35. Mr Walker rejected Fox's claim to be the number one cable news broadcaster. While Fox might have more unique viewers for their prime time shows, CNN's cumulative viewing figures are better and they attract the audience that matters economically—the young, affluent and better educated viewers. This makes them attractive to advertisers and they say that they can charge a lot more for 30 seconds of advertising space. However they conceded that Fox does make more revenue than CNN from subscriptions.
36. Mr Walker stated that “good journalism is good business”. Most people see CNN as objective (according to the Pew Research Centre). Fox is seen as “point of view” journalism, aligned with the Bush administration. CNN believe that there is still an appetite for serious television news but audiences have shorter attention spans which means there is a need for better use of graphics, video etc. This does not have to be detrimental to journalism, it promotes “better story telling”.
37. When designing their news agenda, CNN executives keep an eye on commercial pressures but they also aim to protect the brand in order to retain the young and affluent viewers. CNN is relied upon for international reporting—viewing figures rocket after international events. Mr Walker viewed the BBC as an excellent model for serious news reporting.
38. CNN is owned by Time Warner. Mr Walker stated that CNN has never sensed any direct or indirect pressure from Time Warner to cover stories in a particular way. They are never soft on their reporting of Time Warner interests and always declare that they are a division of Time Warner in their broadcasts.
39. CNN pay a lot of attention to their successful website. Their site has more news video than any of their rivals. They were the only television company that the Committee met who stated that they had already been successful at using the site to bring young people to the TV channel.

## Meetings with newspapers and proprietors

### *Minute of the meeting with Mr Rupert Murdoch, Chairman and Chief Executive Officer, News Corporation—17 September 2007, New York*

40. Mr Murdoch summed-up the state of news media as “fairly chaotic”. Modern life is affecting how people access the news: more women are in work, fewer people use public transport, people arrive home later in the evenings. As a result the biggest newspapers are losing circulation and the evening news programmes are losing audiences. The internet is the platform of the younger generations and is taking both audience and revenue (classified advertising revenue is all moving to the internet). Even when news providers establish successful web sites they cannot match the revenue lost from their newspapers/television channels.
41. Rising to the challenge of the internet and attracting young readers are the biggest challenges for traditional newspapers. Young people are not turning to physical papers for their news. This is particularly true in the US but applies in the UK too. Mr Murdoch has tried various ways to reverse this trend but with little success. His job therefore is to get the young to visit the web sites of his papers. He wants his news providers to be platform neutral. Newspaper editors also need to recognise what stories are popular on the internet. To illustrate this he explained that Yahoo is the most read news site and if you analyse what news stories are read most on Yahoo it is always “soft” news stories.
42. The US television networks are also facing great challenges. They are losing approx 1% of their audience each year. This is having a dramatic affect on their advertising revenues. Part of the reason that networks are losing audiences is that there is now a huge choice of channels with many niche and special interest channels. Mr Murdoch stated that this “huge fragmentation adds up to a great service for the public”. He also stated that the popularity of blogs, with differing levels of accuracy, added to the “sheer chaotic mass of material out there”. He went on to state that “You have to throw it all out there and trust the public. Who are we to say what they can choose?”
43. Mr Murdoch did not want to over-exaggerate how people were turning their backs on news. Some television and newspaper formats are still popular. Morning magazine style television programmes get good ratings, as do some scheduled local news programmes and 24 hours news channels. The population was always interested in local news. This was illustrated by the success of local evening papers in the UK.
44. Mr Murdoch stated that sometimes it was necessary for a large company like News Corp to invest in a service in order for it to fulfil its true potential. Fox News took five years of losses before it became so successful that cable providers would not dare to drop it. He bought MySpace because it was growing and enthusiastic. It was constantly developing and after two years it was already making 20 times more money than when he bought it. Because of his

investment they were now able to give advertisers access to very cheap, targeted opportunities. By the end of this year advertisers would have access to thousands of differentiated groups on MySpace.

45. When asked about Britain Mr Murdoch stated that the UK was “anti-success”—this had prevented him from expanding further (for example through the purchase of local evening papers). He was particularly concerned about the stance of the UK regulatory authorities. They kept investigating his purchases on the grounds of plurality but he had invested in plurality by keeping The Times alive and putting 200 extra channels on the air through Sky. The Government passed the Communications Act 2003 stating that anyone could buy a 20% stake in ITV, then he purchased a 17.9% stake and the regulatory authorities launched a huge investigation. Concern about his purchase was “paranoia”. Another company could buy a larger portion and he would have no way of stopping them. He cannot understand why the UK Government is exercised about ownership levels. He believed that this concern is “ten years out of date” now that there are so many news outlets for people to choose from.
46. Mr Murdoch stated that the BBC had set the mould for TV in the UK. The BBC was responsible for the training of most people in the UK television industry. This meant that many people working in commercial television in the UK were not trained to make commercial decisions. He stated that “the BBC has a unique place in British life”. People were very hostile to any challenge to the BBC. News Corp was the first organisation to bring proper football coverage to the UK. Their investment led to better football grounds and other benefits. However it had been a real struggle.
47. He believed that Sky News would be more popular if it were more like the Fox News Channel. Then it would be “a proper alternative to the BBC”. One of the reasons that it is not a proper alternative to the BBC is that no broadcaster or journalist in the UK knows any different. Mr Murdoch stated that Sky News could become more like Fox without a change to the impartiality rules in the UK. For example Sky had not yet made the presentational progress that Fox News had. He stated that the only reason that Sky News was not more like Fox news was that “nobody at Sky listens to me”.
48. Mr Murdoch believed that the role of the media is “to inform”. Reporters are there to find out what is going on and editors are there to invest in those investigations if they uncover something.
49. Mr Murdoch did not disguise the fact that he is hands on both economically and editorially. He says that “the law” prevents him from instructing the editors of The Times and The Sunday Times. The independent board is there to make sure he cannot interfere and he never says “do this or that” although he often asks “what are you doing”. He explained that he “nominates” the Editors of these two papers but that the nominations are subject to approval of the independent board. His first appointment of an Editor of The Times split the Board but was not rejected.

50. He distinguishes between The Times and The Sunday Times and The Sun and the News of the World (and makes the same distinction between the New York Post and the Wall Street Journal). For The Sun and News of the World he explained that he is a “traditional proprietor”. He exercises editorial control on major issues—like which Party to back in a general election or policy on Europe.
51. Mr Murdoch insisted that there was no cross promotion between his different businesses. He stated that The Times was slow to publish listings for Sky programmes. He also stated that his own papers often give poor reviews of his programmes.
52. Mr Murdoch recognised that as a US citizen he was able to own significant media holdings in the UK but that US foreign ownership rules would prevent the situation being reversed. It is his belief that US foreign ownership limits will be abolished very soon as US companies want to buy into foreign markets and will need to be reciprocal.



*Minute of the meeting with Mort Zuckerman, Publisher, New York Daily News and US News and World Report—18 September 2007, New York*

53. The New York Daily News is a tabloid style newspaper with the sixth largest circulation of any US newspaper. Currently its circulation stands at 718, 174. It also runs a website—[www.nydailynews.com](http://www.nydailynews.com).
54. Mr Zuckerman told the committee that like US television news, news print is also suffering from a drop in circulation. The New York Daily News' circulation figures have declined over the last two decades. Its readership is also ageing.
55. Mr Zuckerman believed the main reason for the drop in readers is new technology. At the same time classified advertising etc is moving to the internet, and not to the websites of newspapers but to new dedicated providers. The New York Daily News has always made a profit but this year it may not due to the large decline in advertising revenue (for example his Detroit paper used to attract 500 pages of advertising, now it is 20 pages and he has had to shut the Detroit advertising office). He is trying to develop new business models for the web but Mr Zuckerman explained that this is “substituting pennies for dollars”.
56. As a result of these challenges costs have to be cut. His magazine US News and World Report used to have 12 foreign bureaux. Now it has none. Newspapers and magazine have to find an edge. Young people want “news you can use”. The US News and World Report has found a niche in providing issues which rank colleges, hospitals etc. Their fundamental foundations used to be serious reporting, now they rely on the “franchise issues”. A great story on Iraq, or politics makes no difference to their circulation figures but their rankings are of key importance to readers and advertisers. All new providers must find added value: analysis, opinion, parody, something not available elsewhere.
57. The main rival of the New York Daily News is the New York Post which is owned by News Corporation. Mr Zuckerman stated that the Post is a “non-economic competitor” and therefore it is very hard to compete. The Post is sold cheaply, buys in less advertising and charges less for the advertising space that it does sell.
58. The reason Mr Zuckerman stays in the news business is that he is a “junkie for journalism”. He believed in the press and likes the challenge of finding a sustainable business model. He describes it as a “glorious way to lose money”.
59. Mr Zuckerman explained that US newspapers have a tradition of separating their editorial “views” pages from their news pages. This is central to the American news tradition. There is also less of a tradition of tabloid news reporting in the US.
60. As proprietor he does not know what's in the paper until next day. He never gets involved in the news pages. However he does get involved in editorials on areas of special interest to him. The day before he met the Committee, he had cut an editorial on teachers' pay as he felt it was too sensitive a time for the paper to make

comment. He also takes all decisions about political endorsements. He believed the New York Daily News carried an endorsement influence of 2.5%. He is happy to have contributed to the election of last two mayors of New York (Bloomberg and Giuliani), both of whom won by less than 1%.

61. Mr Zuckerman stated that some owners get involved in news pages to further their own business interests. Although he sees this as contrary to tradition of American news values he does not think there is any way to prevent it happening.



68. Mr Sulzberger was confident about the future because they have a world class brand. He believed newspapers will survive because their form is valued. Advertising revenue on the web may be less than on paper but the cost of producing news on the web is also cheaper (there are no print or delivery costs). Mr Heekin-Cenedy stated that during a recent month online revenue offset print revenue, but that the expectation for online growth to offset print declines is farther off. He attributed the success that they have had with online advertising to brand value and their early entry into the web news business.
69. Like other US papers they maintain a clear division between news and editorial. The editorial line of the paper is decided by the editorial editor and the proprietor. They employ a public editor to respond to any issues raised by readers. They also have a standards editor to ensure that ethical standards of journalism are understood and followed. All their staff are given a book outlining their principles and guidelines, provided it is kept to then the Public Editor has no work. These systems were created following a scandal where one of their journalists, Jayson Blair, was found to have falsified stories.
70. Their editor is appointed by their proprietor, he makes news and content decisions without discussion with the proprietor. The proprietor only gets involved in the news agenda when it has national repercussions. Political decisions are down to the editorial editor. Sulzberger only sees about 10% of editorials before they are published, for example when they are changing a long held position or making a new political endorsement. He stated he has never had a serious disagreement with an editor. He appoints them and they already have “the same world view”.



California. In the 1990s its journalistic staff grew from 200 to 500. It produced a high quality product and dominated coverage of Silicon Valley. Then the dot com bubble burst and the paper lost large swathes of advertising. Instead of holding tight they “decimated” their journalists with the effect that the authority of the paper was undermined. The large conglomerates have also tried to impose centralisation on their websites. This has been to the detriment of localism and has led to a loss of audiences. There has been a big shift to the BBC/Guardian/Post/New York Times websites for serious news.

78. Mr Downie is gloomy about the future for the newspaper industry as a whole. He believed that the Post and New York Times will survive because of the quality of their product and awareness of their brand. Other papers will continue to lose classified advertising and revenue and will cut costs as a result. This will lead to a further decline in quality and further loss of circulation and advertising.



of journalists employed, or the volume of original vs. recycled stories. Nor did the study distinguish between sport, entertainment and other forms of “soft” news. In fact if the TV Guide classed a programme as news then so did the study. The FCC try not to get involved in judgements about the quality of news because it “is fraught with constitutional issues”.

86. Mr Berlin gave the Committee an overview of the Fairness Doctrine—the historical attempt to ensure impartiality in broadcast news in the US. The doctrine obliged networks to air public issues or controversial views and offer balanced time to all sides. In the 1980s, the courts questioned whether this was constitutional. In 1987 the FCC decided not to enforce it. Other balance requirements were also subsequently removed. Now the only remaining rule is that presidential candidates must be given equal time on air. Mr Berlin said the removal of these requirements had giving rise to one-sided (mostly conservative) radio talk stations.
87. The FCC is a light touch regulator. Although it still requires that local stations meet the needs of local communities the stations themselves can pick what issues meet this requirement. There have been no cases of any station losing a license for failing to adequately cover local issues.









the big players such as the New York Times and the BBC will continue to be able to do that.

104. In 2001 the PEJ published a study that found media outlets tend to cover their parent companies products much more than others, but only declare the link 15% of the time. For example, CBS is owned by Viacom, whose holdings range from MTV, Simon & Schuster book publishers to Paramount studios and beyond. The PEJ found that the networks' morning magazine news shows did more stories about their own parent company's wares than they did about any other single company—especially their media competitors. For example, CBS was nearly twice as likely to carry Viacom products than ABC and NBC combined. These ranged from interviews with contestants on other CBS shows to interviews with the stars of Paramount movies.













size or by ensuring that there is proven public good before a merger is permitted.

138. Martin Dunn also stated that the degree of influence a proprietor has over the agenda of his papers is down to the individual. Some owners actively encourage a diversity of voices, others do not. Some value reporting more than others (he cited Mort Zuckerman's support in investigating the health problems of 9/11 responders, as Editor Mr Dunn was allowed to dedicate a core team of seven journalists to the story for nine months, not one article on that story resulted in more sales, but it gave the paper greater credibility and reinforced the brand).
139. Professor Lehman is a member of the judging panel of the Pulitzer Board. He stated that small papers cannot compete for Pulitzer journalism prizes. The same dozen large papers win year after year. It is only the large companies which have the resources for top quality journalism. He believes the Pulitzer prizes help drive the passion for serious journalism. The US would never accept public intervention in journalism as experienced by the BBC. It works in the UK but would be a laughable proposition in the US.
140. Professor Edsall also writes for an internet news site the Huffington Post. The Huffington Post aims to eventually supplant traditional papers. It is constructed with a traditional front page and distinct news section, but it is updated constantly. Until May 2007 it had no reporting staff but now advertising revenue has increased and allowed them to employ full time staff. News web sites usually have comments sections where readers can discuss stories. They often use these comments to get inspiration for news and angles.
141. The Huffington Post links to reports on newspaper sites. Professor Edsall insisted they are not stealing from papers when they link to them. However Mr Dunn disagreed. He stated that internet based news sites make money from mainstream news organisations without actually doing any of the investigating and reporting. Linking is not enough as readers may click on the link but will not delve deeper into the newspaper's site.
142. Professor Lehman stated that there is an important distinction between reporting and journalism. He compared blogs to one person opinion sheets that reflect the original roots of journalism. So far there is no evidence that they will turn to investigative journalism. He sees blogs as part of the discourse space rather than the information space. It is pamphlet culture not journalism culture.





<b>Estimated GB National Daily Newspaper Readership</b>						
<b>Number reading each top 10 national daily newspaper on an average day (Mon-Sat)</b>						
Daily Telegraph	2534	2147	-387	-15		
The Times	1027	1740	+713	+69		
The Guardian	1285	1248	-37	-3		
The Independent	1064	763	-301	-28		
Financial Times	637	390	-247	-39		
	<b>6547</b>	<b>6288</b>	<b>-259</b>	<b>-4</b>		
Daily Mail	4478	5302	+824	+18		
Daily Express	3777	1720	-2057	-54		
	<b>8255</b>	<b>7022</b>	<b>-1233</b>	<b>-15</b>		
The Sun	9717	7716	-2001	-21		
Daily Mirror/Daily Record	9610	4935	-4675	-49		
Daily Star	2448	1557	-891	-36		
	<b>21775</b>	<b>14208</b>	<b>-7567</b>	<b>-35</b>		
<b>Gross Total (includes reading multiple titles by single readers)</b>	<b>36577</b>	<b>27518</b>	<b>-9059</b>	<b>-25</b>		

**TABLE 6**  
**Readership figures for the top ten national Sunday titles between 1992 and 2006**

Estimated Number of Readers	Readers (000's)		Change	Reach (%)	Change
	1992	2006			
<b>of an Average Issue (Jan-Dec)</b>					
The Sunday Times	3516	3590	+74	7.8	-4.0
Sunday Telegraph	1814	1913	+99	4.0	-0.9
The Observer	1665	1475	-190	3.7	-16.7
The Independent on Sunday	1252	822	-430	2.8	-38.3
Gross Total	8247	7800	-447	18.2	-11.1
The Mail on Sunday	5828	6081	+253	12.9	-1.9
Sunday Express	4907	2015	-2892	10.8	-61.4
Gross Total	10735	8096	-2639	23.7	-29.1

