







media enterprises will decrease from 11 to 10<sup>4</sup> if we consider wholesale news provision; or 16 to 15<sup>5</sup> if we consider channels or publishers as opposed to from whom they source their wholesale news. This suggests there is likely to be a reduction in the range and variety of voices within the market.

### Strength

22. The transaction would give News Corp an unmatched position in terms of presence, scale, ability to influence and resources. Specifically, it would result in increases in News Corp's:
- i. presence across media platforms;
  - ii. relative share of cross media news consumption;
  - iii. ability to influence; and
  - iv. relative resources compared to other news providers.

#### *i. Presence in cross-media news*

23. We note that the transaction would not result in a change in the number, range and variety or strength of voices within three of the individual platforms - TV, radio and newspapers. There would be a change within online news provision, with a reduction in the number of voices and a concentration in audiences as both News Corp and Sky provide news on this platform. However, for the reasons set out above, the relevant audience for this public interest test is cross media. The number, range and variety of persons owning media enterprises across media could change.
24. Across platforms, the transaction would result in a combined entity that had a significant presence in all of the media platforms. News Corp would become the only nationwide news provider with a presence on all platforms when including wholesale news provision, and one of a few on three of four main platforms when considering retail provision.
25. In addition, News Corp would be strongly placed in each of these platforms, being at least the third largest provider in each (as measured by reach).
- **TV** – TV news is one of the most powerful news media, being the main source of news for 73% of consumers, versus newspapers 8%, internet 7%, radio 7%<sup>6</sup>. The transaction would give News Corp full control of one of only three major providers of news. It would have a reach of 11.7 million including Sky News' current wholesale news provision agreement with Five and a reach of 4.8 million excluding this wholesale provision<sup>7</sup>.
  - **Radio** – Sky is the provider of news to the majority of commercial radio stations via a commercial agreement with IRN. Some commercial radio stations continue to self provide news services, while others rely on audio clips provided by Sky News Radio through IRN to varying degrees. Commercial radio has a total reach of 33.3 million

<sup>4</sup> This excludes:

- TV news broadcasters with less than 1% share of TV audiences, including France 24, Al Jazeera, CNN, Euronews, Fox News, RT, CNBC, Bloomberg, CCTV, Star News, Press TV and NDTV
- Other commercial radio news providers who provide some degree of own news (for example Talksport Radio) where information is not available on audience share for news
- Online only news providers as these are not defined as media enterprises under the Enterprise Act 2002

<sup>5</sup> In addition to the exclusions noted above, this further excludes radio providers that account for less than 1% of total radio listening

<sup>6</sup> Ofcom Media Tracker, 2009

<sup>7</sup> Television: BARB, all adults (16+), all homes. All figures apply to viewing of National News genre only. Reach criteria = At least 3 consecutive minutes. Full weeks covered - 27th Sept - 31st Oct 2010. BARB data is based on a continuous panel and is based on actual viewing behaviour.

(or 64.7% of UK adults) and an audience share of 43.4%<sup>8</sup>, but there are no standard data sources to estimate reach for news content only. Although we have not been able so far to calculate a reliable estimate for the audience reach and share of Sky News Radio, we note that it is the only radio news provider of scale after the BBC.

- **Newspapers** – News Corp is the largest newspaper provider. It has: 34.8% share of daily newspaper circulation; 41.3% share of Sunday newspaper circulation<sup>9</sup>; a daily readership of 7.7m for The Sun and 1.6m for The Times out of an unduplicated total UK newspaper readership of 19.8m; and a Sunday newspaper average readership of 7.6m for the News of the World and 3.1m for The Sunday Times out of a total weekly average readership of 21.0m<sup>10 11</sup>.
- **Online** – use of online news is growing, however, it has not yet replaced traditional media as a main source of news and current affairs. In Ofcom's recent research, 24% of consumers said that they regularly used PC based internet to access news, compared to 32% for radio, 44% for newspapers and 79% for TV. At the same time, we note that 9% of consumers said the internet was their main source of news, compared to 10% for radio and 14% for newspapers. News Corp is prominent in terms of audience reach among news websites, with a reach of 4.9m out of a total reach of 23.6m<sup>12</sup> – 3<sup>rd</sup> overall. We note six of the top ten online news providers are also providers of UK newspapers.

26. We are concerned that News Corp and Sky combined would have a presence and relative standing across the main news platforms that would be unmatched by any other news provider.

*ii. Share of cross media news consumption*

27. No standard industry metric exists to measure news consumption across platforms. However, we have identified several metrics that indicate the potential impact of the proposed acquisition on the concentration of suppliers of news to UK audiences and hence share of voice. These include: primary market research on consumers use of different media (share of mentions)<sup>13</sup>; and share of news minutes consumed.

28. We have undertaken market research into consumers' use of different media and providers for news. This has provided a common metric (share of mentions) for cross-media audience shares in terms of 'single main source' and 'all sources of news', by provider and platform.

29. For main source of news, the market research indicates that:

- including wholesale news provision, News Corp and Sky News combined would be the second largest 'single main source of news' across platforms with a share of 15% (News Corp 6%, Sky News 9%) behind the BBC (54%) and ahead of ITN (14%). The next largest providers all have a substantially smaller share given their focus on one or two of

<sup>8</sup> RAJAR. All UK Adults (16+), Q3 2010.

<sup>9</sup> ABC / MediaTel.co.uk / Ofcom

<sup>10</sup> NRS. October 2009 - September 2010

<sup>11</sup> We are currently undertaking additional analysis to calculate the unduplicated readership of daily and Sunday News International titles compared to other media owners

<sup>12</sup> UKOM, Current Events and Global News category, October 2010.

<sup>13</sup> Ofcom regularly uses platform-specific audience measurement systems (such as BARB and RAJAR) to derive reach and share metrics. For the purposes of this public interest test, we require a cross-platform measurement approach to capture consumption patterns across TV, radio, press and online. To do this, we used a face-to-face questionnaire. We asked consumers which platforms they used regularly/occasionally for UK/international news and current affairs. For those platforms cited, they were asked to list which news titles they used.

the four platforms and notably no presence on TV (Associated Newspapers 3%, Guardian 2%, other newspapers 1% or less)<sup>14</sup>;

- excluding wholesale news provision, a combined News Corp and Sky across platforms would account for 13% of mentions (News Corp 6%, Sky 7%), making it the second single main source of news for consumers behind the BBC (54%) and ahead of ITV (12%), Associated Newspapers (3%), and Channel 4 and the Guardian Media Group (2% each).
30. Our market research also considered the share of all mentions by consumers of all the providers they use regularly<sup>15</sup> for news across all platforms. This differs from the main source of news as it includes the effect of consumers using multiple sources of news both within and across media platforms - it includes 'secondary' sources of news as well as primary. This data shows a similar picture to that of main source of news. Across platforms, News Corp and Sky are second and fourth overall at 12% and 10% respectively, compared to the BBC (first with 37%) and ITN (third with 12%<sup>16</sup>). Other providers were substantially smaller – the next largest was Associated Newspapers at 5%. On this metric, including wholesale news provision, the proposed acquisition would result in a combined share of mentions for cross media news and current affairs provision of 22%. This falls to 17% if wholesale news provision is excluded, with ITV as the next largest provider at 9%.
  31. We note a submission from Enders Analysis ("Enders") that considers the number of news minutes per head per day by news provider. This indicates that post-transaction News Corp will account for 21.6% (3.9 percentage points increment) of all minutes of news consumption, second to the BBC (33.7%) and almost twice the size on the next provider (DMGT<sup>17</sup>, 12.3%).
  32. We are currently verifying these figures through our own analysis. In relation to verification of figures for newspapers, at the time of this issues letter we are still awaiting data on minutes of reading per head per title.
  33. We note that an analysis of cross-media share of minutes treats one minute of news consumption as equal across all media (i.e. one minute of TV news consumption is equivalent to one minute of reading a newspaper). It is likely that a TV news minute may hold greater weight than other media, which suggests TV news broadcasts may be underweighted in this analysis. At the same time, newspapers may be overweighted given the time spent on reading.
  34. We are concerned that the proposed transaction will result in an increase in News Corp's relative strength of voice, as measured by share of news and current affairs consumption in the context of a cross media market with one less large provider of news and current affairs.

### iii. Influence

35. Another factor relevant to plurality considerations is how effective different media are in influencing opinion. Stakeholder representations highlighted some relative differences in the various media platforms in this respect. TV is considered to be one of the more important media as a result of its importance to consumers as a main source of news (for 73% of consumers<sup>18</sup>). For example, TV news is designed to deliver messages efficiently within a

<sup>14</sup> Ofcom research, 2010

<sup>15</sup> Regularly defined as at least once a week.

<sup>16</sup> News Corp has 12.3% and ITV 12.0%

<sup>17</sup> We have assumed for this purpose that DMGT is synonymous with Associated Newspapers

<sup>18</sup> Ofcom Media Tracker (2009)

defined, and potentially limited, time period and offers 'real time' reporting of news. Newspapers are different – stakeholder representations highlight their importance in uncovering news stories, giving them a distinctive role in setting the news agenda.

36. We note that the proposed acquisition would result in News Corp gaining full control of Sky and commensurate access to TV as a platform for news, one of the most impactful media for delivering news. We also note that Sky News is a well respected source of news, and trusted by its users – 84% trust it as a source of news, comparable to the BBC and above other TV news providers<sup>19</sup>.
37. Our concern is that access to TV news may give News Corp a greater ability to influence the news agenda and public opinion as a result of the proposed acquisition.

*iv. Resources*

38. News Corp and Sky are two of the best resourced providers of news in the UK, both in terms of financial and journalistic resources. Both have a significant ability to invest and innovate in news provision given their scale and relative financial strength. Third parties have argued that the BBC is the only provider with a comparable scale and ability to invest and innovate. It has been argued that the proposed acquisition could mean the loss of one of the most financially secure independent news providers, creating a market structure that sees two organisations (BBC and News Corp / Sky) of significant scale in provision of news and current affairs, with other players substantially smaller in terms of scale and resources.
39. In the current environment, with cyclical and structural challenges to media and news organisations, our preliminary view is that any imbalance in resources also raises additional future risks given the prospect of market exit, discussed further below.

**B. Internal plurality cannot be relied upon to provide a sufficient plurality in the provision of news and current affairs**

40. We have considered the question of 'internal plurality' within the merged entity<sup>20</sup>. Some stakeholders have argued that the proposed transaction would have little, if any impact on internal plurality, based on cultural differences between television and newspapers and on the need for news sources to be perceived to be independent. Others have argued that there would be a profound impact, based on their perceptions of News Corp's interests and past behaviour.

41. The approach we have taken is that where a proprietor owns 100% of a media enterprise, and in light of the conflicting representations that have been put to us, we cannot properly rely on internal plurality as providing sufficient plurality in the provision of news and current affairs

**C. Existing regulation does not provide sufficient safeguards for plurality**

42. We received representations that the existing impartiality requirements under the Ofcom Broadcasting Code do not provide sufficient safeguards to protect plurality as they do not address the question of what stories are covered or the prominence given to particular stories.

<sup>19</sup> PSB Tracker (2009)

<sup>20</sup> "Internal plurality" is the range of information and views that are provided within individual media groups.

43. The impartiality requirements of Ofcom's Broadcasting Code govern the impartiality and accuracy of news as broadcast. However, these rules do not apply to the selection of news or current affairs stories for broadcast, i.e. the setting of the news agenda<sup>21</sup>. Our preliminary view is that the existing impartiality requirements do not address potential concerns.

#### **D. Influence over the news agenda of other media outlets**

44. A number of third parties have made reference to the way in which news stories get reported from one media outlet to the other. They argue that the merged entity, given its presence across all platforms and in particular in TV rolling news (through Sky News), could exert a greater influence over the news agenda of third parties, therefore diminishing overall plurality.
45. Third parties have illustrated this by referring to the risk that Sky News could choose to give disproportionate coverage to stories featured in News Corp titles, at the expense of stories featured by other news providers. The importance of Sky's rolling TV news in agenda-setting would mean that stories excluded by Sky News would be less likely to be covered by other outlets.
46. The merging parties have instead argued that it is very unlikely for any single media enterprise (and for Sky News in particular) to be able to influence the wider news agenda because of a variety of factors, including:
- a. Sky News's small viewing share in TV;
  - b. the prominence of the BBC in news provision and the fact it is unlikely to follow the agenda set by other players;
  - c. the growing importance of online outlets in both news distribution and news gathering; and
  - d. trends towards greater use by consumers of international and specialist outlets, which are unlikely to be influenced by UK mainstream news sources.
47. As we noted above, there is no certainty that Sky News would retain editorial independence from News Corp post-transaction. Our concern is that the merged entity may be able to exert some influence over the news agenda of other outlets.

#### **ISSUES ARISING AS A RESULT OF THE PROPOSED TRANSACTION IN A FORWARD VIEW OF THE MARKET**

48. Stakeholder representations have identified a number of areas where the transaction may result in longer term developments that could affect the provision of sufficient plurality.
49. Most of these areas relate to concerns about the effect on plurality of the merged entity's relative economic power. Essentially, the argument is that in light of its market position across media platforms, the combined entity may be disproportionately able to respond to market developments and further challenges, increasing its market power compared to other news providers, while not necessarily behaving anti-competitively. Such responses can be summarised in a number of key areas.

##### *Cross promotion*

50. Stakeholder representations have raised concerns about the risk of cross promotion between News Corp and Sky services increasing the merged group's overall share of

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<sup>21</sup> Special impartiality provisions apply to broadcasting at the time of elections and referendums



audiences, and hence the risk of reducing the relative strength of other providers' voices in news and current affairs. We note that incentives already exist for News International print titles to promote Sky. However, the proposed acquisition would create greater ability and incentive for Sky to reciprocate through either overt cross-promotion (e.g. direct references to sister titles)<sup>22</sup> and more subtle forms (e.g. the use of Sky News audio-visual content on The Times' website; sharing on-screen/visible "talent", such as correspondents, trailing stories). Both are potential ways to influence consumers of one news source to increase consumption of commercially related sources.

51. Such commercial action could have consequences for the provision of sufficient plurality because it could increase the share of the merged group's titles to the detriment of alternative providers of news and current affairs.
52. There is some illustrative evidence of the likelihood of cross promotion in these circumstances. For example, stakeholder representations reference a US report which showed that the CBS network (then owned by Viacom) was more than twice more likely to cover stories from other Viacom outlets than NBC and ABC<sup>23</sup>.

### *Bundling*

53. Several stakeholder responses cited concerns that the merged entity would be in a better position to bundle products and services from distinct divisions (e.g. text based and video news) either in product bundles or in new forms of customer proposition.
54. Many of these options would be available to the separate entities today as a result of arms length commercial agreements, and may be replicable by others in the market. However, there may be types and forms of bundling that build on Sky's unique presence in the platform market, its ability to bundle a range of services into a single product proposition drawing on multiple distribution channels, and its direct relationship with a significant base of customers that were less replicable by other news providers. This could in turn weaken plurality in the situation where other news providers found they could not offer customers a similar quality of product or level of functionality.

### *Wholesale news contracts*

55. Today some of the markets that contribute to cross media news provision are already highly concentrated. There is also the prospect of future market exit. One example is TV news, which has only three providers of news at the wholesale level – BBC, ITN and Sky News. In such markets, changes in wholesale news provision could have a material effect on plurality in the market. We note that there is already the possibility of current wholesale news providers being displaced by Sky News, as happened with commercial radio in 2009. We note that a combined News Corp / Sky News could not provide news to ITV, except as part of a consortium. We also note that Sky News could lose as well as win wholesale contracts. The risk of a change in wholesale news provision in a way that reduced plurality (for example a combined News Corp / Sky News winning the contract to provide wholesale news to Channel 4) is more significant where there is an asymmetry in the economic power between possible providers.

<sup>22</sup> This would however be limited by the controls on commercial references in the Broadcasting Code.

<sup>23</sup> Study by Project for Excellence in Journalism (2001) cited at paragraph 185 House of Lords Select Committee on Communications "The Ownership of the News" (2008).

*Operational synergies through merged newsrooms*

56. News Corp has indicated that it has no plans to integrate its news facilities at present and has not done so in the past following acquisition e.g. with its newspaper titles. We note representations that such integration is difficult, notably in TV and newspaper mergers in part due to internal constraints created by the existing cultures of press and TV newsrooms.
57. While this is the case at present, the economics of broadcasting and of news in particular imply a tendency towards concentration to reduce, where possible, the fixed costs of news production. Future opportunities for operational synergies may arise, for example joint development of platforms and technologies to deliver multi-media and cross media news and content propositions. A merged entity would be better placed to be able to effect such integration. This could involve some sharing of journalists or editorial staff, reducing internal plurality within the merged group.

**OTHER ISSUES****E. Consumers using multiple sources and critically challenging news**

58. We have received representations that consumers, especially online, are using a range of different outlets within and between different media platforms when accessing news content. This is normally referred to as 'multi-sourcing'.
59. Our consumer research found that the absolute level of multi-sourcing is limited across the population: consumers use on average 1.9 platforms for news in any one week. A substantial proportion (42%) continue to rely on only one platform for regular news, whereas 32% use two platforms and 26% use three or more platforms<sup>24</sup>.
60. Stakeholder representations have provided evidence on levels of multi-sourcing within platforms. This suggests consumers use on average 1.1 sources on TV, 2.2 on radio, 1.4 for newspapers and 3.5 on the internet. Similar data provided by Perspective indicates that on average people accessing news on each platform use 2.2 sources on TV, 1.25 sources among newspapers and 3.46 news websites<sup>25</sup>.
61. We have also considered how far consumers critically assess news and current affairs sources. For example, 72% of consumers believe TV news to be impartial or neutral, while 56% believe newspapers to be biased<sup>26</sup>. However, 36% of consumers believe newspapers are either impartial or neutral.
62. We do not at present consider that this information is particularly instructive in considering whether or not there is sufficient plurality.

**F. The role of online news provision in the future**

63. We note that use of online news sources appears to have been growing over time, albeit from a relatively small base. When compared to traditional platforms, online platforms are characterised by a larger number of providers, given the lower barriers to content production and distribution. If these trends continue, over time the contribution of online sources to plurality will increase. We also note arguments that have been put to us on the nature of online consumption being more 'active' when compared to traditional media consumption,

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<sup>24</sup> Ofcom research, 2010

<sup>25</sup> FTI analysis

<sup>26</sup> Ofcom research, Media tracker 2009

implying that online consumers may be less subject to the risk of agenda setting by news providers.

64. Our research suggests that to date online news consumption has not replaced traditional media<sup>27</sup>. We also note that the internet often represents an additional distribution platform for news providers already present on other platforms and still has a relatively limited role as a source of stories that are not already covered in traditional media.

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<sup>27</sup> Our recent market research indicates that 24% of regular news consumers use the internet on a computer as a source of news, compared to 32% for radio, 44% for newspapers and 79% for TV. When asked which titles they regularly used on each platform, less than 4% of consumers mentioned sources that are only available online (including news aggregators) and that do not belong to a newspaper or broadcasting enterprise.