‘Plurality’, verbal expert witness evidence to Competition Commission Inquiry into BskyB/ITV share acquisition

This item was submitted to Loughborough University’s Institutional Repository by the/an author.

Citation: BELL, E. ... et al, 2007. ‘Plurality’, verbal expert witness evidence to Competition Commission Inquiry into BskyB/ITV share acquisition. 11th July 2007.

Additional Information:

- This is a report.

Metadata Record: [https://dspace.lboro.ac.uk/2134/3157](https://dspace.lboro.ac.uk/2134/3157)

Please cite the published version.
This item was submitted to Loughborough’s Institutional Repository by the author and is made available under the following Creative Commons Licence conditions.

For the full text of this licence, please go to:
http://creativecommons.org/licenses/by-nc-nd/2.5/
Summary of a hearing on plurality with media experts on 11th July 2007

Participants:

Ms Emily Bell   Editor-in-Chief, Guardian Unlimited
Professor Stewart Purvis   Professor of Television Journalism, City University and former Editor-in-Chief and Chief Executive of ITN
Professor Donald Trelford   Emeritus Professor of Journalism Studies, Sheffield University, former Editor of the Observer and former Member of the Newspaper Panel, Competition Commission
Dr Dominic Wring   Senior Lecturer in Communication & Media Studies, Loughborough University

Plurality in a digital environment

1. The participants were asked their views on what is meant by ‘plurality’. Ms Bell said that the concept of plurality had changed quite dramatically in a digital environment. After switchover to digital in 2012, it would be more difficult to talk about a percentage share of voice. The availability of plural voices would go up, but it would be much harder to measure their influence or access to the public.

2. Professor Purvis said that access to the digital spectrum was not an issue any longer in the sense that anyone could start a website for anyone to read, but there was an issue now of reach and impact. BBC1 News and ITV1 News were in a strong position in providing people with news in the UK and dwarfed any impacts made so far within the broader digital spectrum. After digital switchover there would be a growing number of television channels some of which could have a big impact. There had been a rise in the last 18 months of aggregators such as Google and YouTube. Google did not create any content but was accepted as a trusted news brand.

3. Ms Bell said that the pace of change in the communications industry was very fast. There were extremely pronounced changes in behaviour within the last 12 months in terms of what people consumed. YouTube did not exist 18 months ago but now challenged the share of some of the smaller broadcasters or the niche channels on, for example, satellite television. The barriers to personal publishing on the Internet had also changed. The provision of a broad news offering was challenged because people currently looked for news around subjects in which they were interested. Research had shown that the younger the audience the more engaged they were likely to be with the niche parts of the market that they were interested in, and the less likely they were to be engaged with a broad offering.

4. Ms Bell said that a website could become a significant provider of video news to audiences in a very different way from broadcast news in that it would not be in a package with a presenter and a reporter, but would instead be in the form of a detailed piece of analysis along with a piece of raw video. So the terms in which bulletins, impacts and reach is talked about is highly mutable. The audience’s preference was very strongly for unmediated, short clips of moving imagery.
Relevance of media ownership

5. The participants were asked if plurality turned on ownership. Professor Trelford said that the relevance of ownership depended on whether the dominance of ITN and BBC1 in news provision continued in the digital age. It also depended on whether fragmentation would make it more difficult for any media owner, especially with 24 hour digital operations, to impose a firm policy.

6. Ms Bell said that whilst there was huge expansion in the plurality of outlets, there was concentration of ownership, and plurality of ownership was more important. It came down to whether a number of voices had similar weight or impact in the market, and this had to turn on ownership. Plurality of ownership was fundamental to the preservation of plurality. UK broadcasting was becoming squeezed between the twin juggernauts of the BBC and BSkyB of which, it could be said, ITV was now a part. This would not have been thought possible five years ago. Channel 4, for example, was fighting for its very existence and needed more public support. In the on-line world one could look for a multiplicity of new and smaller voices, but the Googles, the Yahoos and the Microsofts were still a plurality of outlets concentrated in a smaller number of owners.

7. Professor Trelford agreed that plurality tended to be expressed in terms of diversity of ownership, but Professor Purvis said that there was a difference specific to television news between media ownership and the nature of the supply contract.

Television news

ITN

8. Professor Purvis said that BBC News and Sky News had an in-house production model, and Channel 4 and Channel Five had a contracting out model, but the ITN/ITV situation was a hybrid. News was contracted out to a company in which ITV owned 40 per cent. ITV had never wanted to give up control and had spent years trying to destabilise it to get it back in the family. During the renegotiation of the contract before last, BSkyB was strongly invited by ITV to bid. One motive was to reduce the price of its newscast and the other motive was to reduce the share price of ITN so ITV could buy out the other shareholders. This situation was now on hold as a price could not be agreed. However, the fact remained that ITV News was controlled by ITV.

Editorial influence

9. Professor Purvis said the journalism was decided in-house at the BBC and BSkyB. However, the model which came out of the 1990 Broadcasting Act was a completely different one with contracting out of news provision to a supplier. ITN was commercialised into a stand-alone news provider with a supply contract created between the broadcaster and news provider. Overall editorial control, according to this arrangement, rested with the broadcaster, who was responsible to the regulator, but day-to-day editorial control rested with the news provider. In terms of influence, rather than just a media owner having influence, suddenly there was a customer who had influence often with stronger views about the content than the owners did.
10. Professor Trelford said that newspaper opinion columns may express views, but the concept of impartiality was regarded as the norm. The OFCOM report\(^1\) highlighted the new concept that it was acceptable to have voices such as Fox News with its right wing views, as long as it acted within the law, but there should be other voices with other extreme opinions on, say, animal rights. In the digital era, wilder voices became more possible.

11. Professor Purvis said that in the new digital world there was a much broader offering than just 10-15 items per day chosen by editors. Although the OFCOM Report indicated that people were still watching in giant droves those 10 to 15 items.

12. Ms Bell said that attention data showing what had been watched or read was becoming increasingly important. While editorial knowledge could determine the most important items, in the digital world you could also see what were the most watched items. It was an awkward line for an editorial organisation to tread as Darfur, for example, would never be the item people would find most interesting. Increasingly people would be able to tune out of important and complex issues. Professors Trelford and Purvis also said that the television news agenda changed in the course of the day for different audiences and news programmes.

13. Professor Purvis said that Sky News had tried to maintain a mainstream agenda even though the ideology of New Corporation or News International was broadly right of centre. Rupert Murdoch understood the British establishment well enough to realize it was in his commercial interest to keep Sky News mainstream, but that did not mean it would always stay that way. Indeed, Sky News was at one point “Sun TV”, but that was for quite a short period when Kelvin MacKenzie was running it.

**Regulatory environment**

14. Professor Purvis said that the OFCOM Report had found no immediate threat to impartiality in the regulated PSB services, though there was a desire for more divergence within those channels as the running orders of BBC1 and ITV News were so similar. Professor Purvis believed that agenda setting was key to impartiality within the five public service broadcasters. The BBC report on impartiality admitted for the first time that the BBC had its own agenda. Professor Purvis had run an ITV News at Ten which had a broadly right of centre agenda, and Channel 4 News which had a broadly left of centre agenda. However, the items within themselves were absolutely impartial. OFCOM was attempting to regulate a number of foreign channels that had to come through it to get onto British platforms, such as Fox News, and had suggested deregulating such channels as it was not possible to control their content. It was a healthy contribution to the democratic debate to have a variety of different viewpoints. It was the channel customer who had an attitude and wanted to see his attitude reflected. The main concern of the owner or supplier was simply to make money.

15. Dr Wring said that a quality BBC relied on an independent commercial rival. For this reason, it was interesting to consider the effect, as Ms Bell had suggested, of the possible placement of Sky News on a broadcasting platform. Professor Purvis noted the important public service duty that Jon Snow, for example, performed in covering the Hutton Inquiry when the BBC was briefly paralysed.

---

16. Ms Bell said that, anecdotally, the Downing Street advisers had the remit to make sure the BBC kept Sky in check and vice versa with the rest of the media providers in a narrowing channel between the two. Professor Purvis agreed that there was such a balancing act going on.

**Cross-media ownership and editorial influence**

17. Dr Wring said that regarding the relationship between ownership and editorial content, Professor Roy Greenslade recently gave the example that News Corporation operated in excess of 170 newspapers around the world and without exception they all supported the American coalition in Iraq. There was division even within conservative opinion throughout the world on Iraq, and yet this was not reflected in this news group’s outputs, which was extraordinary. Professor Purvis agreed and said he had taken part in conference calls just before the invasion between various editors and organisations about whether to be present in Baghdad or not, and there was certainly a pattern to do with ownership. Those British media organisations which had an ownership in the United States were less likely to be present in Baghdad.

18. Professor Trelford said that Rupert Murdoch was a skilful media operator who owned The Times, The Sunday Times, the News of the World and the Sun. Although they had contrasting editorial styles, they had certain common themes such as the Iraq war and suspicion about the EU. Mr Murdoch used to favour micro-management in his operations and in the past would change headlines in The Sun and The Times, particularly in Harold Evans’ time. In Harold Evans’ book, you can see Mr Murdoch’s interventions. However, Rupert Murdoch did not currently do this as his interests were now global.

19. Professor Purvis added that Alistair Campbell’s diaries had some mentions of Murdoch’s interventions as well. Rupert Murdoch had a view on certain things and on certain occasions his editors were reminded of that, but that did not mean he was on the phone to all his outlets every day nor could he be.

20. Professor Trelford said that Mr Murdoch’s main interest was in influencing governments to get commercial benefits. He judged what was in the best interests of his organisation and messages were sent to his editors as to which way they should go.

21. Ms Bell agreed that Mr Murdoch had a certain level of pragmatism and noted that he was an aggressive free marketeer. He wanted to own the Wall Street Journal and to have a Fox Business News Channel. The purchase of the Wall Street Journal was to do with content. There was a scarcity of opportunity in global brand provision and Mr Murdoch saw an opportunity there. There was a general recognition that multinational businesses now were more influential than individual governments, and Mr Murdoch had a finely tuned sense of where the balance of power lay. If ownership of Google were to change or to pass into the hands of an individual who had a strong ideology or was allied to a government or set of governments, it would cause considerable anxiety.
the ability through the agenda to take it in a particular direction. That was not an unhealthy thing necessarily, but there was an opportunity for somebody to push an agenda, even within a regulated model.

Current affairs

22. The participants considered what the scope of the plurality assessment should be. Dr Wring said that politicians were using a variety of programmes and outlets to put their message across and to tap into particular niches.

23. Professor Purvis said that the two biggest producers of national current affairs, the BBC and Channel 4, were publicly owned. ITV was close behind but was always seeking to reduce its current affairs output. On that basis alone, current affairs was not as big an issue as news. There were two forces in current affairs: one was long form daily television news, Channel 4 News and Newsnight; and the other was investigative series such as Dispatches.

24. Ms Bell said that the non-provision of current affairs programming was a separate issue. The Guardian ran a small independent television production unit which made complicated programmes from difficult places such as Afghanistan and Iraq. There were now only 13 slots a year that people could pitch for and a number of current affairs producers were reliant on Channel 4. It was clear that if it was left to the market there would be no current affairs provision, because even the BBC had struggled. Panorama had revived audiences, but bigger budgets were needed to ensure journalistic integrity.

Advertisers

25. Professor Purvis said that a broadcaster had never asked him to change content in deference to an advertiser.

26. Professor Trelford agreed with this assessment. Only once had he experienced an advertiser trying to interfere with the contents of a newspaper by threatening to pull all of his advertising because he disagreed with an editorial.

27. Ms Bell said that it had been a tightly regulated part of the market and it was important to retain complete transparency around the relationship between the advertiser and the content generator. The influential technology blog Tec Crunch had direct financial relationships with many of the people it wrote about, and it was clear that content was influenced by the money it took. This had never been an issue for major news organisations. Guardian readers would quickly object if advertisers were allowed to own its content in a particular way. However, as pressures increased for advertising to be sold against content, the situation could change, not within the current regulated broadcasting landscape, but within other competing elements which had a looser relationship with the advertising market.

Regional media

28. Dr Wring said that from a regional local perspective, the local news had retained its audience and the appreciation levels had been high compared to those for national news services.

29. Professor Purvis said ITV has for some time signalled its wish to reduce its offering in the regions. OFCOM itself was a new regional player with its public service publisher. The idea that a publicly funded organisation might emerge as a regional news provider was a recent development that went to the heart of the plurality debate. The
BBC dominated the news market in Wales as the only Wales-wide provider, which was an example of an extraordinary lack of plurality. However, the BBC did not abuse that position.

30. Professor Trelford said that the problem for regional media was wider than television. There was evidence people wanted regional newspapers but they could not provide the content as they were losing revenue to the Internet.

31. Ms Bell said that what had happened regionally could potentially happen nationally and revenue could leave an off-line offering quite rapidly. Following consolidation, there was very little plurality of ownership for regional media. One of the BBC’s initiatives was hyper local broadband coverage so there would not be a revival for regional press in the next five to ten years. Local politics was just not being covered. London was covered by only two free sheets, and the Murdoch London paper was designed to push out the Evening Standard. If we headed nationally in the same direction that we have regionally, we would be left with just the BBC.

Effects of the acquisition

32. Ms Bell said that James Murdoch seemed to consider BSkyB as more of a technology company than a content company, and the thrust of Sky's strategy was about access to the home. This explained his purchase of EasyNet for a broadband offering, his wanting to stop Virgin from taking over ITV, and the concern around Freeview. It was a long term strategic technological game. Any desire to propagate an ideology or to have a content view was very much secondary to a business performance plan. BSkyB’s motivation was to secure a greater share of the market rather than to influence the news agenda. One of the unintended consequences of that may well be taking cost out of news provision and sports rights, which would cause a diminution of plurality in the news market. The Communications Act had given BSkyB the opportunity to buy Channel Five which James Murdoch had not pursued because a mixture of free and pay offering was generally thought to be the most efficient way of making money in the subscriptions market.

33. Professor Purvis said that the idea of bringing ITN and Sky News together had been in the background for some time. In its statement on the day BSkyB acquired its stake, ITV said BSkyB wanted to explore options with ITV to create value for all shareholders. Creating value by merging the news services or by ITN supplying BSkyB or vice versa, was a practical possibility. Cost sharing of, for example, news-gathering trucks would not cause concern. However, contracting out decision-making about the agenda and going for the complete finished product model would devolve much more editorial responsibility. If ITV News were to be produced by BSkyB, its connection with the press could not be ignored. If ITN supplied BSkyB the only connection with the press was a 20 per cent shareholding in ITN by the Daily Mail, which had never been of real interest to the Daily Mail Group. ITN producing Sky News was not a threat to plurality, but Sky News producing ITV News did pose a potential threat to plurality.

34. Professor Purvis said that flexibility in independence of assignment was the key to plurality. If ITV sub-contracted foreign reporting to news agencies to cut costs it would lose its independence of manoeuvre. There would be no problem, however, in more pooling of non-controversial issues. The managements of ITV and BSkyB may well decide to go for cost reduction regarding news and sports rights.

35. Professor Purvis said that Sky's aggression over a decade of tender processes led him to the conclusion that its business strategy was to destroy ITN. Had BSkyB won the tender in the contract before last, ITN would have shut down. BSkyB was
extremely aggressive towards its competitors, and after ITN had won the contract BSkyB unsuccessfully tried to re-open the tender process to change the result.

36. Ms Bell considered that James Murdoch’s and BSkyB’s motivation for this transaction was not to influence or change the news agenda. Rather, it was to secure a greater market share for BSkyB. ITN was not currently high on BSkyB’s agenda but it could be in future. Once costs in key areas were cut, ITN would inevitably be squeezed. The overall news global strategy for the Murdoch businesses was to be first for news and sports provision in every single market, and the television news agenda was a small part of this. BSkyB was interested in the web and may tie up with Yahoo.

37. Professor Trelford said there needed to be a slight caveat on this mechanistic picture of James Murdoch’s BSkyB. The same group was buying the Wall Street Journal and it was hard to believe that acquisition was not to do with content and possibly ideology.

38. Dr Wring said that he thought BSkyB had bought the shares in ITV to stop Virgin Media’s attempts to acquire shares. This led to a politicised attack by Sir Richard Branson where he said (Rupert) Murdoch may as well be appointed Prime Minister if he had ITV and the newspapers.

39. Ms Bell said that if the stake that BSkyB currently held as a kind of block to Virgin Media were removed, Virgin Media could make an offer for ITV and the ultimate acquirer may then seek to divest ITV of its content strands. It was hard to say whether that particular chain of events would benefit the consumer of news.

40. Professor Purvis said that Sky News had always lost at least £15 million a year and the ITV News Channel also lost money. It had never been a business proposition and never would be. The amount of revenue that OFCOM associated with ITV News was disproportionately lower than that associated with Channel 4 News because of where commercial breaks were placed.

41. Professor Trelford said that News Corporation did not go in for passive investments. They went into markets in order to dominate them and their record showed that they were good at destroying the opposition. This was a concern.

42. Ms Bell said that ITN may be wiped almost by accident. It could be squeezed between the BBC and News Corporation. Professor Purvis said that Rupert Murdoch may not be plotting the downfall of ITN, but the aggressive business strategy of being number one has a corollary and the damage could be the destruction of ITN.

43. Professor Purvis said that ITN recycled content paid for by ITV. Under the new contract it had still not been clarified that ITV had licensed back to ITN the right to re-use that content. It is therefore unclear whether a report on ITV News could be sold to America, used on a website or put in an archive. This was vital for ITN. The strategy may be to force ITN back into the ITV family by cutting off revenue. ITV had the ability to shut ITN down by withdrawing that licence, thus making the companyuviable.

44. Dr Wring said that if Sky had a material interest in ITV it may impact on Freeview on the BBC’s possible manoeuvres in this arena, and this was a key issue.
Future trends

45. Professor Purvis said that the future would be divided into selection by journalists or by algorithms. The journalistic gene was missing from the Google news site but this was nevertheless the key force in the future of news.

46. Ms Bell said that there was too little investment in serious journalism today. UGC (user generated content) would have an impact in the future. Technology such as Spinbox which translated voice patterns into text could help local news provision. In the next five years people would be able to file text more easily and see it on a news site, or add it to an evolving story. Investment in investigations and contextual analysis would still be needed in places which were too dangerous to cover, but how news was covered and gathered would change dramatically. There were models of coverage for which not a single journalist would be employed. The web could simply be searched for key words. Technorati was a search engine for blogs and the more blogs that linked to your blog the greater authority you had. The New York Times and the Washington Post were building sophisticated networks of bloggers, and had financial relationships whereby they split the revenue with blog networks. Increasingly people would choose the news they wished to engage with.

47. Professor Purvis said that now there were fewer staff and more freelancers, and media organisations could get a large amount of content free. Public domain content was a growth area due to the Internet.

48. Ms Bell said that BSkyB and ITV did not have web offerings. ITV had shut down the ITN website, but this would have been strategic in the long term. People were engaged by breaking news. Sky was considering turning Sky News into what was essentially a broadband channel and not a conventional live TV news channel. The BBC would be looking at that too. The costs of live studio broadcasts were so prohibitively high that moving to a hybrid model may be preferable in five to ten years.

49. Professor Purvis said that it was wrong to assume that Sky News would continue as it was forever. There was no regulatory requirement for it and it was simply a business decision by BSkyB. The BBC1 reach was still by far the biggest that BBC News had on any platform. ITN was the dominant force in the supply of news to commercial radio stations as well as to ITV News and Channel 4 News. Ms Bell said that there was a danger programmes could be dumbed down to increase audience share and attract higher advertising. However, Channel 4 News and Newsnight had preserved their audiences in the last decade, probably because they had no competition. They were difficult, expensive programmes to make and were for a particular type of audience. Professor Purvis said the OFCOM Report had not found a dumbing down.

50. Professor Trefford said that if you looked to the future, the money would be in advertising. The industry itself forecast that 80 per cent of advertising would be on-line by 2010. If this turned out to be true, it would have a huge impact. Ms Bell said that 40 per cent of all on-line advertising spend in the UK the previous year had been search advertising through Google, so there was a difference between display advertising and contextual search advertising.