

Invitation to comment for public interest test on the anticipated acquisition of British Sky Broadcasting plc by News Corporation

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Based on a 4 year programme of research into new media and the news, this submission argues that the full acquisition of BSkyB plc by News Corporation would mark a significant limitation of the public interest, particularly in the area of news plurality.

Our response draws upon an extensive 2.5 year research project funded by the Leverhulme Trust to investigate the impact of new media on the news in the UK including local and national news, commercial and public service broadcasting, print, broadcast and online, mainstream and alternative news. It included over 170 interviews, three mini ethnographies and online content analysis of news. We are also drawing upon additional follow-on studies: i) to explore the ways that Civil Society Associations (CSAs) and the media can better interact – whether that revolves around media content, media policy or media ownership - funded by the Carnegie Trust UK; ii) an exploration of the news needs of local communities based on focus groups and interviews – funded by Media Trust; iii) a study on the relationship between new media, news and democratic values funded by the Open Society Foundation.

Relevant conclusions from this research (Fenton, 2010) reveal that news media are in crisis: Newspaper circulation and readership levels are at an all time low; there has been a tremendous growth in the number of news outlets available including the advent of, and rapid increase in free papers, the emergence of 24 hour television news and the popularization of online and mobile platforms; a decline in advertising revenue combined with increased investment in new media technologies to attract audiences online alongside cuts in personnel have all had a negative impact on

journalism (Freedman, 2010). The depreciation of the current business model together with the increasing commercial pressures are devaluing the pursuit of news journalism for the public good and in the public interest such as journalism that relies on original newsgathering and investigative reporting.

In this environment there is evidence of journalists being thrust into news production more akin to creative cannibalization than the craft of journalism – as they need to fill more space and to work at greater speed while also having improved access to stories and sources online – they talk less to their sources (both the elite and the non-elite such as civil society associations), are captured in desk-bound, cut and paste, administrative journalism. Ready made fodder from tried and tested sources takes precedence over the sheer difficulty of dealing with the enormity of user generated content or the overload of online information (Phillips, 2010).

In a commercial environment news organizations foreground rationalization and marketization at the expense of ideal democratic objectives - leading to a homogenization of content. Journalists spend a large amount of time monitoring other media, the news wires and user-generated content. Rewriting stories gained through this constant monitoring is the main task of many journalists (especially in online newsrooms). Analysis of the content of mainstream online news further reveals that much of the abundant news online is the same: news organizations often cover stories from the same angles and different news organizations repeatedly present the same information in their stories (Redden and Witschge, 2010).

The large traditional news organizations with a strong market position and extensive and established news production infrastructure have responded to the current climate by investing heavily in online platforms. They have capitalized on their market dominance and brand loyalty and increased their audience share online. But this is an audience that is increasingly disinclined to pay for its news and is more inclined to seek out only those fragments that are of particular interest to them. Nonetheless, UK citizens predominantly use sites that are run by existing news providers further asserting the already significant dominance of the major players. Added to this, Ofcom have found that, of the top ten news websites by unique user, four were run by internet based organizations. These were Google News (a news aggregator site that produces none of its own content), Yahoo! News, AOL News, and MSN News (all sites that rely almost entirely on news agency reports) (House of Lords, 2008). It seems ever likely that the voices on the web will be dominated by the larger, more established news providers that will duplicate the same commercial interests according to the same understanding of how news fits those commercial concerns leading to anything but increased diversity.

Citizen media may be growing but they are still overshadowed by the major international news organisations. These large traditional news organizations with a strong market position and extensive and established news production infrastructure have responded to the current climate by investing heavily in online platforms. They have capitalized on their market dominance and brand loyalty and increased their audience share online. But this is an audience that is increasingly disinclined to pay for its news and although online newspapers are growing and their print versions are declining, empirical evidence shows that people use the internet mostly for entertainment purposes and online they are more likely to seek out only those fragments that are of particular interest to them rather than the pursuit of news and current affairs information more generally (Hilt and Lipschutz, 2004). And although news consumption online is steadily increasing there is very little evidence to support the view that the internet has been established as a primary source of news except for a very small minority (Castells, 2009: 231). News audiences are still predominantly focussed on traditional media with 43 per cent stating a preference for offline media compared to 26 per cent online and 70 per cent stating they prefer print compared to 17 per cent who prefer an online source (KPMG, 2010). As we have already argued, when they browse online news sites, UK citizens predominantly go to those that are run by existing news providers further asserting the already significant dominance of the major players (Ofcom, 2007). Additionally, the organisation of web search tends to send more users to the most popular sites in a “winners take all pattern” (Hindman 2009: 132) that has significant negative connotations for a pluralistic media environment serving an informed population.

It is in this context of the continuing significance of traditional news media together with the growing financial power of Sky, whose revenues of £5.9bn in the year up to June 2010 easily overshadow those of its nearest competitor, the BBC, that we identify a particular problem for media pluralism should News Corporation’s takeover of BSkyB be permitted: a threat to the idea that UK audiences will continue to have sufficient choice of services and platforms owned and controlled by a wide range of competing companies.

News Corp dominates national newspaper circulation with over 37% of national newspaper circulation in the UK, the same share as the two next competitors, Trinity Mirror and Daily Mail and General Trust (DMGT), combined and furthermore their circulation is predicted to rise to over 40% by 2014 because those companies which can absorb losses will gain market share while the smaller or more vulnerable companies will be forced to make significant cost savings to survive. The strongest companies will become stronger still.

Further market strength will come from cover price revenues. Over the last eight years, press advertising revenue has declined from 50% to 38% of total revenue and is expected to shrink further as press, in particular, is hit by the migration online of advertising revenue. News International has a history of discounting cover prices to grow market share and reduce circulation decline, which will help to protect it from the structural shift in ad revenue.

Sky News is also one of only three television news providers in the UK. It supplies its own channels and the news for Five. ITN, 40% owned by ITV, provides the news for ITV and Channel 4. BBC funds and originates its own news for TV, radio and online. There is a real danger that further market power could be used to diminish ITN news provision. In 2001 Sky News led a consortium which bid against ITN to provide ITV's news. ITN was only able to secure the contract by reducing its bid by 25% from £46m to £35m. With ITV seeking to cut costs, this scenario could easily be repeated. It would leave ITN fatally weakened and could easily result in Sky News as the only viable alternative to the BBC. Channel 4 would have nowhere to go. This is far from the plurality of news providers that a democratic society has a right to expect.

Conclusion

Ofcom has already raised concerns about the overwhelming advantages Sky holds in the pay television market. In its review of pay TV earlier this year, Ofcom noted that 'Sky exploits its market power by limiting the wholesale distribution of its premium channels, with the effect of restricting competition from retailers on other platforms' (Ofcom 2010: 5). It went on to note that 'Sky restricts distribution of its Core Premium channels to potential new retailers in a way which is prejudicial to fair and effective competition' (2010: 6). We are concerned that such anti-competitive behaviour is likely to be intensified should News Corporation acquire full control of Sky and therefore attempt further to cross-promote and cross-subsidise services and products that it controls.

We are also concerned by the response of News Corporation's Chairman, Rupert Murdoch, in 2009 to the problems facing rival news organizations as they struggled to cope with the combined impact of a huge drop in advertising revenue and the structural challenge posed by the internet. He welcomed the collapse of titles that were finding it difficult to adapt to the new digital age and argued that 'they should fail, just as a restaurant that offers meals no one wants to eat or a car-maker who makes cars no one wants to buy should fail' (Murdoch, 2009). A News Corporation that is able to combine such brutal market logic in the provision of news, often seen as a public good in terms of its informational function in a democratic society, with

such substantial economic resources presents a serious challenge to the future of news provided in the public interest.

In this context, protecting and enhancing a diversity of media content has become ever more vital: Even though there now is a plethora of media outlets, and citizens and civil society can publish media content more easily than ever, there still is a dominance of a limited number of players that control news, information content and public debate. Plurality, in the context of a media environment in which News Corporation is able to deploy the enormous revenues of Sky as a near-monopoly pay television provider, is likely to be further constrained.

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