

News UK submission to Ofcom call for evidence on Future of Media Plurality Review

News Corp UK and Ireland (**News UK**) welcomes the opportunity to respond to Ofcom's call for evidence on '*The Future of Media Plurality*'. News UK titles reach approximately 30 million people each week and include The Sun, The Times and The Sunday Times. News UK is also home to Wireless, a leading UK and Irish media company encompassing independent local and national radio stations including talkSPORT, talkRADIO, Times Radio and Virgin Radio. News UK invests in high quality journalism, which serves a public interest, providing UK citizens choice in print, in radio and online.

The Future of Media Plurality review is apposite, given the significant pace in changes in the market and in consumer media usage habits. We agree with Ofcom's assessment of the growing importance of the online market and issues, in particular paragraph 2.28 on the threat to reliable sources of news and information in addition to the prevalence of misinformation and disinformation online. To counter this pervasive threat, it is imperative that the regulatory conditions are such that the UK can enjoy a thriving market for responsible media to flourish in. Yet, as we will outline in this response, the news media industry faces significant systemic challenges which threaten the future of the industry.

In this context, News UK believes there is a strong case for reform of the present regulatory applicable to the media sector in the UK. It is no longer appropriate to simply consider solely media ownership in determining whether the UK enjoys a healthy and plural media provision. Strong consideration of how and where consumers consume news media should remain at the centre of any reformed regime. In today's media environment this needs to take into account the significant role of platform intermediaries in determining the creation and curating the availability of news media, and this should be a foremost consideration in the design of any future Public Interest Test.

At the last review in 2018, Ofcom stated that it would not advise the Secretary of State on changes related to online providers¹, as there were a number of dependencies with wider policies at that time. Ofcom stated that it would "consider the shape and timing of our next review once the policy and regulatory context is clearer". Since that review and at the time of writing, the UK government has: received the report on the sustainability of journalism from Dame Frances Cairncross²; received advice on improving competition in digital markets from Professor Jason Furman³; has subsequently concluded consultation on Online Harms proposals, and introduced a draft Bill⁴ which recognises the need to protect journalism from interference by platforms to parliament; and is currently consulting on powers for the Digital

¹ Ofcom [The operation of the media ownership rules listed under Section 391 of the Communications Act 2003 Ofcom's report to the Secretary of State](#) (Nov 2018)

² Report of the Cairncross Review [A Sustainable Future from Journalism](#) (Feb 2018)

³ Report of the Furman Review Panel [Unlocking digital competition, Report of the Digital Competition Expert Panel](#) (March 2019)

⁴ HMG [Draft Online Safety Bill](#) (July 2021) See Chapter 2

Markets Unit, including a code of conduct between news publishers and platforms⁵. The symbiotic, yet unbalanced relationship between publishers and platforms is well understood and the policy context is now clear.

For these reasons, News UK is concerned by the proposal for a definition which centres on the 'news creator', which as set out in the call for evidence, is weighted towards news publishers. We are unclear as to why Ofcom has rejected the inclusion of platform intermediaries for consideration in this call for evidence, despite referencing their significant role and influence in the market and on consumer access to news. News publishers cannot wait until the next review for these questions to be resolved, the current rules are damaging to industry. Given there is a potential opportunity for amending legislation in the forthcoming Media Bill, and other legislative matters which interface with the platforms are being brought forward, it would be prudent for Ofcom to consider these questions now. We would welcome the opportunity for further engagement with Ofcom on how the test could be framed to consider the role of the platform intermediaries within the Public Interest Test.

Plurality of media in the UK and market changes

Despite the systemic challenges facing the newspaper sector it must be emphasised that the UK market continues to be highly plural in terms of ownership and the range of titles available. There are 14 daily and 11 Sunday national newspapers, published by a total of nine publishing groups⁶. In addition, some regional or local titles (of which there are more than 600) carry significant amounts of national or international news; with the largest publishers Reach, Newsquest and JPIMedia. Newspaper publishers compete for the attention of audiences with a wide range of news providers and the distinction between different types of news media is increasingly blurred, mostly as a result of online media.

The challenges facing the newspaper industry have been widely reported and are well recognised. The trend of long-term decline of print circulation continues further eroding both print circulation and print advertising revenues. At the same time, increases in digital revenues have not offset lost print revenues. The COVID-19 crisis intensified and accelerated these trends, at a time when the demand for trusted news sources became increasingly important.

The effects of COVID-19 on print circulation will be long term and to a large extent irreversible. Print newspaper consumption is significantly driven by habit. For example, the great majority of newspaper circulation declines over the last 40 years are not due to individuals ceasing to buy papers. Rather, with each passing year, new consumers were less and less likely to start

⁵ BEIS / DCMS [Reforming Competition and Consumer Policy Driving growth and delivering competitive markets that work for consumers](#) (July 2021)

⁶ Major UK publishers, excluding News UK: (1) Daily Mail and General Trust (**DMGT**): publishes the Daily Mail and Mail on Sunday, as well as the widely-distributed free newspaper Metro. In 2019 DMGT acquired JPI Media Publications Limited, publisher of the 'i' UK national newspaper and website; (2) Reach plc (**Reach**) publishes the Daily Mirror, Sunday Mirror, Sunday People, Daily Record and Sunday Mail, and a wide range of regional papers. In 2018, Reach completed the acquisition of certain publishing assets of Northern & Shell Media Group Limited, including the Daily Express, Sunday Express, Daily Star and Daily Star Sunday newspapers; (3) Telegraph Media Group (**TMG**) publishes the Daily Telegraph and Sunday Telegraph newspapers; (4) Guardian Media Group (**GMG**), owned and financially supported by the Scott Trust Limited, publishes The Guardian and The Observer; (5) Nikkei is the owner of the Financial Times; (6) The Lebedev Foundation publishers of the Evening Standard (in print and online), as well as the online only Independent; (7) DC Thompson & Co Ltd publishes the Sunday Post; (8) City A.M. Limited publishes the free City A.M. newspaper.

buying newspapers, and these 'non-buyers' have come to dominate the population, even as older consumers continue their print habit. However, once a habit is broken, it may not be readily re-established. Again, this is in line with the finding of Enders Analysis⁷, who predict that even a short-term decline in circulation would be partially permanent, with plummeting circulation drastically impacting the cashflow of many publishers, which they expect will result in the hollowing out of newsrooms.

Shifting consumer consumption behaviour

Online revenues continue to offset only a small proportion of lost print revenues, and increased use of publisher websites during the COVID crisis has not corresponded to an increase in online revenue on a like for like basis. A driver of the decline in print circulation in recent years is the shift in news consumption to online sources. Ofcom's most recent News Consumption Survey shows that these trends have continued into 2021, with only 32% of those surveyed using print newspapers as one of their sources of news, compared to 35% in the previous year. 73% use the internet to access their news, up from 65% in 2020.

“Around half (49%) of UK adults claim to use social media for news and 49% also say they use ‘other websites and apps’- i.e. any non-social media sources of news, such as websites and apps of news organisations, newspapers or other apps (e.g. LADbible). Around a fifth (19%) of UK adults say they use news aggregators, and 25% say they use search engines for news, a decline from 2020. The BBC website / app is most used ‘other website/app’, used by 31% of UK adults, followed by Google (search engine) used by 17% of UK adults. 12% of those using social media for news use TikTok for news, an increase from 4% in 2020.” (Ofcom: News Consumption in the UK 2021, July 2021)

While newspapers have well established online offerings to capture some of this consumption, it is proving challenging to monetise. The online ad market is fiercely competitive and untransparent. Newspapers must compete with digital platforms that have cost advantages, advantages of scale, deeper knowledge of consumers to use for ad targeting and so on. The CMA's Digital Advertising Market Study of 2019 provides a comprehensive overview of the market and the challenges presented by a few dominant players. Against this backdrop, some consolidation of the market is to be expected. News publishers must operate at scale in order to make the advertising market work to finance high quality news journalism. Consolidation of the industry is needed in order to produce content at scale and smaller publishers will struggle to survive in the current environment.

COVID-19 saw a huge uplift in visits to publisher websites, reflective of the value and importance of trusted news sources during the crisis. For example, ComScore reported that visits to general news websites and apps rose 44% in the UK the week commencing 9 March 2020 compared to 30 December 2019, and 51% the week starting 16 March 2020. However, this did not correspond to an increase in online advertising revenues, due to a combination of the general decline in advertising spend across print and online, and the systemic issues with

⁷ Enders Analysis: Journalism on the Precipice, 15 May 2020; Enders Analysis: News media challenges brought to a head, 7 April 2020

the online advertising sector. Enders reports that online display advertising rates fell by '*significantly more*' than 20% as demand dried up.

In addition, convergence in the market is blurring the distinction between types of media which the current regulatory framework has failed to keep up with. The BBC, for example, historically operated solely as a broadcaster, but is now the largest online publisher site - which being licence fee payer funded is free at the point of use and free of advertising, representing a major market intervention. We suggest convergence and the role of the BBC online as areas which Ofcom should consider as part of its review.

As a final point, UK consumers are exposed to a plethora of sources of 'news' and information online. However, not all sources are created equal. News publishers take responsibility for everything that they publish. They are legally liable, are bound by industry self-regulation and as such carry significant costs. The production of reliable and accountable news media is an expensive one. As touched on in the opening of this submission, there is a significant threat in misinformation online and we therefore need a strong media to counter this. Allowing publishers to expand their operations in print and online is therefore important to achieving this aim.

The role of the platforms

The news available online and the decline in print have changed the dynamic, but it is the development of the platform power (Google, Facebook, YouTube, Apple) that have driven the greatest change to both the scope of the market, the consumption of news and the very existence of publishers, both national, local, print and online, and online natives. We therefore do not believe that it is possible to conduct a meaningful review of the current plurality of the market and its future shape without considering the influence of the platforms on consumer media consumption and therefore on news creation.

While platform intermediaries are not direct creators of news content, they are not only an access point to news provision but also curators of news content and therefore play an editorial function. Platforms determine the discoverability, prominence and amplification of news publisher content in search and social. Their motivations are to encourage long term and consistent engagement with consumers in order to service their data-driven advertising business models. News content therefore enriches their services, making them a 'go to' for consumers seeking relevant and up to date news and information.

The unavoidable presence of the dominant platforms results in news media businesses being forced to accept less than favourable terms of service in relation to a number of different issues affecting the viability of their business. This includes the use of content through snippets or otherwise, the restrictive nature of publication formats, the failure to share data collected in relation to news displayed on the digital platform, the failure to recognise original content, and a lack of transparency about how the digital platforms' algorithms distribute news to consumers.

1. The presentation and use of publisher content

Platforms do not merely present news publisher content, they use snippets to create bespoke products - such as news carousels at the top of search - which in turn creates new means for consumers to access news and information about particular topics or

issues. Consumers who read their news content in this way are therefore deprived of the serendipity of encountering news and information about wider topics that news publishers provide in their editorial curation.

But there is a more insidious threat: 'brand flattening', when differentiation among brands is reduced, because all brands become equivalent in the consumer's eyes. The 'brand' which publishes news content (i.e. the news publisher) is an important reference point for consumers as an indicator of quality and often reliability of the news content, and for a publisher to build and sustain an audience. Online platforms scrape content and present it within their own user interfaces, this removes notable markers of a brand - text formats, language. Over time, a consumer who reads their news via platform intermediaries may not associate a particular publisher for its record of breaking stories or its high-quality journalism, damaging the brand and its ability to attract an audience long term.⁸

2. Algorithms

The review specifically asks about the impact of algorithms on plurality. The topic is inextricably linked. Algorithms are crucial in determining what content a consumer sees and what content is given preference or prominence. News content is no exception. The platforms prefer recency over provenance of news content, meaning that the incentives to invest in breaking a story is diminished. A publisher who rewrites a story is more likely to receive traffic referrals via platforms than a publisher who invested in writing the story in the first place.

The lack of transparency over algorithmic decision making is a significant barrier for the industry. This impacts crucial industry dynamics with effects on its sustainability and plurality. Platform intermediaries routinely make changes to their algorithms without any forewarning, let alone any consultation with the industry. As a result overnight a publisher's traffic to its site can drop and ad revenue can be severely impacted.

3. Censorship

Ofcom will be aware that the UK government has committed to introduce protections for journalistic material in the Online Safety Bill. The idea that platforms may remove journalistic material at whim is not a hypothetical one. Publishers and broadcasters - including those owned by News UK⁹ - have experienced instances where their content or 'channels' have been removed or sanctions placed against them which have disrupted UK consumers' ability to either access content, or for publishers to publish in the first place. The platforms' current discretion to remove journalistic content raises serious questions about their power to interrupt public interest media.

⁸ See this study which demonstrates that consumers are better able to identify which brand a news story came from when they use a news publisher site, over clicking through from search or social: <https://journals.sagepub.com/doi/abs/10.1177/1461444818801313?journalCode=nmsa&>

⁹ See the comments of Rt Hon John Whittingdale MP, the Media Minister, at the Oxford Media Convention 2021, on YouTube's actions towards talkRADIO and The Sun's Channels. He states that both YouTube channels would have been protected by the journalistic exemption: <https://www.youtube.com/watch?v=RM2Kdad98QY&list=PLEYwPtN-cPW7zHG5PPEng0Noqm1kbxrHT&t=33s>

The impact of the platforms on plurality is illustrated by the relative weakness of the online only news sources who, having been trumpeted a few years ago as the plural future of media - and indeed recognised within the 2018 review as a hopeful beacon of plurality for the future online - have struggled to find a foothold in the market mainly due to the difficulty in creating revenue through the digital advertising market. The local news media have been decimated by the paucity of revenue achieved through online advertising. The subscription model in local news has proved difficult to sustain. The changes will never be reversed until the market is reshaped and restructured, and greater transparency is introduced.

Conclusion

In summary, while we agree with much of the analysis of the market set out in Chapter 2 of the consultation document, we believe there is a fundamental shift which is not sufficiently acknowledged in the paper. The definition of the platforms as “intermediaries” understates their role in the market. The current framework acts as if the intermediaries have a passive role, which they do not. Even the term ‘intermediary’ suggests a limited and even perfunctory role. The platforms have an editorial role in curating (through algorithmic decision making) and presenting news content (or indeed in removing it) which is part of how consumers access or engage with news content. Given the increased power of the platforms to determine what news publisher content is accessed, there is a growing concern that the provision of trustworthy news is being impacted. Plurality in the context of who owns what title is therefore not the most useful measure. The emphasis on ‘news creators’ is wrong, and arbitrarily restricts the pool of players to news publishers. The focus of any future Public Interest Test should be weighted towards news consumption.

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