



JOHN HARDIE
Chief Executive Officer

Ben Clarke
Ofcom
Riverside House
2A Southwark Bridge Road
London
SE1 9HA

22 November 2011

Dear Ben,

Re: OFCOM ADVICE ON MEASURING PLURALITY ACROSS MEDIA

I am writing in response to the invitation to comment published on 21st October 2011 in which you requested views and comments from the industry as part of Ofcom's advice to both the Secretary of State and to the Leveson Inquiry on media plurality.

ITN supports a review and detailed consideration of this important area of public policy. We believe that the existence of a thriving and plural media sector, in particular in the area of news provision, provides the foundations for the success and quality of media in this country and is essential for the health of the democratic process and wider social cohesion.

ITN believes there are several fundamental components that allow the UK to lead the world in terms of TV News:

- the existence of multiple well-funded TV news services being available for viewers to choose from;
- competition between news providers that acts as a stimulus to innovation;
- the existence of viable commercial alternatives to the BBC in news;
- the range of services in the market each with their own approach and editorial voice.

This diversity needs to be protected at all costs. Equally, we recognise that both media markets and regulatory approaches towards media are changing. In a digital, cross-platform environment, rules around cross-media ownership and how to measure and treat competition across platforms are rightly being re-examined. It makes sense for there to be a debate over what plurality means in this context and what aspects of plurality are most important and need to be protected.

The most important issue for ITN in this debate is that any rules on plurality seek to safeguard those elements of the current TV news ecology which have worked so well and have benefited UK consumers, whilst also allowing for the ongoing and dynamic development of the news market.

ITN has wide-ranging views on the broad issues raised in Ofcom's paper, and whilst our views cover many of the specific questions you raise, we have decided to divide our response according to four broad areas of interest:

1. Evaluating plurality
2. Treatment of editorially independent services
3. Dynamic assessment and 'tipping points'
4. The BBC's market impact.

BACKGROUND

ITN is the UK's biggest independent producer of public service broadcast news. The news services we produce for our main customers - ITV and Channel 4 - reach nearly 10 million people every day. From early 2012, ITN will also take over news provision for Channel 5, thereby supplying all three main commercial PSB broadcasters. We therefore play a crucial role as the BBC's main competitor in the provision of high quality, impartial news, reaching a diverse cross-section of the British population.

ITN's award-winning journalism is also watched by millions more viewers worldwide, through global partnerships with outlets such as Reuters, CNN and NBC, and platforms including Livestation, YouTube and MSN.

As well as providing high-quality, trusted broadcast news output, ITN operates three other divisions: footage sales arm ITN Source; video creation business ITN Productions; and advisory services from ITN Consulting.

ITN has four shareholders: ITV plc (40%), Daily Mail and General Trust (20%), Reuters (20%) and United Business Media (20%).

EVALUATING PLURALITY

ITN believes that it is important that any measure considers the scale, quality and composition of the services being made available rather than purely the absolute number of different services and their relative share of the market.

When considering plurality in news from the viewer or user's perspective, we believe that the priority for them is having real choice and the ability to switch between comparable services in relation to factors such as content, quality, reliability and trustworthiness.

The BBC invests significantly in high-quality TV news and dominates the market. It sets a bar and level in the mind of the user that competing services need to reach before being considered as viable alternatives. ITN is proud of the fact that we provide effective competition on a daily basis to the BBC in TV news, offering the viewer real choice.

We do not believe that the number of services should be the key factor in any measure of plurality. For example, if there were six providers of TV news in the market and this was reduced to five, this may not materially impact on the level of plurality if the service that ceased was not considered a true substitute to that offered by the leading providers. However, if the service that dropped out (for example the ITN-produced ITV News at Ten) was a clear substitute to the leading services in the mind of the viewer, then this would impact on the level of plurality.

Equally, we do not believe that plurality can be assessed without looking at the nature of the services involved. Here, market share alone may not be sufficient to reveal meaningful changes in plurality. For example, if a service being dropped has a different editorial focus (for example if one is based heavily around entertainment news whilst the other is not) or a different composition (for example 24hr news channels versus TV news bulletins), it does not matter what level of consumption each service receives because the viewer may not consider them as substitutes. They therefore may not have experienced a reduction in plurality as they would do if the service being removed is considered to be a clear substitute.

In the current market - despite rapid progress in the take-up of online services - we do not believe that news websites (including those of newspapers) are perceived as substitutes for TV News services by the majority of TV viewers. As such, we would not support the inclusion of news websites alongside TV services within any future measure of plurality.

We would therefore recommend that the Secretary of State develops measures of plurality that allow for an examination of the nature of the services involved and the degree of meaningful substitutability between services and which take into consideration the perspective of the majority of viewers as to whether their degree of choice in the market has changed.

TREATMENT OF EDITORIALY INDEPENDENT SERVICES

A regulatory framework to assess plurality within the news market also needs to take into consideration how the editorial focus of the different services on offer is determined.

All of the PSBs are required to produce high quality national and international news which have to be accurate and impartial. ITN is supportive of this requirement being maintained going forward, but it is also important to note that each of the PSB (Ofcom) Licences require different focuses, for example:

- ITV is required to provide a service which is able to compete effectively with the BBC and any other national TV news service;
- Channel 4's Ofcom Licence requires a particular international focus (coverage shall be accurate, impartial, authoritative and comprehensive, in terms both of geography and subject matter).

At ITN, we are primarily a supplier of news services to broadcasters. As such, each of our contracts has a distinctive and impartial approach to editorial topics, operating editorially independently from each other. We structure our business to protect this fundamental requirement of the service and produce news programmes that relate to the different audiences of our broadcast partners. In essence, ITN produces news programmes according to and to meet the broad strategic direction set by each of our individual clients.

This is something that can be masked by a simple evaluation of market shares as a measure of the degree of plurality or influence over the market. For example, if a media company controls the majority of all commercial TV news minutes consumed in the market, this may appear to limit plurality. However, if, within that share, that company operates numerous different editorially independent news services then the degree of choice on offer may still be significant. Alternatively, if one media company did control the majority of the market either through a single service or multiple services that were each used to promote a single editorial perspective set by its managements or its owners, then this would be a concern from the perspective of the degree of plurality in the market. In ITN's case – whilst we provide the news services for the two main PSBs, and from next year for 5 News too - as we outline above, we produce all of our news programmes according to the distinctive strategic directions set out by each of those organisations, hence the widely different nature of content produced for each of them by entirely separate teams.

We would therefore recommend that the Secretary of State takes into consideration how the editorial direction of each news service is determined when devising measures of plurality and does not rely solely on changes in overall market shares as a guide to variations in the level of plurality in the market.

DYNAMIC ASSESSMENT AND 'TIPPING POINTS'

When assessing the degree of plurality in the market, ITN believes it is very important to undertake a dynamic assessment of the consequence of market changes rather than a purely static analysis.

A traditional static analysis of plurality will look at market shares and determine how these might change e.g. as a result of a takeover or one company securing a contract from another. Whilst this may be a useful initial measure of the degree of plurality, we believe that it is only by undertaking a dynamic assessment that the true nature of the market can be understood.

Here, a dynamic assessment should focus on how the market and services might change as a result of the development of the market. For example, if a company loses a contract this might have knock-on

consequences for its ability to sustain other news contracts in the market and hence their ability to compete in other areas over time.

In this context, it is very important that 'tipping points' in the market are understood as these can act as a trigger for major changes in the structure of a market. Within the provision of news in the UK, there are clearly certain major contracts that, if one company lost them, it would affect their ability to retain other news contracts over time and fundamentally change the competitive dynamics of the market.

We would therefore recommend that the Secretary of State adopts a dynamic assessment to measure changes in plurality within the market and focuses on identifying and avoiding tipping points being reached that could lead to fundamental changes in the degree of plurality in the market over time.

BBC's MARKET IMPACT

UK-based commercial media companies operate in an increasingly competitive market. This, in turn, should place increased emphasis on ensuring that the BBC - as a privileged publicly funded entity - does not distort or unfairly impact the commercial sector.

In relation to the degree of plurality in the news sector, we believe that there needs to be careful monitoring of the BBC's activities to ensure that they do not undermine or reduce incentives in the commercial sector to continue to invest in news services.

The BBC should not be allowed to distort the news market by offering its news services or content to the commercial market for free or at subsidised rates. Were it to be allowed, it would 'crowd out' the commercial sector from investing in and offering their own business to business news services.

For example, a syndication of BBC news content to newspapers for free and for use on their websites distorts the market and removes opportunities for commercial TV news providers to provide these services. Over time, if unchecked, this behaviour will limit the overall level of plurality in the market.

Equally, as new platforms develop – for example connected TVs, OTT services, tablets and smartphones - there is a risk that the BBC will offer its news services to providers on terms that stifles commercial competitors and prevents them from fully entering these markets.

Consideration should also be given to the BBC's ability to market and to cross-promote its own news services across its different news platforms. It is in a very strong position to influence the market and out-compete commercial news providers on different platforms. We believe that the BBC's potential impact on plurality in news across different platforms should be closely monitored and action taken if it is found to undermine the commercial news sector.

We would therefore recommend that the Secretary of State scrutinises the impact of the BBC on commercial news providers and monitors its activities to avoid 'crowding out' commercial activity, particularly through methods such as cross-promotion.

SUMMARY OF RECOMMENDATIONS

In summary, there are the several points which we believe should be taken into consideration as a regulatory approach for news toward plurality in needs is developed:

- The nature of the news services involved and the degree of meaningful substitutability between services - in the eyes of the user - should be considered when evaluating changes in plurality;
- When measuring and assessing the level of plurality and impact of different providers a distinction should be made between those providers that operate editorially independent services and those that do not;
- Dynamic assessments should be undertaken to measure plurality and assess changes in the market. This should seek to identify and avoid 'tipping points' occurring where a small shift in market share could lead to a much more significant change in plurality over the medium term;

- The BBC's activities need to be monitored to ensure they do not undermine the incentive for commercial news providers to invest in new services or restrict opportunities for commercial players to provide services that ultimately challenge the BBC.

ITN is eager to engage with Ofcom and Government on these issues. We look forward to further discussions in due course.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Hardie', written in a cursive style.

John Hardie
Chief Executive Officer, ITN