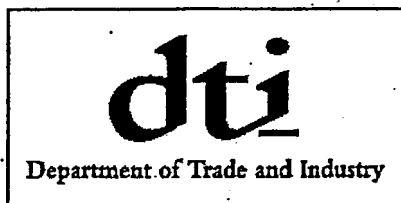


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DCMS 304/01

26 November 2001

NEW PROPOSALS ON MEDIA OWNERSHIP

Proposals to reform media ownership rules were published today by Culture Secretary, Tessa Jowell, and Trade and Industry Secretary, Patricia Hewitt. The proposals, published in a document *Consultation on Media Ownership Rules*, are intended to maintain diversity, plurality and competition in the media market.

Tessa Jowell said:

"The existing media ownership rules are outdated, inconsistent and not flexible enough to respond to the rapid change we have seen in media markets.

"In devising new rules, we must strike a balance between economic growth and our nation's democratic health. We need both if we are to preserve the unique culture of dissent, debate and public service that is our media.

"Given the possibilities of new technologies and new services that offer

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greater choice for consumers; there may be less need for ownership rules in the future. But, while most people engage with the media in its traditional forms, legislation must also reflect the present situation.

"Striking the right balance will be difficult but not impossible, and we would like as many people as possible to help us by engaging in the consultation process."

Patricia Hewitt said:

"As with any other industry, it is important that the regulatory regime for the media industry should promote competition, and not impose unnecessary regulations. But the media remains unique because of its role informing public opinion. Competition between opinions and viewpoints is as important as economic competition and we need to create a framework in which both will flourish.

"New rules must provide a framework that the industry and consumers can rely on, while being flexible enough to respond to the challenges of technological and market development."

The key aims of reform are to:

- retain a diversity of content from a plurality of sources;
- promote competition;

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- be deregulatory where possible;
- be flexible in allowing legislation to adapt to changing market conditions;
- and
- provide as much predictability as possible for business.

The consultation paper builds on the framework for reform of media ownership rules set out in the White Paper, *A New Future for Communications*, published in December 2000. The consultation will last two months - the deadline for responses is 25 January - and will inform the draft Bill on Communications, due for publication next year.

Notes for Editors

1. The Summary from *Consultation on Media Ownership Rules* is attached to this press release. The full text of the consultation document can be found on the DCMS website: www.culture.gov.uk
2. Tessa Jowell announced that there would we would seek views on how best to regulate media ownership in her speech to the Society of Editors on 22 October 2001. Full text of her speech is on the DCMS website.

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Website: www.culture.gov.uk

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(Extract from *Consultation on Media Ownership Rules*, DCMS/DTI, 26 November 2001)

Summary

In the Communications White Paper, the Government invited responses on a limited range of proposals for media ownership reform. We have considered these responses and would now like to offer an opportunity for further consultation on some more developed options for change. We would encourage responses from all interested parties, inside and outside the media.

We have set out in some detail the need for ownership rules, the arguments for deregulatory change, and the principles we will follow in devising new rules. We would like to encourage consultation and further debate on all aspects of the paper, and on the general approach that should be taken to address media ownership.

On balance, however, we consider that no one approach will be suitable for all media and that, as the White Paper suggested, different markets will continue to require different approaches to regulation. We have therefore asked some more detailed questions about how this might be achieved in Chapter 6. These are summarised below.

General prohibitions

As proposed in the White Paper, we will revoke the rules preventing local authorities and advertising agencies from owning media companies, but will keep the prohibition on ownership by political parties.

Foreign Ownership

Our working assumption remains that of the White Paper, ie. that we will keep the current prohibitions on non-EEA ownership of broadcasters.

Religious Ownership

As proposed in the White Paper, we will lift the disqualification on religious organisations holding a local digital sound programme service licence. Views are invited as to whether we should remove all restrictions on religious organisations holding broadcasting licences, and in particular whether religious organisations should be able to hold:

- a national digital sound programme service licence
- a multiplex licence (local or national).

Television

As proposed in the White Paper, we will revoke the rule which prohibits single ownership of the two London ITV licences.

We said in the White Paper that we would replace the 15% limit on share of TV audience with a new system for ensuring plurality in television services. We are now committed to removing this rule entirely.

We would welcome views on an alternative approach which could ensure a plurality of at least 4 separately controlled broadcasters providing free-to-air analogue television services, by preventing the joint ownership of ITV and Channel 5.

We propose to retain the nominated news provider system for ITV, but introduce a provision to allow the Government, on advice from OFCOM, to revoke it. We welcome views on this approach.

The White Paper also said that we would consider relaxing the 20% limit on ownership of the nominated news provider. We are persuaded that this limit is inconsistent with the demands of effective management and that the development of the market for news will permit liberalisation. We would welcome opinions on what, if any, ownership limit might constitute an appropriate safeguard of the news provider's independence - one option would be to raise the limit to 40%, requiring a minimum of three owners.

Radio

We proposed in the White Paper to consider the possibility of devising a simpler, fairer regime for radio ownership to replace the current radio points system, or revoking the scheme completely.

Views are invited on whether the existing points system should be abolished in respect of UK-wide ownership. No alternative system would be established to limit total concentrations of radio ownership. It could be left to the competition authorities to determine the appropriate limits on the accumulation of radio interests on a UK-wide basis.

We would also welcome views on:

- the Radio Authority/Commercial Radio Companies Association proposals that, at the local level, OFCOM could be responsible for ensuring, via a new points system, that in each area with a well-developed choice of radio services there are at least 3 owners of

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independent local radio services in addition to the BBC. We consider these proposals to have strong attractions.

whether we should lift the specific disqualification from ownership of more than one national radio licence.

the suggestion that OFCOM should be responsible for instituting a scheme that ensured at least 3 owners of local digital sound programme service licences in each area, and also ensured plurality of ownership of multiplex licences.

whether, in addition to the proposals in 6.3.13, OFCOM should be able to prevent the onward sale of licences for a two year period after their award, where it believed a change of control would jeopardise the character of the service.

Newspapers

We promised in the White Paper to consider a lighter touch approach for newspaper mergers. We would welcome views on two options for reform:

The special newspaper regime could be reformed to give OFCOM the duty of assessing whether a particular newspaper transfer would compromise the accurate presentation of news and free expression of opinion. OFCOM could advise the Secretary of State on whether to prohibit the merger or subject it to conditions on "freedom of expression" grounds. The independent competition authorities would separately assess the merger on competition grounds. The most negative outcome would prevail.

An alternative process could involve the repeal of the special newspaper provisions. An exceptional public interest gateway under the reformed general merger regime would be created, so that the Secretary of State for Trade and Industry could call in any newspaper merger case which gave rise to freedom of expression concerns. OFCOM could have the role of advising the Secretary of State on freedom of expression issues in such cases. The Director General of Fair Trading would advise the Secretary of State on the competition issues. The Secretary of State would be the ultimate decision maker.

If either option were to be adopted, we would also welcome views on:

- the merits of taking local titles out of the newspaper regime. In particular, we would welcome suggestions as to how "local" should be defined for this purpose.
- the merits of extending the newspaper regime to all qualifying acquisitions, regardless of whether the potential owner is an existing newspaper proprietor or not;

- whether the scope of controls should be revised in relation to newspaper assets;
- whether it is appropriate to retain the criminal sanctions that underpin the regime.

Cross-media ownership

We said in the White Paper that we were still considering our approach to cross-media ownership, and we invited comments. We would like to extend the debate through this document. We invite views on the following options for a system that would be applied in parallel to national and local markets:

We could retain the existing limits on cross-media ownership, or we could do away with cross-media limits altogether, and rely on regulations within separate media and competition law to meet our objectives.

We could reformulate the existing rules, attempting to incorporate the extent to which different media differ in their influence, so that, for example, newspaper owners might be more limited in the TV interests they controlled than radio owners were. Alternatively we could establish the same set of limits on all forms of cross-media ownership. For example, no owner might be allowed to control more than 20% of the audience in any 3 markets, or more than 30% of any two markets, regardless of the particular nature of the markets involved. A comparable system with different limits might be applied to local markets.

We would also welcome views as to whether the limits on cross-media ownership (whether or not they are altered) should be combined with a rule that these limits could be exceeded if the acquiring party satisfied a plurality test. (An example of a plurality test is at Annex B) If so, should decisions be taken by OFCOM or by Ministers?

Review of ownership rules

Views are sought as to whether all media ownership rules should be subject to automatic review by OFCOM every 2 years. Limits could be amended through an Order by the Secretary of State, on the recommendation of OFCOM.

End