

MEDIA OWNERSHIP Q+A

BP03-102/1/3

Murdoch

Are you going to cave in and allow Murdoch free rein for expansion?

We are committed to deregulation, but we need also to retain a plurality of sources of news and opinion, to prevent any individual having excessive control over the democratic process or the news agenda. A balance must be struck.

We want to avoid making rules that are directed at any particular media company - a common criticism of the last Broadcasting Act was that it seemed to apply regulation inconsistently to different areas of the media industries.

Why no relaxation of the ban on foreign ownership - is this an explicitly anti-Murdoch measure?

As we said in the Communications White Paper, we believe the restrictions on non-European ownership play an important role in ensuring that European consumers continue to receive high quality European content. In addition, we feel that without reciprocal reforms in countries like the US or Australia that put restrictions on British companies, we cannot justify lifting our ban at the present time. Our assumption therefore remains that we will keep the existing prohibitions, although we would be willing to listen to arguments in favour of repeal.

Why are you now saying it is only your 'working assumption' that the ban on foreign ownership will be retained? Is this to leave the door open for Murdoch?

This is a consultation exercise. We still believe that the restrictions on non-European ownership play an important role in ensuring that European consumers continue to receive high quality European content. Moreover, we feel that without reciprocal reforms in countries like the US or Australia that put restrictions on British companies, we cannot justify lifting our ban at the present time, although we would be willing to listen to arguments in favour of repeal. Our assumption therefore remains that we will keep the current prohibitions on foreign ownership.

Will BskyB be able to buy ITV?

At present this merger would be prevented by the rules that limits any company to 15% of the total TV audience. We are committed to removing this rule. However, our working assumption is that we will retain the prohibition on foreign ownership of analogue terrestrial broadcasters. Under this rule, although BskyB is a British company and News International only owns 36% of the stock, the move would be blocked if it were shown that Rupert Murdoch or News International could direct the company in accordance with their own wishes. Such an acquisition would also need the approval of the competition authorities.

ITV

You've agreed to the principle of a single ITV. Can't you allow the necessary mergers now, before the companies involved go under/are acquired by foreign companies?

We understand the importance to business of getting ahead with changes, but we need to get this right so that the legislation stands the test of time in a rapidly-changing marketplace. We need to bring forward all our proposals on media ownership as a single, coherent package in the Communications Bill. It is neither practical nor desirable to deal with this issue in a piecemeal fashion.

[If pressed]: Any such merger would in any case need to be considered carefully by the competition authorities so there is no guarantee that it would be allowed to go ahead without significant delay.

If you're going to allow a single ITV why not allow them to own their news service?

Most people rely on the BBC or ITV as a main source of news. The nominated news provider system, whereby ITV contracts out its news to one of the news providers nominated by the ITC, ensures the existence of a high quality and independent ITV news service that can offer competition to the BBC and other commercial news providers. At present we feel the nominated news provider system plays an important role in promoting plurality and impartiality. However there may come a time when competition has expanded to the point that this system is not needed. At this point, we recommend that OFCOM should be able to suggest its removal. We would welcome views on any of these suggestions in the consultation period.

ITV Digital will fail if a single ITV is not allowed?

We recognise the importance of ITV Digital. However this is a commercial matter for the companies involved.

Is it fair that a giant foreign company could buy one of the big ITV companies but Granada and Carlton are not allowed to buy each other?

We recognise this and are consulting on the proposal that we should lift the existing restrictions on the possibility of a single ITV.

Radio

You are proposing to rely on competition rules for TV so why not for radio as well?

Local radio is different from TV because of the existing large choice of radio stations in most areas. This is not the case with commercial TV where there is only one service per area broadcasting at one time. We want to maintain local plurality in radio while still allowing a degree of consolidation

Newspapers

Will you definitely scrap the special regime for newspaper mergers?

We reject the view that the special newspaper regime should be completely abandoned and newspaper ownership left to be regulated by normal competition law. However, we accept that a lighter touch approach to regulation may be appropriate, and we suggest some options for this. We invite views on the different approaches we could take.

What will you do to protect the independence of local newspapers if they're no longer covered by the regime?

At the present time we are only consulting on the option of removing local newspapers from the regime, and we would welcome all opinions on this suggestion. If we were to amend the regime, local newspaper mergers would be covered by the general merger regime just as the acquisition of any other business would.

Why are you offering the option of an exceptional public interest gateway for Ministers to consider newspaper mergers when the Enterprise Bill proposes that there be only one such gateway, for matters of national security?

As we have said previously, there are no current plans to create any exceptional public interest gateways other than that for matters of national security. However, the power will exist to create new gateways when there is a compelling case to do so in the public interest. In considering how newspapers might be regulated in the future, we are considering whether there should be a new gateway. This is only one option for consultation and the government will consider the position in light of the comments we receive.

Cross-media ownership

Why aren't you offering any detailed proposals on cross-media ownership? Haven't you had enough time by now to think of some?

Cross-media ownership is an area in which we would welcome the fullest possible consultation, and in this paper we set out some options that take forward the debate that followed the Communications White Paper. We would welcome views both on the general approach that we should take to measuring and limiting cross-media ownership and on the particular suggestions for rules systems that we have outlined in the paper.

Religious ownership

Are you implying that you will not consider allowing religious organisations to hold national analogue broadcasting licences?

One of the options in our paper is for a complete removal of restrictions on religious organisations holding broadcasting licences. We would welcome views on this suggestion.

Our principles

Isn't it impossible to strike the balance you describe between the interests of democracy and those of industry? Which is your highest priority?

It will be difficult but not impossible to strike the correct balance. Ownership rules exist to safeguard the nature of our democracy, and the media's place in it. We recognise the need to be deregulatory in the interests of business and consumers, but this will not mean endangering the tenets of our democratic society.

Isn't competition law sufficient to ensure a plurality of owners in media markets, as it does in all other markets?

Competition rules can address issues of concentration, efficiency and choice, and they will tend to encourage dispersed ownership and new entry. The Enterprise Bill should help them to do all this more effectively. However they cannot guarantee any of it, and will not provide the certainty that we need that a significant plurality of voices will continue to be heard in the media, or that prospective new entrants will be able to add their voice. Nor can competition law directly address concerns over community voice or editorial independence.

Communications Bill

This paper has been some time in emerging. Is the consultation period likely to delay further the introduction of the Communications Bill?

No. We are still planning to publish a draft Bill next year, which will include clauses on media ownership. Two months of consultation should give us enough time to take the necessary decisions.

Does this paper say anything more than the White Paper? Is it necessary, given the need to get legislation through as quickly as possible?

This paper is a step forward from the White Paper in a number of ways.

- We confirm our intention to remove rules on the ownership of ITV licences.
- We suggest an alternative means of regulation the ownership of radio licences.
- We suggest some ways in which we might take a lighter touch approach for newspaper mergers.
- We put forward some options for the regulation of cross-media ownership
- We suggest that media ownership rules might be made more flexible by making them subject to regular review.

It is important that we consult fully on these issues if we are to frame legislation that stands the test of time in a rapidly-changing marketplace.

Q & A: THE BBC AND OFCOM

BBC AND OFCOM

Why is the BBC not being fully regulated by OFCOM?

The new three-tier structure of regulation will apply to all broadcasters. OFCOM will have an important role in relation to the BBC. Overall, the BBC will be subject to greater external regulation than at present. We expect the BBC Governors to work closely with OFCOM so that regulation of the BBC reflects the new conditions in which all broadcasters operate.

Why is the BBC not being treated in the same way as other broadcasters in relation to OFCOM?

The aim is to treat all public service broadcasters in a similar manner. Public service broadcasters range from the BBC at one end of the spectrum through to Channel 5 (a commercial channel with very limited public service remit) at the other. The new system of regulation needs to take account of these differences.

The new three-tier structure of regulation will be generally deregulatory and will apply to all broadcasters. The BBC will largely be subject to the same degree of standard setting and monitoring as all other public service broadcasters for each of the three tiers regulated by OFCOM. Tier 3 is about the content of broadcasting and the aim is to give other public service broadcasters a freedom similar to that already enjoyed by the BBC.

Why are you proposing that the BBC Governors continue to regulate the BBC?

The BBC Governors must equally demonstrate that they are regulating the BBC effectively (eg through their annual report which is laid in Parliament). All the transparency measures announced as part of the licence fee settlement in February 2000 have been implemented. The BBC is now a much more accountable organisation.

The Government's policy is a balanced one, ensuring the BBC maintains its independence and relationship with the Secretary of State and Parliament, while bringing it within the overall regulatory structure.

Why wait until Charter renewal to review the BBC?

- During the current Charter period, the BBC has been subject to close scrutiny. There has been a review of the funding of the BBC, leading to a licence fee settlement in February 2000.
- Charter renewal (due in 2006) will provide an opportunity to review the BBC publicly. The BBC is funded by the television licence fee. The Charter and Agreement ensures that the BBC's accountability to the Secretary of State and Parliament is maintained.

Q AND A

DIGITAL TELEVISION ACTION PLAN

Q. Why do we need a plan?

- To keep the UK a world leader in digital TV and bring the benefits of digital to all citizens.
- Switchover presents a major technical and social challenge, which involves Government, industry and consumers. It requires careful organisation and planning.

Q. Isn't the plan a bit thin?

A. A plan this big needs to go through continuous evolution. The plan maps out the key tasks to achieve our aims for digital television, and provides a basis for further work.

Q. What will the plan achieve?

A. The plan sets out:

- a) all the issues on which action needs to be taken to enable the take-up of digital television,
- b) to identify who should lead on particular issues,
- c) target dates for delivery
- d) a Project structure to take the work forwards

Q. How has it changed from the last draft?

- It contains more information on the Project Structure;
- It contains the Terms of Reference for the Government Digital Television Group and the Task Groups,
- It incorporates the comments received from Stakeholders about the scope and timing of the various tasks.

Q. What comments did you get back from the consultation?

A. We received over 30 responses, from a broad cross section of broadcasters, retailers, manufacturers, consumer groups and interested individuals. These warmly welcomed the Plan as an important step in the development of digital television, and suggested a number of changes, which have been incorporated into the revised Plan.

Q. Why not leave it to industry and the market?

A. Until now, the market/ pay TV has driven take up. However, if we are to meet the criteria for switchover Government needs to work with industry to convince those who remain unconvinced of the benefits of DTV.

Government controls the availability of spectrum, the regulatory framework and can act as a broker between the competing companies, and so has an important role to play.

Q. Is the main objective of switchover to make money from the sale of spectrum?

A. No, Spectrum is a scarce resource and the Government's main objective is to ensure that it is used efficiently to the maximum benefit of the whole UK: both economically and socially.

Q. Isn't the Action Plan favouring DTT/ ITV Digital?

A. Government is committed to enabling competition on the three main digital platforms: satellite, cable and terrestrial. We want to ensure that, where possible, people can choose their platform and operator. Not a question of favouring DTT. But the Government has responsibilities for terrestrial broadcasting, as spectrum is a finite resource requiring careful management in the wider national interest.

Q. Is this the final draft of the Action Plan/ is it too late to comment on it?

A. There will be no "final" plan as such. Action Plan will be a living document, and will evolve as actions are completed and further actions and timescales become clear. We will work closely with Stakeholders to develop the plan. The first stage of this will be the Stakeholders meeting in January where we will discuss the next steps in developing the project.

Q. When will the plan be implemented?

A. Some of it is underway already. Government and industry have been working to take forward a number of initiatives in relation to digital television for some time.

Q. How will you keep the public informed about progress in implementing the Plan?

A. The website www.digitaltelevision.gov.uk will act as a focal point for Government information and announcements in relation to digital television.

Q. Surely the key action is to announce a firm date for switching off analogue transmissions. Why isn't that in the plan?

A. It would be irresponsible to announce a date without knowing whether and how the criteria set by Chris Smith in September 1999 will be met.

Q. So does the release of this plan mean that switchover will happen sooner rather than later?

A. The criteria announced by Chris Smith in September 1999 remain in place, with switchover expected in the period 2006-2010.

- everyone who can currently get the main public service broadcasting channels in analogue form must be able to receive them on digital systems,
- switching to digital is an affordable option for the vast majority of people, and
- as a target indicator of affordability, 95% of consumers must have access to digital equipment.

Q Will this plan help ITV Digital?

- Any plan to get to digital switchover will help companies that focus on, or use terrestrial broadcast, but cable and satellite operators will also benefit from the promotion of the concept of DTV.
- It is not the Government's role to favour or support any one company. The Plan is intended to provide a framework for the success of DTV as a whole in the UK.

Q What's in the plan for deaf/ blind/ other disabled people?

A. The plan clearly recognises the need to take action to address the particular needs and concerns of disabled people

Q. What are you doing to promote the take-up of digital television?

A. Better information will help to persuade those who have been reluctant to take up DTV. Although most of the work has to be done by the broadcasting industry, retailers and manufacturers, the Government can and will support their efforts. The Market Preparation Group will consider the most appropriate ways of promoting digital TV to consumers.

Government has already been working with industry and consumer groups to ensure that consumers get accurate and sensible information:

- Announcement of the DVB logo, which helps consumers to identify televisions containing a digital tuner.
- Launch of the Digital Television Group's website on free-to-view digital TV www.freetoview.co.uk
- Publication of an associated information leaflet on free to view DTV for use by retailers
- The requirement on the BBC to draw up and publish a DTV information campaign as a condition of approval for their new services
- A list of frequently asked questions is on the DCMS website
- An information leaflet to inform local authorities and landlords on how they can upgrade existing distribution systems in blocks of flats to digital operation will be published shortly

Q. How much does a DTV Set Top Box cost?

A. Depends on how you get it. Difficult today to buy a set top box in the shops, but expect this to change in the next few months. Some operators offer subsidised set top boxes for customers who take out a subscription, some allow customers to buy the necessary equipment without a subscription, although the equipment is generally more expensive. Integrated Digital Television sets offer an alternative way of accessing Digital Terrestrial TV without taking out a subscription.

Contact your local retailer, the relevant platform operator, or look at the following website for further information. <http://www.digitaltelevision.gov.uk/faqs.html#switch>

Q. How and when will you sort out the VCR problem?

A. Action Plan recognises that digital switchover presents a large number of technical challenges. The Technology and Equipment Group will work to identify and address them. The ITC-led Go Digital Project, which was announced in August, is also investigating a range of issues surrounding the conversion of households to all-digital operation.

PROJECT STRUCTURE

Q Are you going to appoint a "Digital Champion?" / "dedicated project leader?"

A. No. We believe that the Project Structure outlined in the Plan, provides an appropriate and practical way of taking the work forward in partnership with Stakeholders.

Q. Is Government frightened of giving too much influence to industry?

A. No. Our priority was to find the most practical way of taking the project forward in partnership with the Stakeholders who will be crucial to its success. The project structure outlined in the Plan allows for Stakeholder input at every level, including the steering board containing Ministers.

Q In the absence of a Champion who will have overall responsibility for implementation of the Plan?

A. The Steering Board, chaired by Douglas Alexander and Kim Howells will be responsible for the strategic delivery of the Action Plan and will ensure that the needs of the industry and consumers are taken into account.

Q Who will have day-to-day responsibility for the implementation of the Plan?

A. The Project Manager. We will announce the name of the Project Manager in the New Year. The Project Team, consisting of officials, secondees and the Project Manager will do much of the day-to-day leg work administering the project.

Q. Who will be the Chairman of the Stakeholders Group?

A. A matter for Stakeholders. They will appoint their own Chairman.

Q. What will the Stakeholder Chairman do?

- Chair the six-monthly Stakeholder Group meetings,
- Act as a liaison point to ensure smooth ongoing cooperation amongst the Stakeholders
- Act as a high-level liaison point between Stakeholders and Government

Q. What will the Stakeholders Group do?

A. It will contribute high-level, cross-sectoral advice for the implementation and delivery of the measures contained in the Action Plan.

Q. What does the Government Digital Television Group do?

A. It brings together the Departments responsible for developing and delivering policies for digital television. It provides a forum for considering how their work impacts on the delivery of the Digital Television Action Plan. The Group meets once a month, and gives guidance to the Project Team.

Q. Who chairs the Government Digital TV Group?

A. It is jointly chaired by Bill Macintyre, Head of Communications and Information Industries Directorate at DTI, and Andrew Ramsay, Director of Creative Industries and Broadcasting Group at DCMS.

Q. When will you announce the Chairman of the Task Groups?

A. Expect to announce them early in the New Year

Q. What will the Task Groups do?

A. They will be responsible for taking forward specific areas of the Plan

Q. Who will sit on the various Task Groups?

A. Membership will consist of Stakeholders (manufacturers, broadcasters, retailers, consumer groups). Chairmen will work with Stakeholders to identify the most appropriate members for each Group.

Q. There are a lot of Groups. Isn't the project overly bureaucratic?

A. No. This is a highly complex project that requires a carefully constructed Project Structure to effectively engage Stakeholders. The Project Structure has clear divisions of responsibility and lines of reporting. We will of course monitor its operation over the coming months, and make any changes that are necessary.

DIGITAL TELEVISION

Q. Why the need to press ahead with digital television?

A. Digital television brings a wide range of benefits to consumers, including greater choice and interactive services, whilst also making more efficient use of the scarce frequency spectrum.

Q. Does the Government still believe that it will be possible to switch off the analogue signals between 2006 and 2010?

A. Yes. Although it is a challenging timeframe, we believe that a successful alliance between Government, industry and consumers, within the framework detailed by the Action Plan will enable the UK to meet the criteria for switchover laid down by Chris Smith in September 1999.

Q. Digital TV is OK for those who want to pay, but why does the Government want to take analogue away from those who are happy with it?

- Digital TV can bring benefits for everyone. There are already more than twice as many free-to-view digital channels as analogue, and interactive services open up new opportunities for access to information and entertainment.
- Government has a responsibility to manage scarce spectrum resources in the best interests of the country as a whole. As take up of digital TV increases it will become increasingly difficult to justify the continuation of analogue broadcasting, which uses spectrum less efficiently.

Q. But digital terrestrial television signals do not reach the whole of the UK

- Action Plan recognises the need to address issues of coverage.
- Planning the digital transmission network is extremely complex. Work so far has concentrated on 80 large transmitter sites which provide the most significant coverage.
- Chris Smith made it clear that switchover would not occur until everyone who can currently get the main public service broadcasting channels in analogue form could receive them on digital systems.

Q. Digital TV equipment is much more expensive than its analogue equivalent. Why should consumers pay more?

A. It is possible to receive digital TV without paying a subscription, provided that the consumer buys the relevant set-top-box or integrated digital TV. Expect the price of

All digital equipment, including integrated digital televisions, will come down as take-up and production increases, just as it did for mobile phones, colour televisions, personal computers and CD players.

Harthill Communications Broadcasting Lunch

Endemol and UK Independent Productions Quota

Q & A

Q. Will Government amend the Independent Productions Quota to allow producers owned by broadcasters which do not aim any of their services at the UK to continue to continue to qualify as independent?

A. I understand that Endemol Entertainment UK lost its independent status following the takeover by Telefonica. I know that this has caused problems. Ministers are currently considering future changes to the UK quota, in light of the policy objectives of the quota and forthcoming revision of the EC Television Without Frontiers Directive.

Background

Independent Production Quota

The Broadcasting Act 1990 requires the BBC, the Channel 3 companies, Channel 4 and Channel 5 to ensure that in each year not less than 25% of the total amount of time allocated to the broadcasting of qualifying programmes is allocated to the broadcasting of a range and diversity of independent productions. This is often referred to as the "independent productions quota".

The aims of the UK quota are threefold: first, to promote cultural diversity, opening up the production system to new energies and voices; second, to inject competition into the production sector through the disaggregation of programme makers from the management of channels and delivery of programmes; and third, to promote the growth of small and medium sized enterprises, promoting creativity and fostering new talent.

Endemol

Endemol Entertainment UK lost its independent producer status in the UK following the takeover of the Endemol group by Telefonica, the Spanish telecoms group with broadcasting interests in Spain and Argentina. Endemol argues that this is an anomalous and unforeseen effect of the UK legislation and that the current definition of "independent producer" should be amended to allow a producer more than 25% owned by a broadcaster *which does not aim any of its services at the UK* to continue to qualify as independent. This would effectively reinstate Endemol's independent status.

There are some good arguments in support of the change Endemol propose, but also some good arguments against. A submission went to Ministers in October recommending, on balance, that the change should not be made. Ministers have not yet made a decision.

