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# **International Media Concentration Project**

## **UK Chapter**

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## 1. Introduction

Concentration of media ownership is a phenomenon of increasing importance in the UK. At a time when the media are becoming major actors in world businesses, and when cable, satellite, and the digital revolution are increasingly providing the conditions for a global media market, questions are raised about the possible effects of media concentration on the traditional role of broadcasting, the press and other media.

In the UK concentration of media ownership is a *market reality* as evidenced by the reduction of the number of companies in several traditional media sectors such as print and broadcasting, and new media sectors such as search engines, as well as the growing number of media firms that are owned by the same parent companies. The intensification of concentration can also be viewed as a lever to promote market liberalization that would nurture UK champions. The liberalization policy has been promoted by the New Labor government (1997-2010) and the subsequent Conservative/Liberal Democrat coalition government, as well as by the regulator Ofcom. Meanwhile, excessive media concentration is a *public concern* since it can endanger media pluralism (the presence of a number of different and independent voices) and diversity in the media (different political opinions and representations of culture within the media). For these reasons the UK (similarly to many other countries) has introduced media ownership rules to preserve economic goals (open competition) and social aims (pluralism and diversity).

*Overview of media ownership rules*

Media regulation in the UK is conducted by the provisions of the *Communications Act 2003* (mostly applying to electronic media) and the *Enterprise Act 2002* (most relevant to newspapers). It is administered by the *Office of Communications (Ofcom)*, the new super-regulatory agency set up in 2003 replacing the then existing five regulatory bodies (Independent Television Commission; Radio Authority; Office of Telecommunications; Broadcasting Standards Commission; and Radio-communications Agency). The *media ownership rules* are sector-specific. The main objective for establishing media ownership rules for newspapers, radio and television has been to protect plurality of viewpoints and provide citizens access to a wide range of sources of news and information.

The media ownership rules are separate from the *merger regime*, which applies to all sectors including media. The primary purpose of the merger regime is to retain and enhance competition, but it may indirectly protect plurality by preventing consolidation in a particular market on competition grounds.

The *media public interest test*, introduced in 2006, allows the Secretary of State for Business, Innovation and Skills to intervene in newspapers, broadcasting and cross-media mergers if they raise public interest concerns.

The UK regulatory regime for *communications law and policy* is influenced by the European Union (EU) stipulations. Examples include the liberalization of UK media and communications law and policy (see below), a process strongly influenced by EU provisions which increasingly foreground competition law as a means of promoting media pluralism.

*Liberalization of media ownership under the Communications Act 2003*

The Communications Act 2003 freed up the communications industry far more than was expected, removing most of the ownership regulations that characterized British broadcasting as it was thought these deprived companies of the economies of scale and scope required to expand into foreign markets. This provided for the removal of rules preventing

- Joint ownership of television and radio stations.
- Large newspaper groups (for example Murdoch's *News International*, the UK newspaper arm of *News Corporation*) from acquiring the minor commercial terrestrial broadcaster *Five*.
- Non-European ownership of broadcasting assets, effectively clearing the field for take-overs by the world's corporate media giants. The changes would, for example, allow non-European nationals to hold mainstream broadcasting licences, such as the commercial terrestrial broadcasters *Channel 4* and *Five*.
- Single ownership of the main commercial terrestrial broadcaster *ITV*, opening the way for the creation of a single *ITV* company, which allowed *Carlton* and *Granada* to merge and form *ITV plc*.

Two clauses were particularly controversial:

- The decision to permit the acquisition of *Five* by a newspaper group.
- The decision to lift the ban on non-European ownership.

These provisions proved New Labour's pro-market credentials and have certainly won support from influential media owners.<sup>1</sup> This substantial liberalization and reduction of cross-media ownership rules has been accompanied by an increased dependence on competition law as well as the extension of self-regulation wherever possible. Meanwhile, the government introduced a so-called public interest plurality test to examine major media mergers.

### *Merger regime*

Whereas the media ownership rules are sector-specific, the merger regime applies to all sectors including media. It has a different purpose from the media ownership rules. The main purpose of the merger regime is to prevent consolidation which could result in reduced competition in particular markets. However, the merger regime may indirectly protect plurality by preventing undue consolidation in a particular market on competition grounds.

### *Public interest test*

The media public interest test allows the Secretary of State (for Business, Innovation and Skills) to intervene in newspaper, broadcasting and cross-media mergers if they raise public interest considerations.

## **2. The Issues**

In the UK media ownership has typically been a field of political controversy - particularly when it involves media magnate Rupert Murdoch. The issue of one man or company (i.e. News International) controlling a large proportion of the country's newspaper and

broadcasting interests is an area of public concern - particularly when that person takes a close interest in the political agenda of his newspapers and one of them claims to influence general elections. The famous headline 'It's The Sun Wot Won It' appeared on the front page of The Sun on 11 April 1992 after it supported the Conservatives in the lead-up to their election victory.<sup>ii</sup> In the 1980s, the Thatcher administration allowed News International to take over The Times and Sunday Times without referring it to the Monopolies and Mergers Commission MMC, even though the company already controlled the Sun and the News of the World. Since its defeat in the 1992 election, Labour realised that it was vital to have Murdoch on board. An example of the allegedly close relationship between Murdoch and then Prime Minister Blair was the former's phone call in 1998 to the Prime Minister enquiring about his (Murdoch's) prospects for further developing his interests. Since 2008, broadcasting giant BSkyB has a shareholding of approximately 7.5% in terrestrial broadcaster ITV, following a then New Labour Government's decision to reduce its original 17.9% stake in ITV.

In more recent years emerging issues have been framed in terms of competition considerations. One such case in 2011 was the proposed acquisition by News International, a subsidiary of News Corporation, of the remaining 61% of satellite broadcasting network BSkyB that it did not already own. The proposal prompted an unprecedented response from nearly all non-News International owned companies in the UK, both private and public. The companies wrote a letter asking then UK Business Secretary to refer the case to Ofcom, the UK's competition watchdog, on the basis that the takeover would have 'serious and far-reaching consequences for media plurality'. As will be shown below, in the UK, News International already owns about 34% of the daily newspaper market, and with the full ownership of Sky, would control two-thirds of pay television. Eventually, in July 2011 the

£10 billion bid to takeover broadcaster BSkyB was abandoned in the light of the phone hacking scandal. This scandal, dubbed *hackgate* by the press, is an ongoing controversy - still being investigated by Lord Justice Leveson, a senior judge - involving the defunct *News of the World* and other British newspapers published by News International. Employees of the newspaper were accused of engaging in phone hacking, police bribery, and exercising improper influence in the pursuit of publishing stories.

It is also striking how current debates in the field of broadcasting are focused more than ever on the publicly-funded British Broadcasting Corporation and its expanding online and digital activities at a time of deep economic difficulties faced by its competitor terrestrial TV channels and along with this, BSkyB's persistent campaign to shrink the scope of public broadcasters. With its strong presence in radio, terrestrial TV, magazines, digital and online domains, the BBC is criticized by industrialists, some politicians and academics, all of them being uncomfortable with the corporation's expansionist strategies. Indeed, publicly-funded BBC is a powerful player in the UK, and numerous private media organizations oppose the way the BBC has forced out commercial competitors in television, radio and online. Concerns regarding the corporation's expansionist strategies have been partly addressed with the suggestion to cut the BBC Online budget by 25% as well with the freeze of the BBC licence fee income until 2017 by the Conservative-Liberal Democrats coalition government. However, there are voices who argue that any cut to the BBC licence fee raises a fundamental question about the BBC's independence from government.<sup>iii</sup>

### 3. Concentration in Media Industries

#### 3.1 Print Media

##### 3.1.1. Daily newspapers

###### *Overview*

- Five national daily ‘quality’ titles (*The Guardian, The Independent, The Financial Times, The Times, The Telegraph*) each owned by a different group.
- Two national daily ‘mid-market’ titles (*Daily Mail, Daily Express*), each owned by a different interest.
- Three national daily ‘tabloid’ titles (*The Sun, Daily Mirror, Daily Star*), where *The Sun* belongs to the same group (News International) that owns *The Times*.
- Ten Sunday titles (*Sunday Mirror, The People, Sunday Mail, Daily Star Sunday, Mail on Sunday, Sunday Express, Sunday Times, Sunday Telegraph, The Observer, Independent on Sunday*). In terms of quality, these follow their eponymous daily papers.

###### *Who owns what in UK media - Mostly having newspaper interests*

- News International (controlled by the Murdoch family) (*The Sun, The Times, The Sunday Times* (*News of the World* closed down in 2011), as well as other UK media. The political perspective of these newspapers is largely conservative.

- Telegraph Media Group (British businessmen Sir David Rowat Barclay and Sir Frederick Hugh Barclay acquired the business in 2004 for £665m) (*Daily Telegraph*, *Sunday Telegraph*, weekly magazine *Spectator*, *The Scotchman* quality daily newspaper, *Scotland on Sunday* quality Sunday title, and the *Edinburgh Evening News*). These newspapers provide mainly an independent political coverage.
- Daily Mail and General Trust owned by British media conglomerate Daily Mail and General Trust plc) (*The Daily Mail*, *Mail on Sunday*, *Ireland on Sunday*, *Mail Today* – compact size newspaper, *Metro* – urban national newspaper, *Loot* – classified directory, *London Lite* – free sheet. Until January 2009 the group also owned the dominant paid-for London-area local newspaper *Evening Standard*, which was sold to Russian billionaire Alexander Lebedev). Most of the titles owned by the group are tabloid newspapers with a focus on ‘light news’ and celebrities and a limited serious political coverage.
- Guardian Media Group (wholly owned by limited company Scott Trust) (*The Guardian*, *The Observer*, *Manchester Evening News* - regional newspaper, Channel M – regional TV station, numerous regional radio stations across the UK under the Real Radio, Smooth Radio and Rock Radio brands, Bauer - a leading international magazine publishing company). The political perspective of these newspapers is largely leftish.
- Independent News and Media (O'Reilly family has a controlling stake of 28.2%, whereas a significant shareholding of 22.5% is owned by Irish entrepreneur Dennis O'Brien). Independent News and Media's main newspapers are the *Irish Independent*

and the *Sunday Independent*, which are Ireland's largest-selling titles. Through his company, Communicorp, O'Brien also owns two national radio channels, Newstalk and Today FM, plus 40 other stations across Europe. In addition, Independent News and Media owns the *Belfast Telegraph* group which publishes the *Belfast Telegraph*, *Ireland's Saturday Night*, *Sunday Life* and *Ads for Free*. These newspapers provide mainly an independent political coverage. It should be noted that until 2010, the company published the UK titles *The Independent* and the *Independent on Sunday*, but both newspapers were sold to Russian businessman Alexander Lebedev.

- Northern & Shell Network (owned by Richard Desmond) (*Daily Express*, *Sunday Express*, *Daily Star*. It also owns magazines *New!* and *Star*). These are mainly tabloid newspapers.
- Trinity Mirror plc (managed by businesswoman Sly Bailey) (the result of the takeover of *Mirror Group Newspapers* by *Trinity plc* in September 1999) (*Daily Mirror*, *Sunday Mirror*, *The People*, *Daily Record*, *Sunday Mail* – and about 120 regional daily and weekly newspapers). These are mainly tabloid newspapers.
- Pearson plc (chaired by Dennis Stevenson). Since the 1990s Pearson plc has transformed itself from an industrial holding company to a major publisher of educational materials with three major business groups. Pearson Education provides textbooks, learning tools, and testing programs. The Penguin Group publishes both fiction and non-fiction. The Financial Times Group publishes the *Financial Times* newspaper, *Les Echos* in France, *Expansion* in Spain, owns 50% of *The Economist*,

plus a host of personal finance magazines, including *Investors Chronicle*. These newspapers mainly cover economic matters.

**Table 1: Daily Newspapers - Circulation Shares by company (%) (1997-2009)**

<b>Title/Company</b>	<b>1997</b>	<b>2001</b>	<b>2002</b>	<b>2008</b>	<b>2009</b>
<i>The Sun</i>	29.7	26.6	27.3	29.2	28.1
<i>The Times</i>	4.7	5.2	4.9	5.6	5.7
<i>(News International)</i>	TOTAL: 34.4	TOTAL: 31.8	TOTAL: 32.2	TOTAL: 34.8	TOTAL: 33.8
<i>Daily Mirror</i>	18.3	16.4	16.1	12.4	12.9
<i>Daily Record</i> <i>(Trinity Mirror)</i>	5.6	4.6	4.1	3.2	3.3
	TOTAL: 23.9	TOTAL: 21.0	TOTAL: 20.2	TOTAL: 15.6	TOTAL: 16.2
<i>Daily Star</i>	4.9	5.6	6.5	8.1	6.6
<i>Daily Express</i>	9.4	6.9	7.3	6.8	6.9
<i>(Northern &amp; Shell</i> <i>- Richard Desmond,</i> <i>formerly United</i> <i>Newspapers)</i>	TOTAL: 14.3	TOTAL: 12.5	TOTAL: 13.8	TOTAL: 14.9	TOTAL: 13.5
<i>Daily Mail (Daily Mail &amp; General Trust)</i>	13.6	18.7	18.5	21.2	19.9
<i>Daily Telegraph</i> <i>(Telegraph Group</i> <i>- Barclay Brothers)</i>	7.7	7.7	7.3	7.4	7.3
<i>Financial Times</i> <i>(Pearson plc)</i>	1.3	3.8	3.5	4.0	4.1
<i>The Guardian</i> <i>(Guardian Media Group - Scott Trust)</i>	2.7	3.1	3.0	3.0	3.3
<i>The Independent</i> <i>(Independent Print Ltd)</i> <i>(Lebedev)</i>	2.1	1.5	1.4	1.8	1.9
<b>Revenue estimates (US\$ mil)</b>	<b>8450</b>	<b>9385</b>	<b>9590</b>	<b>10283</b>	<b>10330</b>
<b>HHI</b>		<b>1382.5</b>	<b>1400.8</b>	<b>1525.3</b>	<b>1395.7</b>
<b>C4</b>		<b>69.34</b>	<b>69.24</b>	<b>71.02</b>	<b>67.5</b>
<b>Noam Index</b>		<b>416.8</b>	<b>422.4</b>	<b>459.9</b>	<b>420.8</b>

*Source: Audit Bureau of Circulations*

The above Table demonstrates that the UK national daily press market is concentrated. News International is a clear market leader and has managed to gain and retain very high shares. In

2009, News International's market share of daily newspapers was more than double compared to Trinity Mirror, the next biggest press group. News International is the UK subsidiary of global media company News Corporation, which in 2012 split into two separable publicly listed companies – newspapers, book publishing and education; and media and entertainment. The publishing company includes News International's UK newspapers, but given that Rupert Murdoch, chairman and chief executive of News Corp, will be chairman of both companies, control eventually remains in the same owner.

However, the newspaper press is an industry in decline as UK national newspaper circulation has been falling steadily the past four decades. In the period from 1965-2005 the cumulative loss of circulation of popular and quality dailies was 29% and 31% respectively, owing among others to the rise of television and the Internet, and since 2008 due to a shaky economy. While two of the best-selling newspapers *The Sun* and *The Daily Mirror* had about 3.5 million and 2 million readers respectively in 2002, this dropped to 2.9 million and 1.3 million respectively in 2009. In terms of revenues, in 2008-09 newspapers experienced the biggest reduction in advertising revenues among traditional media (falling more than 20%), whereas TV advertising revenues fell by 9% and radio advertising revenues by 15%.<sup>iv</sup>

### 3.1.2 Magazines

**Table 1: Biggest UK Magazine publishers – by newsagent sales revenue (% , 2004-2011)**

COMPANY	2004	2008	2011	Circulation 2011 (in million copies)
<b>Bauer</b> (Germany)	18.0	20.0	26.0	5.8
<b>IPC Media/Time Warner</b> (US)	20.0	22.0	20.0	5.7
<b>Hearst Magazines UK</b> (US/France)	13.5	15.0	15.0	4.1
<b>BBC Magazines</b> (Public)	11.5	10.0	9.5	2.95
<b>Condé Nast</b> (Advance Publications, USA)	4.8	4.5	4.0	1.54
<b>Egmont Group</b> (Denmark)	2.5	2.5	2.5	0.61
<b>Hubert Burda</b> (Germany)	2.0	2.0	2.0	0.55
<b>Haymarket Media Group</b> (UK)	1.5	1.5	1.3	0.38
<b>Revenue Estimates</b> (US\$, mil)	<b>6067</b>	<b>6903</b>	<b>7210</b>	
<b>HHI</b>	<b>1074.04</b>	<b>1241.75</b>	<b>1419.19</b>	
<b>C4</b>	<b>63</b>	<b>67</b>	<b>70.5</b>	

*Source: Press Gazette Reporters, 2011; <http://www.magforum.com/ukmagazines>; author calculations*

*Note 1: IPC Media/Time Warner includes IPC Inspire which comprises leisure brands, IPC Connect which comprises women's weeklies, and IPC Southbank which is the up-market women's division.*

*Note 2: Hearst Magazines UK is the outcome of merger in 2011 between National Magazine Company and Hachette Filipacchi Médias (Lagardère, France).*

As the above Table shows, the biggest UK magazine publishers (by newsagent sales revenue) are German-based *Bauer* (which in 2008 took over the then second-largest group, EMAP),

the *IPC Media* (owned by US firm Time Inc., the magazine publishing subsidiary of Time Warner, which acquired IPC Media for a £1.15 billion in 2001 – the biggest magazine deal ever seen in the UK and the biggest transatlantic media deal until that time), *Hearst Magazines UK* (the outcome of the \$651 million merger in 2011 between National Magazines Company and Hachette Filipacchi Médias), and the public *BBC Magazines*.

In terms of circulation in 2011, Bauer was the market leader selling 5.8 million copies with IPC Media/Time Warner a close second with 5.7 million copies. In the same year, Hearst Magazines UK sold about 4.1 million copies, followed by BBC Magazines (2.95 million), Condé Nast (1.54 million), Egmont UK Publishing (610,000 copies), Hubert Burda (550,000 copies) and Haymarket (380,000 copies). Most UK consumer titles are owned by foreign groups. IPC Media and Condé Nast are owned by US groups Time Warner and Advance Publications respectively. The largest British-owned company is now BBC Magazines (wholly owned by the British Broadcasting Corporation).

The UK represents the world's greatest number of magazine titles per capita. There are more than 8,000 titles published in Britain, though UK magazines are mainly based in London. Consumer magazines make up the bulk of the titles for sale in newsagents. Most UK magazines for consumers - about 90% - are sold through newsagents or supermarkets. This is a much higher proportion than in the US and continental European countries, where subscriptions are more popular. Consumer magazines may be general titles that aim to entertain and inform or consumer specialist titles aimed at a specific interest or hobby. There are about 2,800 UK consumer magazines.<sup>v</sup>

**3.1.3 Table 1: Book Publishing – Market Shares (%)**

<b>Publisher</b>	<b>2004</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Hachette</b> (Lagardère, France)	17.0	15.9	16.4	15.2	13.9
<b>Random House</b> (Bertelsmann AG, Germany)	15.5	14.8	13.7	13.8	13.2
<b>Penguin Books</b> (UK)	10.5	10.0	9.7	11.5	11.7
<b>Harper Collins</b> (News Corporation, US/UK/Australia)	9.0	8.3	7.6	7.1	7.7
<b>Independent Alliance</b>	-	4.0	4.0	3.9	3.3
<b>Pan Macmillan</b> (Macmillan Group, Holtzbrinck, Germany)	3.0	3.3	3.2	3.6	3.7
<b>Bloomsbury</b>	2.5	2.4	2.2	2.1	2.3
<b>Pearson</b>	2.2	2.4	1.9	1.8	2.4
<b>Oxford University Press</b>	2.5	1.9	1.9	2.0	2.0
<b>John Wiley</b>	1.7	1.5	1.5	1.5	1.5
<b>Simon &amp; Schuster</b> (Viacom, US)	1.4	1.5	1.8	1.8	2.0
<b>Revenue (US\$, mil)</b>	<b>5197</b>	<b>5689</b>	<b>5765</b>	<b>5810</b>	<b>5885</b>
<b>HHI</b>	<b>751.69</b>	<b>687.26</b>	<b>652.29</b>	<b>649.45</b>	<b>609.51</b>
<b>C4</b>	<b>52</b>	<b>49</b>	<b>47.4</b>	<b>47.6</b>	<b>46.5</b>
<b>Noam Index</b>		<b>150.29</b>	<b>152.13</b>		

*Source: Nielsen BookScan TCM; The Bookseller, 2010, 2011*

**Note 1:** The *Independent Alliance*, a global alliance of ten UK publishers, was formed in 2005 and its members are Atlantic Books, Conongate Books, Faber and Faber, Granta Books, Icon Books, Portobello Books, Profile Books, Quercus Publishing, Serpent’s Tail and Short Books.

**Note 2:** *Hachette* owns Piatkus; *Random House* owns Virgin; and *Pan Macmillan* owns the Kingfisher Group.

As the above table shows, the UK book publishing industry (including both trade books and textbooks) is dominated by four groups. In 2004 the market share of the ‘big four’ was more than 50% and although it has been declining slightly since then – in 2008 the ‘big four’ share

was 49%, in 2010 it fell to 47.9% and in 2011 it fell to 46.7% - it still accounts for a considerable overall market share. In the last decade or so both top groups Hachette and Random House had share losses. Penguin Books saw its market share rising from 10.5% to 11.7% and Harper Collins was a market share winner in 2011 after some years of decline.

However, the future of book publishing is not rosy owing to a declining economy, a shrinking distribution and, above all, the declines in the physical book sales. According to The Bookseller's Review of 2011, the main problem facing the book publishing industry is the uncertainty surrounding digital. In fact, in the 2010 London Book Fair a seminar debated the resolution: 'Publishers will be irrelevant in the digital age'. In a similar vein of self-examination, the Bookseller 2011 enquired whether the look at publisher performance based on Nielsen BookScan Total Consumer Market print figures is still relevant in today's increasingly digitalized market. The answer was a qualified yes. Digital sales in 2011 may have made up about 10% of the market, perhaps up to 12% for some publishers, but this mean that an overwhelming majority of the market is still print.

## 3.2 Audiovisual Media

### 3.2.1 Broadcast TV

#### The UK broadcasting market

**Table 1: Broadcast TV (over-the-air) - Annual % Shares of Viewing (Individuals) 1982-2010**

<b>CHANNEL</b>	<b>1982</b>	<b>1986</b>	<b>1990</b>	<b>1994</b>	<b>1998</b>	<b>2002</b>	<b>2004</b>	<b>2006</b>	<b>2008</b>	<b>2010</b>
<b>BBC (One &amp; Two)</b>	50.0	48.0	47.0	43.0	40.8	37.6	34.7	31.6	29.6	27.6
<b>ITV (inc. GMTV)</b>	50.0	44.0	44.0	39.0	31.7	24.1	22.8	19.6	16.4	16.4
<b>Channel 4 (inc. S4C)</b>	-	8.0	9.0	11.0	10.3	10.0	9.7	9.8	7.5	6.4
<b>Five</b>	-	-	-	-	4.3	6.3	6.6	5.7	5.0	4.6
<b>Other (over-the-air)</b>	-	-	-	3.0	5.0	8.0	10.0	12.0	14.0	15.0
<b>Revenue (US\$ mil)</b>					<b>6855</b>		<b>8820</b>		<b>10930</b>	<b>12611</b>
<b>HHI</b>	<b>4088</b>	<b>3490</b>	<b>3486</b>	<b>2787</b>	<b>2109</b>	<b>1497</b>	<b>1324</b>	<b>1077</b>	<b>931</b>	<b>860</b>
<b>C4</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>93.0</b>	<b>82.8</b>	<b>71.7</b>	<b>67.2</b>	<b>61.0</b>	<b>55.5</b>	<b>53.0</b>
<b>Noam Index</b>	<b>2360.2</b>	<b>1745.0</b>	<b>1743.0</b>	<b>1246.4</b>	<b>861.0</b>	<b>611.2</b>	<b>540.5</b>	<b>439.9</b>	<b>351.8</b>	<b>310.5</b>

*Source:* BARB (Broadcasters' Audience Research Board)

*Note 1:* Shares before 1998 have been rounded to nearest whole number

*Note 2:* 'Other (over-the-air)' include over-the-air channels with a viewing share of  $\geq 1.0\%$  (i.e. ITV2, ITV3, ITV4, BBC Three, BBC Four, CBeebies, C4, E4, etc.).

The British public has been well served by the mixed economy of a public broadcaster, a regulated private sector and the arrival of satellite and cable broadcasters.<sup>vi</sup> However, the viewing rating of the main terrestrial over-the-air channels has been declining over the years, owing to the multi-channel development, to audience fragmentation, and the changing audience habits, particularly that of younger generation who are increasingly turning away

from the medium of television in favor of the Internet, mobile telephony and social networks. Commercial broadcasters, faced with fragmentation in audience share and diminishing advertising revenues, began to experiment with new funding models and portfolio expansion. For example, in October 2005 *Channel 4* launched *More4* which offers factual programmes, drama and comedy to over 35s, while in November 2005 *ITV* launched *ITV4* targeted at men and showing US acquired material, sports and movies (in 2004 it had introduced *ITV3*). In autumn 2006 terrestrial commercial channel *Five* launched two new digital services on the digital terrestrial platform *Freeview - Five Life*, providing pre-school shows, popular factual and lifestyle shows aimed at women, as well as drama, films and soaps; and *Five US*, offering drama, films, sport, comedy and youth programming from across the Atlantic. Meanwhile, the BBC has launched numerous over-the-air digital channels like *BBC Three*, *BBC Four*, *BBC News 24* and the children-oriented services *CBeebies* and *CBBC*. But apart from a few exceptions these ventures attract small audiences.

The data shows a continuous decline of shares of viewing of the five mainstream television channels. This could be attributed to the rise of digital cable and satellite subscription channels such as Sky 1, Sky Sports 1, Sky News, Cartoon Network, Nickelodeon, etc., which in 2010 attracted a cumulative audience share of about 30%. It could also be attributed to the changing habits of the public, with the young population spending less time in front of the TV and instead engaging in other activities such as the Internet and mobile telephony. While an Ofcom report<sup>vii</sup> shows that adults in the UK spent 242 minutes daily watching television on a TV set in 2010 (up by 23 minutes from 2005), when people are asked which medium they would miss the most if it were taken away, there are clear differences in response by age-group. Overall, 44% said they would most miss their TV – a decline of six percentage points on 2009, while 17% said they would most miss the internet – more than double the

proportion five years ago (8% in 2005). For young adults aged 16-24, the picture is quite different – 28% said they would most miss their mobile, and 26% the internet – with the latter increasing from 18% in 2009.

### 3.2.2 Radio

#### Radio Market Overview

The national radio market is dominated by the BBC radio services, whilst a plethora of private radio stations operate at a local level (see Tables 1 and 2). Table 3 shows that while in 1996 the BBC and commercial radio had almost equal share (of about 50%), in more recent years BBC radio (national and local) surpassed commercial radio. In 2011, BBC's share has risen to 54.5%. One reason is that the BBC national radio retains the cream of the national FM frequencies, while commercial radio's FM frequencies are predominantly local ones.

**Table 1: Simplified supply chain for the delivery of news content (radio)**

<b>Newsgathering</b>	<b>Aggregation</b>	<b>Distribution</b>	<b>Consumption</b>
<ul style="list-style-type: none"> <li>- IRN/Sky</li> <li>- Sky Radio News</li> <li>- BBC</li> <li>- Local journalists</li> <li>- Other</li> </ul>	<ul style="list-style-type: none"> <li>- Packaging of local and national content into bulletins</li> </ul>	<ul style="list-style-type: none"> <li>- BBC stations (10 national, 46 local)</li> <li>- 4 national commercial stations</li> <li>- c.300 local stations (Global, Bauer, TLRG, UTV, GMG, other)</li> <li>- Local/national multiplex Operators</li> </ul>	<ul style="list-style-type: none"> <li>- Audience share of BBC network 47%, of national commercial 10%, of local commercial 31%, of BBC local 9%</li> </ul>

*Source:* OFCOM, at <http://www.ofcom.org.uk/consult/condocs/morr/morrcondoc.pdf>, p.35

**Table 2: Summary of public local and regional radio**

<b>Type of media</b>	<b>Number of services</b>	<b>Examples of operators</b>
<i>BBC Local and Nations Radio</i>	40 local stations in England - 2 national services in Wales, 2 Scottish national	Includes non-English language stations in Wales and Scotland

	service, 2 NI service	Some opts in Scotland and England
<i>Community radio</i>	146 stations broadcasting	Run by not-for profit geographic and non-geographic focussed community groups

*Source:* OFCOM, at <http://www.ofcom.org.uk/consult/condocs/morr/morrcondoc.pdf>, p.40

The BBC radio stations use their output as a leading example of public service and are amongst the most popular in the UK (see Table 3). BBC Radio Three is a serious music station and BBC Radio Four is the dominant UK news and talk service, and its early morning news sequence is a leading agenda setter in UK national politics. BBC Radios One and two are national pop music stations which have some public service element. BBC Radio Five Live offers sports, news and talk.

Of the commercial groups, the most popular are Global Radio UK, a British commercial radio company, the largest in the country following acquisitions of Chrysalis Radio and GCap Media in 2008. In June 2012, Total GMG Radio, the UK's third-largest radio group, reportedly signed a £70 million deal with market leader Global Radio UK, strengthening the market position of Global Radio and leaving Bauer Radio (owned by foreign interests) in a distant second place. Table 3 below does not take account of this development as at the time of writing a regulatory review into the deal was expected to take place to clear it.

**Table 3: Radio - Market shares (% , 1996-2008)**

	<b>1996</b>	<b>2004</b>	<b>2008</b>	<b>2011</b>
<b>All BBC (public)</b> All BBC Network	<b>48.9</b>	<b>52.9</b>	<b>55.2</b>	<b>54.5</b>

Radio	-	42.0	46.7	46.6
BBC RADIO 1 (11.1m listeners)	-	7.7	9.8	9.8
BBC RADIO 2 (13.6m)	-			
BBC RADIO 3	-	16.0	16.5	16.5
BBC RADIO 4 (10.2m)	-	1.4	1.1	1.1
BBC RADIO FIVE LIVE (6.5m)	-	11.5	12.5	19.4
OTHER BBC STATIONS	-	4.4	4.5	4.5
	-	5.6	6.8	6.9
	-			
<b>All Commercial</b>	<b>48.8</b>	<b>45.3</b>	<b>42.6</b>	<b>43.3</b>
<b>Total Global Radio UK (UK)</b>	-	-	17.0	16.3
Heart Network UK	-	-		
Classic FM Capital Network Gold UK Network	-	-		
<b>Total Bauer Radio (Germany)</b>			10.9	11.7
Magic UK Kiss UK				
<b>Total GMG Radio (Guardian Media Group)</b>			4.4	4.5
Smooth Radio UK Real Radio UK				
<b>All National Commercial</b>	-	<b>9.6</b>	<b>10.4</b>	<b>10.4</b>
<b>All Local Commercial</b>	-	<b>36.1</b>	<b>32.2</b>	<b>32.3</b>
<b>Revenue (US\$ mil)</b>		<b>2406</b>	<b>2450</b>	<b>2667</b>
<b>HHI</b>			<b>3474.21</b>	<b>3393.08</b>
<b>C4</b>			<b>87.5</b>	<b>87.0</b>

**Source:** RAJAR data releases at [http://www.rajar.co.uk/listening/quarterly\\_listening.php](http://www.rajar.co.uk/listening/quarterly_listening.php).

Despite the rise of TV and the wide availability of other media, radio remains popular in the UK. According to RAJAR, radio listening is high at 46.7 million adults each week. The share of radio listening via a digital platform stands at 29.1% of all radio listening, from 25% in late 2010. We can infer that listening to radio via a digital receiver will be common, as will be listening to radio via the Internet.

### 3.2.3 Multichannel Video Platforms

Tables 1 and 2 below show the continuing growth of cable, satellite and digital terrestrial TV platforms, the former in terms of homes and the latter in terms of shares. It is interesting to note the prominence of digital terrestrial television, which from a mere 3.98% share in 2000 it has since surpassed satellite and cable to get over 55% in the year 2011. This is explained by the popularity of the BBC-led Freeview digital terrestrial platform which is appealing to people who do not wish to subscribe to digital TV. Meanwhile, digital satellite pay-TV platforms (particularly Sky TV) continue to rise with the offering of “premium content” (sports and films). Digital cable (particularly Virgin Media) is a distant third platform.

**Table 1: Multi-Channel Revenues 1992-2011 (Homes 000's)**

PLATFORMS	1992	1996	2000	2004	2008	2011
Satellite (mainly <b>BSkyB</b> ) (News International) (US/Australia/UK)	1,893	3,542	3,963	6,946	8,860	11,012
Cable (mainly <b>Virgin Media</b> ) (Virgin Media Inc., US)	409	1,399	3,352	3,277	3,406	3,997
Digital Terrestrial TV (DTT) (mainly BBC-led <b>Freeview</b> )	-	-	303	2,075	12,017	18,376
<b>Total</b>	2,302	4,941	7,618	12,298	24,283	33,385

*Source:* BARB

*Note 1:* From 2002 figures include homes with two or more reception capabilities.

*Note 2:* Satellite & Cable figures include homes on both the analogue and digital platform.

**Table 2: Multi-Channel Market Concentration 1992-2011 (market share %)**

<b>PLATFORMS</b>	<b>1992</b>	<b>1996</b>	<b>2000</b>	<b>2004</b>	<b>2008</b>	<b>2011</b>
Satellite (mainly BSkyB) (News International) (US/Australia/UK)	82.23	71.69	52.02	56.48	36.49	32.98
Cable (mainly Virgin Media)	17.77	28.31	44.0	26.65	14.03	11.97
Digital Terrestrial TV (DTT) (mainly BBC-led Freeview)	0.0	0.0	3.98	16.87	49.49	55.04
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>Revenue (US\$ mil)</b>			<b>5270</b>	<b>8200</b>	<b>11520</b>	<b>14280</b>
<b>HHI</b>	<b>7077.91</b>	<b>5940.56</b>	<b>4658.15</b>	<b>4184.80</b>	<b>3976.99</b>	<b>4261.04</b>

*Source:* Author calculations

*Note:* C4 cannot be calculated since the platforms are fewer than four.

### 3.2.4 Cable and satellite delivered program channels

**Table 1: Viewing share of individual channels, arranged by owner company (2002-2011)**

<b>COMPANIES/ CHANNELS</b>	<b>2002</b>	<b>2004</b>	<b>2006</b>	<b>2008</b>	<b>2010</b>	<b>2011</b>
<b>News Corp/ Ltd</b>  (US/UK/Australia)  Sky Sports 1  Sky 1  Sky News	6.04	6.45	6.73	6.02	6.61	8.71

Sky Sports 2 Sky Movies Comedy Sky Movies Action Thriller, etc.						
<b>UK Channel Management (UK)</b> Alibi Home Good Food Watch, etc.	2.17	2.5	3.0	3.46	3.86	3.93
<b>Viacom (US)</b> Nickelodeon MTV, etc.	2.6	2.4	3.3	1.9	1.8	1.7
<b>Discovery (US)</b> Animal Planet Discovery History Quest, etc.	1.08	1.39	1.39	1.21	1.55	1.57
<b>Turner Broadcasting (US) (Time Warner)</b> Cartoon Network Boomerang, etc.	1.02	1.23	0.9	0.81	0.8	1.0
<b>Walt Disney (US)</b> Disney Channel Disney Cinemagic Disney Junior, etc.	0.9	1.0	1.2	1.4	1.3	1.4
<b>Others</b> (combined digital portfolio of BBC [at 33.19%], ITV [at 23.09%] Channel 4 [at , 11.31%], Five						73.51

[at 5.92%])						
<b>Revenue estimates (US\$ mil)</b>				<b>3686</b>		<b>6160</b>
<b>HHI</b>	<b>50.97</b>	<b>58.06</b>	<b>69.37</b>	<b>55.90</b>	<b>66.56</b>	<b>99.62</b>
<b>C4</b>	<b>11.89</b>	<b>12.74</b>	<b>14.42</b>	<b>12.59</b>	<b>13.82</b>	<b>15.91</b>

**Source:** BARB, 2011 - Trends in Television Viewing, February 2012.

As the above table shows, News Corp. Ltd has the largest market share in the UK when it comes to satellite delivered program channels. The company retains the lead largely because of the delivery of the premium Sky Sports channels which show live Premier League as well as Champions League football matches. However, the audience share of individual satellite (and cable) channels remains small compared with the share of the traditional channels which have developed a digital portfolio of channels. For example, in 2011 the BBC had the largest market share in multichannel homes at 33.19%, followed by ITV at 23.09%, Channel 4 at 11.31% and Channel 5 at 5.92%. The above traditional broadcasters have launched numerous digital channels (for example, BBC3, BBC4, CBBC, ITV2, ITV3, ITV4, E4, Film 4, More 4, Channel 5 + 1, Five USA, etc.), enabling them to get a combined total market share of 73.51% in 2011 in multichannel homes.

### 3.2.5. The Film Industry

The British Film Institute (BFI) Statistical Yearbook publishes information on film distributors and exhibitors in the UK. While the Statistical Yearbook does not publish any Tables on Exhibitor market share, in terms of share of box office, Table 1 below shows distributors' market shares (in terms of total box office) in the period from 2004 to 2010. It can be seen that the distributors' market shares fluctuate from year-to-year. The leading distributor of 2010, Warner Bros, saw its market share increase thanks to films such as *Harry Potter and the Deathly Hallows: Part 1*, *Alice in Wonderland* and *Inception*. The record breaking *Avatar*, which was released in late 2009 but which took most of its £94 million in 2010, made a significant contribution to 20th Century Fox being in second place in this list. Other films released by 20th Century Fox in 2010 include *Gulliver's Travels* and *The Chronicles of Narnia: The Voyage of the Dawn Treader*. Paramount was the third highest grossing distributor, with films such as *Shrek Forever After*, *Iron Man 2* and *Little Fockers*.

The top 10 distributors had a 94% share of the market in 2010, up from 92% in 2009, but down from 96% in 2004. The remaining 88 distributors handled a total of 379 titles in 2010, 62% of the films on release, but gained only a 6% share of the box office. The 6% share of box office made by distributors outside the top 10 in 2010 is the second highest share for distributors in this category since 2004. In the last few years it has ranged from under 3% in 2005 to just below 8% in 2009.

**Table 1: Film Distributor market share as percentage of box office gross, 2004–2010**

<b>DISTRIBUTOR</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Warner Bros</b> (Time Warner,	14.7	18.2	8.2	15.6	11.0	11.2	18.3

USA)							
<b>20<sup>th</sup> Century Fox</b> (News Corporation, USA)	10.7	14.3	20.9	13.9	9.4	16.6	15.9
<b>Paramount</b> (Viacom, USA)	-	-	-	14.7	16.9	10.8	14.8
<b>Walt Disney</b> (Walt Disney Company, USA)	14.5	13.1	15.7	10.7	9.9	12.4	14.0
<b>Universal Pictures</b> (Comcast/NCB Universal, USA)	-	-	-	13.9	18.5	10.5	10.2
<b>Sony Pictures</b> (Sony, Japan)	10.0	6.8	16.1	8.2	12.5	11.3	6.9
<b>eOne Films</b> (Entertainment One Ltd., Canada/USA)	-	-	-	-	-	4.9	5.5
<b>Lions Gate</b> (Lions Gate Entertainment Corporation, USA)	1.0	0.3	2.4	2.3	2.5	2.9	3.5
<b>Entertainment Film Distributors, UK, owned by Nigel Green</b>	7.9	9.4	7.9	9.5	8.0	8.6	2.5
<b>Optimum</b> (Vivendi SA, France)	-	-	-	-	-	-	2.2
<b>Pathé</b> (Pathé Brothers, France)	2.8	3.4	3.2	1.3	2.1	2.9	-
<b>Momentum</b> (Alliance Films, UK)	2.2	1.9	2.3	3.4	3.5	-	-
<b>UIP*</b>	29.8	29.1	18.9	-	-	-	-
Top 10 total**	96.1	97.3	96.4	94.5	94.5	92.2	93.7
Others	3.9	2.7	3.6	5.5	5.5	7.8	6.3
<b>Total</b>	<b>100.0</b>						
<b>Revenue estimates (US\$ mil)</b>	<b>1651</b>				<b>1753</b>		<b>1767</b>
<b>HHI</b>	<b>1604.96</b>	<b>1704.01</b>	<b>1450.66</b>	<b>1136.39</b>	<b>1178.39</b>	<b>1024.13</b>	<b>1207.98</b>
<b>C4</b>	<b>69.7</b>	<b>74.7</b>	<b>71.6</b>	<b>58.1</b>	<b>57.8</b>	<b>51.5</b>	<b>63.0</b>

**Source:** Rentrak EDI; author analysis; BFI Statistical Yearbook 2011 at <http://www.bfi.org.uk/filmtvinfo/stats/BFI-Statistical-Yearbook-2011.pdf> (Table 9.3).

\* Until 2006 Paramount and Universal distributed jointly as UIP

\*\* Top 10 total refers to the top 10 distributors of that particular year. The table is ranked by top 10 distributors in 2010.

**Note:** Percentages may not add to sub-totals due to rounding.

## 3.2 Telecom distribution media

### 3.3.1 Wireline

**Table 1: Retail fixed voice telecoms revenues, by provider (revenue, £ billions) (2005-2010)**

COMPANY	2005	2006	2007	2008	2009	2010
<b>BT</b>	5.9	5.6	5.4	5.2	4.7	4.2
<b>Virgin Media Inc.</b>	1.2	1.1	1.1	1.0	1.0	1.0
<b>Other</b>	2.1	2.4	2.5	2.7	2.8	3.0
<b>Total</b>	9.2	9.1	9.0	8.9	8.5	8.2

*Source:* Ofcom, 2011 / operators

*Note 1:* Includes estimates where Ofcom does not receive data from operators, excludes revenues from NTS voice calls.

*Note 2:* *Virgin Media Inc.*, whose executive office is in New York, is a company which provides quadruple services (fixed and mobile telephone, television and broadband internet) to businesses and consumers in the UK. In 2006, *Virgin Media* entered into a 30-year licensing agreement with Sir Richard Branson's *Virgin Group Limited* to licence out all the relevant *Virgin* sub-brands for a term of 30 years, with a ten year opt-out clause, Branson accepted a mix of shares and cash, making him a 10.7% shareholder of the combined company at the time.

**Table 2: Retail fixed voice telecoms revenues, by provider (market shares, % 2005-2010)**

COMPANY	2005	2006	2007	2008	2009	2010
<b>BT</b>	64.0	61.0	60.0	58.0	55.0	51.0
<b>Virgin Media Inc.</b>	13.0	12.0	12.0	11.0	12.0	12.0
<b>Other</b>	23.0	27.0	28.0	31.0	33.0	37.0
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0
<b>Revenue (US\$ mil)</b>	<b>14690</b>	<b>14530</b>	<b>14370</b>	<b>14210</b>	<b>13570</b>	<b>13090</b>
<b>HHI</b>	<b>4282.84</b>	<b>3933.10</b>	<b>3749.38</b>	<b>3539.96</b>	<b>3195.85</b>	<b>2772.16</b>

*Source:* Author analysis

As the above Tables show the UK fixed voice market is dominated by British Telecom, but the company is clearly in decline. Although historically telecommunications has been driven growth in basic fixed telephony, more recently growth has been concentrated in new services like broadband and mobile. The decline in traditional fixed voice market represents a business challenge to BT which in the past has relied on fixed voice services as its most stable revenue stream. BT's market revenue of all fixed call volumes has fallen from £5.9 billion in 2005 to £4.2 billion in 2010. In the same period, BT's market share has fallen from 64% to just above 50%, whereas the share of Virgin Media and other fixed voice telecoms firms has increased substantially.

### 3.3.2 Wireless

In contrast to the UK fixed voice market which has been characterized by the domination of an incumbent company, the UK wireless telecoms market has followed a competitive model. Outside of a new 3G operator, *3UK*, before 2010 the other four operators (*O2*, *Vodafone*, *T-Mobile* and *Orange*) had a roughly equivalent size. However, concentration rose when *Orange* and *T-Mobile* merged in 2010 under a new company named *Everything Everywhere*, owned jointly by Deutsche Telekom and France Telecom (see Table 1 below).

**Table 1: Market Shares (by revenues)**

<b>Company/Owner</b>	<b>2005</b>	<b>2008</b>	<b>2010</b>
<b>O2 (Telefonica - Spain)</b>	22.0	25.2	28.0
<b>Vodafone</b>	21.5	25.4	23.0

<b>Everything Everywhere</b> (Germany, France) (formerly <b>T-Mobile</b> [Germany] (and <b>Orange</b> [France]))	17.0 (Orange) 16.5 (T-Mobile) TOTAL: 33.5	25.0 (Orange) 20.0 (T-Mobile) TOTAL: 45.0	43.0
<b>3UK</b>	2.3	4.5	6.0
<b>Revenue (US\$ mil)</b>	<b>21198</b>	<b>30120</b>	<b>32890</b>
<b>HHI</b>		<b>3325.45</b>	<b>3198</b>
<b>C4</b>		<b>100.0</b>	<b>100.0</b>

**Source:** Ofcom, 2011; also see data for 2010 at:  
<http://sameoldplayedoutscenes.wordpress.com/2010/09/01/mobile-market-share-2010>.

### 3.3.3 Wireline and Wireless combined

A 2011 report by the regulator<sup>viii</sup> highlights some of the key trends emerging in 2011 regarding both the wireline and wireless sectors. In particular, BT's share of total fixed and mobile voice call volumes fell to 19.4% in 2010, while mobile's share increased to 49.2%, making it likely that more than half of UK voice calls will be mobile-originated in 2011. BT's share of fixed voice call volumes also fell to under 40% for the first time during the year. Meanwhile, total fixed internet revenues were £3.0bn in 2010, down from £3.2bn a year previously. The majority of this fall was due to declining residential broadband prices. Finally, the decline in the number of businesses fixed lines accelerated in 2010, falling by 5.2%, the largest annual decline since the number of business lines began to decline in 2008.

**Table 1: Share of total UK fixed and mobile telecoms connections (proportion of connections, %, 2005-2010)**

<b>OPERATOR</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>3UK Mobile</b>	3.5	3.6	3.7	4.1	4.3	4.9
<b>Everything Everywhere (Orange &amp; T-Mobile)</b>	14.8 (Orange) 15.2 (T-Mobile) TOTAL: 30.0	14.7 (Orange) 16.2 (T-Mobile) TOTAL: 30.9	14.5 (Orange) 16.0 (T-Mobile) TOTAL: 30.5	14.8 (Orange) 15.1 (T-Mobile) TOTAL: 29.9	14.8 (Orange) 15.0 (T-Mobile) TOTAL: 29.8	27.2
<b>O2 Mobile (inc. Tesco)</b>	16.9	18.2	18.5	19.3	19.6	21.2
<b>Vodafone mobile</b>	15.1	14.3	15.5	15.9	16.5	17.5
<b>Other fixed</b>	3.6	5.4	6.4	7.3	9.2	10.0
<b>Virgin Media fixed</b>	4.9	4.5	4.2	4.3	4.2	4.3
<b>BT fixed</b>	26.2	23.1	21.2	19.2	16.5	14.9
<b>HHI</b>	<b>1699.36</b>	<b>1610.24</b>	<b>1570.48</b>	<b>1529.58</b>	<b>1493.47</b>	<b>1860.04</b>
<b>C4</b>	<b>73.4</b>	<b>72.2</b>	<b>71.2</b>	<b>69.5</b>	<b>67.6</b>	<b>80.8</b>

*Source:* Ofcom, 2011 / operators

**Note:** Includes estimates where Ofcom does not receive data from operators; 'Other' includes carrier pre-selection and wholesale line rental in addition to fixed other licensed operators. MVNOs and mobile service provider connections are included within the network operator figures

### 3.4 Online media

#### 3.4.1 ISPs

**Table 1: ISPs - Market Shares (%), 2004-2009)**

<b>Internet Service Provider</b>	<b>2004</b>	<b>2006</b>	<b>2009</b>
BT Broadband	27.2	23.1	25.8
Virgin Media Inc. (US)	21.4	26.3	21.8
Carphone Warehouse (UK) (acquired AOL)	11.1	12.1	15.2
Sky Broadband (News International)	-	-	11.0
Talk-Talk (UK) (acquired Tiscali)	7.5	10.1	10.0
Orange (France Telecom)	9.3	9.2	5.75
Cable and Wireless (C&W) (UK) (Cable and Wireless Worldwide plc)	1.5	1.2	-
<b>Revenue estimates (US\$ mil)</b>	<b>6994</b>	<b>8890</b>	<b>11100</b>
<b>HHI</b>	<b>1466</b>	<b>1559.8</b>	<b>1625.9</b>
<b>C4</b>	<b>69</b>	<b>71.6</b>	<b>73.8</b>

*Source:* Ofcom, 2010, see also Point Topic “The UK Broadband Market” at <http://point-topic.com/brochure/UKP.pdf>.

In the past couple of decades the sector of ISPs has been subject to mergers and acquisitions. However, there is currently a good number of ISPs and the competition between them has reduced prices substantially so UK users can now buy high-speed broadband packages (up to 50 MB broadband) combined with other services for under 10 pounds per month.

### 3.4.2 Search engines

In terms of market share, Google dominates search, similarly to most other countries. But according to the latest figures, supplied by ComScore and Digital Marketing Blog<sup>ix</sup>, in the UK the Google market share is even stronger, with the search titan gaining almost 90.7% of all traffic in January 2011. In a very distant second place are Bing and Yahoo, both experiencing in recent years a drop in market share. The combined share of all of the rest search engines in 2011 was just 1.34%.

**Table 1: Search Engines - Market Shares (% , 2007-2011)**

<b>SEARCH ENGINE</b>	<b>2007</b>	<b>2009</b>	<b>2011</b>
Google	77.0	88.74	90.68
Yahoo	8.0	5.51	2.85
MSN	5.0	-	-
Bing	-	2.89	3.87
Ask	5.0	-	1.26
Other	5.0	2.86	1.34
<b>Revenue estimates (US\$ mil)</b>	<b>750</b>	<b>2058</b>	<b>2250</b>
<b>HHI</b>	<b>6043</b>	<b>7913.5</b>	<b>8247.5</b>
<b>C4</b>	<b>95</b>	<b>97.14</b>	<b>98.66</b>

**Sources:**

Statistics 2007: <http://www.intraspin.com/webstrategyblog/uk-google-market-share-march-2007>.

Statistics 2009: <http://www.koozai.com/blog/search-engine-news/search-engine-market-share-statistics-november-2009>.

Statistics 2011: <http://www.koozai.com/blog/search-engine-news/google/google-still-dominating-uk-and-us-search-markets-007>).

### 3.4.3 Online News

*Table 1: UK Online News Media (Market share by Monthly Unique Visitors)*

	<b>2007</b>	<b>2009</b>	<b>2011</b>
<b>BBC Sites</b>	35.0	34.0	32.0
<b>News International</b> (UK/US/Australia) (Skynews.com; The Sun Online; Times Online)	19.2	19.0	18.0
<b>ITV Sites</b> (ITV plc)	9.0	8.5	8.0
<b>Guardian.co.uk</b> (Guardian Media Group)	7.5	7.0	7.0
<b>Mail Online</b> (Daily Mail & General Trust)	6.0	6.0	6.1
<b>Channel 4</b> (Channel Four Television Corporation)	4.0	4.0	4.0
<b>Mirror Group Digital</b> (Trinity Mirror plc)	2.2	2.0	1.8
<b>Telegraph Group</b> (Barclay Brothers)	1.8	1.8	1.7
<b>Independent.co.uk</b> (Independent Print Ltd) (Lebedev)	0.9	0.8	0.8
<b>Revenue estimates</b> (US\$, mil)	<b>750</b>	<b>1030</b>	<b>1530</b>
<b>HHI</b>	<b>1829.22</b>	<b>1735.57</b>	<b>1559.4</b>
<b>C4</b>	<b>70.7</b>	<b>68.5</b>	<b>65.0</b>

*Source:* ComScore World Metrix; Audit Bureau of Circulations Electronic (ACBe); author analysis

It can be seen that the established media dominate online news, leaving little room for non-traditional routes. Despite the lead of the BBC as the most visited site for accessing online news, the UK national newspaper websites experience large market shares by monthly unique visitors. During the past few years there has indeed been a fast growing UK online newspaper

market attracting even larger audiences from outside the country. The ABCe figures demonstrate that all UK newspaper websites see some fall of domestic readers, but they compensate by winning new readers abroad. Overall traffic for all established media sites such as the BBC, News International and ITV shows a slight decline year-on-year, owing to competition from newcomers.

#### **4 Other Concentration and Ownership Issues**

##### *The Murdoch problem*

The main point of discussion with regards to UK media concentration is Rupert Murdoch's firm News International, owner of the daily best-selling tabloid *The Sun* (the Sunday best-selling tabloid *News of the World* closed down in 2011 owing to a phone hacking scandal), as well as the broadsheet *The Times* and *Sunday Times*, which help set the political agenda and influence voters. News International also controls 39% of satellite broadcasting network BSkyB with more than 12 million subscribers. In 2011, in the midst of the phone hacking scandal and fierce opposition from other political parties, the UK coalition government did not allow the Murdoch family to buy the remaining 61% of BSkyB and therefore achieve complete control of the satellite network. Given that News International also owns a 7.5% stake of the main commercial terrestrial broadcaster ITV plc, this acquisition would have raised competition concerns as well as concerns regarding media pluralism and diversity in the UK media. News International is the UK subsidiary of News Corporation, which in 2012 split into two companies – newspapers, book publishing and education; and media and entertainment. The restructure was expected to protect the group's robust film and television assets from the publishing businesses which were undervalued after the phone-hacking scandal's rising legal costs.

##### *Local/regional industries*

In 2009 the regulator Ofcom submitted the following recommendations to the Secretary of State concerning local media ownership rules and these were eventually approved:

**Table 1: Ofcom’s recommendations concerning local media ownership rules in the UK**

<b>Geographical coverage</b>	<b>Rules</b>	<b>Recommendations for consultation</b>
Local	Local radio ownership rules	Removal
Local	Local cross-media ownership rules	Liberalization so that the only one restriction would be on ownership of all three of: <ul style="list-style-type: none"> <li>a) local ownership (with 50% plus share)</li> <li>b) a local radio station</li> <li>c) the regional Channel 3 licence</li> </ul>
Both local and national	Appointed news provider rules	No change
Both local and national	Restrictions on holding broadcast licences	No change
Both local and national	Media public interest test	No change

**Source:** Ofcom, 2009 (Media ownership Rules Review, 31 July)

It can be seen that Ofcom’s recommendations consider mostly relaxing and simplifying the radio ownership rules and abolishing most of the local rules concerning radio ownership and cross-media ownership. Ofcom’s rationale is that, given the financial pressures that stations face, these removals may provide opportunities to make radio stations viable by being under common ownership, allowing more operational efficiencies. Ofcom mentions that their research shows that a majority of consumers are not opposed to single ownership in radio, so long as they have an alternative source from their local BBC station.

Ofcom also recommends liberalization of the local cross-media ownership rules, so that the only restriction would be on ownership of all three of: local newspapers (with 50% plus local market share); a local radio station; and the regional Channel 3 licence.

Meanwhile, Ofcom recommends retaining the national cross-media ownership rules. As the regulator puts it, despite the rise of the Internet and the growth of digital media as a news source, the television remains an important source of news. Additionally, in spite of a decline in their national circulation, newspapers retain an important role in setting the news agenda. Therefore the regulator concludes that there has not yet been such significant change in national media to mean that they should be removed.

Also Ofcom recommends retaining the restrictions on holding broadcast licences in order to continue protecting against undue influence through television and radio by certain owners (i.e. political parties; religious groups) whose influence over content might cause concern. Once again, the regulator points to the fact that television and radio remain influential in the digital age.

Ofcom recommends retaining the appointed news provider rule which aims to ensure that the provision of national and international news to ITV plc is independent to the BBC. This is because ITV1 (of ITV plc) remains the most watched source of broadcast news after the BBC, exactly as it was when the rules were liberalized with the Communications Act 2003.<sup>x</sup>

## 5 Overall interpretation

With regards to the broadcasting market, the British public has been well served by the mixed economy of a public broadcaster, a regulated private sector and the arrival of satellite and cable broadcasters. The television market is among the most mature and dynamic in Europe, consisting of traditional broadcasters with public service obligations, that is, to offer high quality and diverse programmes that are universally accessible, as well as digital terrestrial, cable and satellite channels. Despite the progressive move away from a highly regulated commercial sector towards market deregulation (reflected in the 2003 Communications Act which seeks to liberalise), there is a determination to retain the public service principles that have shaped the TV market. This is evidenced by the setting up of a Content Board, a committee of the main Ofcom Board, which serves as Ofcom's primary forum for the regulation of content-related aspects of the broadcasting industry, particularly quality and standards. It is also evidenced by the government's endorsement and support for the BBC in an increasingly crowded market place, though it has asked it to cut back many of its services and freeze the licence fee until 2017. However critics argue that technological and regulatory changes have affected the emphasis and character of the programming of both public and private terrestrial channels which now provide less pluralistic, less distinctive and less diverse output.

Satellite and cable television channels are also widely available but are not subject to public service obligations. British Sky Broadcasting (BSkyB), set up in 1990, dominates the satellite TV market with more than 12 million subscribers. The cable TV market developed in the late 1980s with the entry of numerous networks, but in 2006 only two providers prevailed, NTL and Telewest, which are now merged into a single company, Virgin Media. A further merger

with Virgin Mobile UK in July 2006 created the first ‘quadruple-play’ media company in the UK, offering TV, internet, mobile phone and fixed-line telephone services. Virgin Media operates its own fibre-optic cable network, the only national cable network in the UK, which in 2010 had a total of approximately 4.8 million cable customers, 4.01 million with broadband internet services, 4.16 million with fixed-line telephony services, and around 3.07 million mobile telephony customers. Meanwhile, Britain is a leader in the rollout of digital television services. Following the collapse of pay digital terrestrial consortium ITV Digital in April 2002, the BBC-led terrestrial digital television consortium Freeview was launched in late 2002 and in a course of less than a decade has attracted more than 14 million households by offering free-to-air digital services. In 2011, more than 95% of the UK households had access to digital TV via terrestrial, satellite, cable or Digital Subscriber Lines (DSL) means.

### *The regulatory framework*

The Communications Act 2003 is the main piece of legislation governing the media and communications sectors in Britain. It delivers significant changes to the regulatory structure and claims to strike the right balance between protecting the interests of consumers and citizens and keeping burdens on industry to a minimum. The key principles behind the Act are to ensure access to a choice of high quality services, ensure that public service principles remain at the heart of British broadcasting, deregulate to promote competitiveness and investment, and impose self-regulation whenever appropriate.

However, the existing law is inefficient in preventing concentration; on the contrary, the Communications Act 2003, opened the door wide open for more concentration in the traditional industries like the press and broadcasting sectors as well as cross-media

ownership. This is because the new law abolishes strict media and cross-media ownership rules, pays increasing emphasis to self-regulation, and makes it easier for foreign interests to own UK media companies. As free media market policies prevail the concentration trends in many industries, such as the newspaper sector, are likely to continue in the coming years, although there are signs that the current UK government may adopt a tougher line towards News International given the phone hacking scandal.

The UK's telecoms market, one of the largest in Europe, is characterized by fierce competition in the mobile and broadband sectors, and by an innovative broadcast sector which has pioneered business models for distributing digital content. As a consequence, mobile and broadband penetration is comfortably ahead of the European average, while competition in the fixed line market is driving prices down. Mobile communications' share of total telecoms revenue has become larger than fixed since 2004. DSL is now almost universal, while Internet usage (both at work and home) reached 79.8% of the population.<sup>xi</sup> Digital television penetration reaches about 92% of the population, well above the EU average, and digital radio (DAB) is starting to take off. Consumer prices across the board have fallen steadily, while network capabilities have been greatly expanded following recent investments by British Telecom (BT) and Virgin Media in Next Generation Networks (NGNs). To comprehend the enormity of the developments one should bear in mind that in the 1990s most UK households would have only access to a basic landline, a TV service with four channels, and an analogue radio service.

#### *Evidence of media market concentration*

Despite all these, there is evidence of media market concentration. In the satellite TV market, BSkyB continues to enjoy a monopolistic situation, having acquired most of the available premium programming (sports and blockbuster movies), thus leaving little room for new entrants. Murdock's company, News International, owner of BSkyB but also of some of the most influential newspapers, is considered by many to be a major threat to political pluralism and diversity of products and services. The BBC is a powerful player in radio, terrestrial TV and digital and online services and there are many voices, originating mainly from commercial operators, demanding a curbing of its expansionist online strategies. In telecoms, the UK fixed voice market is still dominated by British Telecom, though it is clearly in decline, while concentration in the traditionally competitive wireless telecoms market rose when Orange and T-Mobile merged in 2010 under a new company named Everything Everywhere, owned jointly by Deutsche Telekom and France Telecom. Regarding the print media, the book publishing industry is dominated by a handful of companies (Hachette, Random House, Penguin Books and Harper Collins), whereas the magazine industry has been subject to large mergers, the most recent being the 2011 merger between National Magazine Company and Hachette Filipacchi Médias to form Hearst Magazines UK. Yet, the scale of this merger did not match the acquisition of IPC Media by US conglomerate Time Warner for a £1.15 billion in October 2001 – the biggest magazine deal ever seen in the UK and the biggest transatlantic media deal of our time.

In the radio sector, in 2012 the Guardian Media Group, owner of the UK's third-largest radio group GMG, sold its radio business to market leader Global Radio. At the time of writing the deal is under regulatory review, but if it is cleared concentration levels will rise significantly as only two commercial companies will be left competing with each other. Meanwhile, there is speculation that the second-largest radio group, Bauer Radio, will be forced to look at

further acquisitions in the radio market in order to remain competitive with Global Radio. In terms of the new media and social networks, Google dominates the search engine market, and while this is the case in many other countries, Google's share in the UK is growing and has recently reached unprecedented levels with more than 90% of all traffic. The sector of Internet Service Providers is competitive, though signs of consolidation are evident in here too. Finally, the online news media sector is dominated by established newspaper and television firms, leaving little room for non-traditional interests.

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<sup>i</sup> Freedman, Des. *The Politics of Media Policy*. Cambridge: Polity Press, 2008, pp. 119-120; Also Tunstall, Jeremy. "The BBC and UK Public Service Broadcasting," in Iosifidis, Petros, ed. *Reinventing Public Service Communication: European Broadcasters and Beyond*. Basingstoke, UK: Palgrave Macmillan, 2010, pp. 145-157

<sup>ii</sup> Douglas, Torin. "Analysis: Murdoch and media ownership in UK". 22 December 2010. Last accessed on 2 July at <http://www.bbc.co.uk/news/uk-12062176>.

<sup>iii</sup> Barnett, Steven, & Seaton, Jean. "Why the BBC Matters: Memo to the New Parliament about a Unique British Institution". *The Political Quarterly* 81, no. 3 (2010): 327-32. Also, Iosifidis, Petros. *Public Television in the Digital Era: Technological Challenges and New Strategies for Europe*. 2<sup>nd</sup> ed. Basingstoke, UK: Palgrave Macmillan, 2012.

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<sup>iv</sup> OFCOM, “International Communications Market Report 2010,” London: Office of Communications. December 2, 2010. Last accessed on 30 May 2012 at: [http://stakeholders.ofcom.org.uk/binaries/research/cmr/753567/icmr/ICMR\\_2010.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/753567/icmr/ICMR_2010.pdf).

<sup>v</sup> “UK Magazines”. Last accessed on 22 May 2012 at <http://www.magforum.com/ukmagazines.htm>.

<sup>vi</sup> Iosifidis, Petros. *Global Media and Communication Policy*. Basingstoke, UK: Palgrave Macmillan, 2011, pp. 143-163.

<sup>vii</sup> OFCOM, Communications Market Report: UK, London: Office of Communications. August 4, 2011. Last accessed on 18 May 2012 at: [http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK\\_CM\\_2011\\_FINAL.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CM_2011_FINAL.pdf).

<sup>viii</sup> OFCOM, Communications Market Report: UK, London: Office of Communications. August 4, 2011. Last accessed on 18 May 2012 at: [http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK\\_CM\\_2011\\_FINAL.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CM_2011_FINAL.pdf).

<sup>ix</sup> Perrin, James “Search Engine Market Share Statistics.” 11 January 2011. Last accessed on 3 June 2012 at <http://www.koozai.com/blog/search-engine-news/google/google-still-dominating-uk-and-us-search-markets-007>.

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<sup>x</sup> Her Majesty's Office, No. 1900 (C. 77). "Communications Act 2003", London, 21 July 2003. Last accessed on 2 March 2012 at [http://www.opsi.gov.uk/acts/acts2003/ukpga\\_20030021\\_en\\_1](http://www.opsi.gov.uk/acts/acts2003/ukpga_20030021_en_1).

<sup>xi</sup> Internet World Stats. "United Kingdom: Internet Usage Stats and Market report - Usage and Population Statistics". Last accessed on 30 March 2012 at <http://www.internetworldstats.com/eu/uk.htm>.