

## National television news

1. In this appendix we present evidence on the following issues relating to competition in the wholesale supply of national television news:
  - (a) television news channel providers only available on multi-channel platforms;
  - (b) analysis of the profitability of news provision by PSBs;
  - (c) competition between Sky News and ITN; and
  - (d) the views of ITV, Channel 4 and Five on alternative news providers.

### Television news channel providers only available on multi-channel platforms

2. In addition to the main television news channel providers—those operating on all the distribution platforms (BBC, ITV, Channel 4 and Five) and BSkyB—there are a number of smaller news services available on multi-channel platforms only. These providers are listed in Table 1. With the exception of S4C2, which provides Welsh news programming, none of these channels are subject to a public service obligation. These channel providers tend to focus on news events in other countries or, in the case of Bloomberg, on business news.

TABLE 1 Other suppliers of television news on the main platforms

<i>Channel provider</i>	<i>News provider</i>	<i>Distribution platforms</i>	<i>Public service obligation?</i>	<i>Focus</i>
Al Jazeera (UK)	Al Jazeera (UK)	DSat	No	Middle East
Bloomberg	Bloomberg	Cable & DSat	No	Business
CCTV-9	CCTV-9	DSat	No	China
CNBC Europe	CNBC	Cable & DSat	No	USA
CNN International	CNN International	Cable & DSat	No	International
EuroNews	EuroNews	Cable & DSat	No	European
Fox News	Fox	DSat	No	USA
France 24	France 24	DSat	No	France
NDTV	NDTV	DSat	No	India & Pakistan
Russia Today	Russia Today	DSat	No	Russia
S4C2	BBC	DTT & DSat	Yes	Wales
Star News	Star TV	DSat	No	Asia

Source: CC analysis of programme listings.

Note: Table excludes other news channels by the main television news channel providers (eg BBC News 24).

## **Profitability of news provision by public service broadcasters**

3. Ofcom has considered the profitability of news provision by public service broadcasters.<sup>1</sup> It found that looking only at the direct news revenue (eg advertising revenue) and the direct costs of news, news provision on ITV and (to a lesser extent) Channel 4 is not a profitable activity. Ofcom also found that, in addition to the direct costs of news supply, there was a certain opportunity cost for public service broadcasters in providing peak-time news. This is because audience ratings—and hence advertising revenues—are in some cases lower for peak-time news than could be obtained from alternative programming.
4. However, this effect is mitigated by the fact that the average cost per hour of news programmes is not high, compared with other peak-time programmes. In addition, although the revenue collected from advertising breaks directly around news programmes tends to be low, Ofcom found that the reduced volume of advertising at these times was not always due to lack of appeal of news programming itself. This is in large part because it is in broadcasters' interests to move advertising from the early parts of peak time (eg 6.30 to 7pm), when news appears, into the later parts of peak, when overall audiences are higher (there are rules controlling the overall amount of advertising in peak).
5. Ofcom also found that news provision can bring wider business benefits to channel providers. These can include the economic benefits associated with being a public service broadcaster (eg preferential access to available spectrum) and the benefits to reputation and brand identity that is associated with carrying a 'flagship' news programme.

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<sup>1</sup>Ofcom: *New News: Future News*, paragraphs 4.21 to 4.50.

## **Competition between Sky News and ITN**

6. The main third party news contracts, for which Sky News and ITN can bid, are those to supply news to ITV, Channel 4 and Five.

## ***Competition to supply ITV***

7. ITV contracts with ITN for its news programming and has done so since ITN was founded in 1955. In 2001, ITV held a competitive tender to provide its news service. Bids were received from ITN and a consortium (the 'Channel 3 consortium'), which involved BSkyB, Bloomberg and CBS. Under CA 2003, Sky News is permitted to bid to provide ITV news as part of a consortium (though not on its own), although its share of such a consortium must not exceed 20 per cent. In April 2007, ITV and ITN announced that the agreement for ITN to produce ITV's news programming was to be extended until the end of 2012. No tendering procedure took place on this occasion. Heads of agreement have been signed, although a contract has not yet been finalized.

## ***Competition to supply Channel 4***

8. Under CA 2003, Channel 4 is required to fulfil its public service remit to 'provide a broad range of high quality and diverse programming', and to meet obligations in its Ofcom licence to produce high-quality news, including at least 208 hours in peak viewing time per year. Section 295 of CA 2003 prohibits Channel 4 from making programmes to be broadcast on Channel 4 (including news) without the permission of Ofcom. Channel 4 therefore looks to the independent production sector to make its news programmes. Since the founding of Channel 4 in early 1982, ITN has performed this function. Channel 4's current contract with ITN runs until at least 31 December 2010.

9. Shortly after the expiry of the previous contract with ITN in late 2005/early 2006, Channel 4 considered a range of potential options including:
- (a) *Taking news from independent production companies.* [X]
  - (b) *Taking a raw news feed from Sky News and producing its own news output,*  
subject to Ofcom consent. [X]
  - (c) *Obtaining a full news service from Sky News.* [X]
10. Channel 4 believes that the ongoing partnership with ITN continues to represent a good fit. Therefore Channel 4 renewed its contract with ITN. Channel 4 said, however, that having alternative news supply options placed Channel 4 in a stronger negotiating position with ITN when it renewed its contract.

### ***Competition to supply Five***

11. Five told us that as a small broadcaster with an annual programme budget of around £200 million in total, it would find it disproportionately costly to provide a news service in-house. Therefore, the most cost-effective way for Five to source its news service was to contract with an established news provider which already has the infrastructure necessary to provide a quality national and international news service.
12. When Five launched in 1997 it contracted its news service from ITN and renewed this contract in 2000. From 2005, Five's news service has been provided by Sky News. The contract to supply news to Five runs for five years from 2005. [X]
13. When the contract was put out to tender in 2004, ITN and BSkyB bid to supply the contract. [X] Five chose BSkyB's bid not only because it was lower, but also because it believed it represented better quality and higher value for money than ITN's bid. This was for two main reasons:

- (a) ITN was also news provider to Five's main commercial rivals, ITV and Channel 4, while Sky News—as a dedicated news channel—was not a competitor to Five; and
- (b) the contract allowed Five to call on all Sky News correspondents to report on screen for Five, in addition to the dedicated team of Five News reporters, thus greatly extending the potential range and depth of the programme.

### **Channels' views on alternative news providers**

14. We asked ITV, Channel 4 and Five which other providers of national news they considered could bid for their news contracts in the future.

#### ***ITV***

15. ITV considered that there were other providers who could credibly bid for the ITV national news services contract in the future—either individually or as part of a consortium. These include:
- (a) Sky News;
  - (b) Reuters;
  - (c) Press Association;
  - (d) Associated Press;
  - (e) Bloomberg;
  - (f) CBS; and
  - (g) CNN.
16. Of these, only Sky News has a pre-existing national television news operation. The others have established UK capabilities focused more on international news or print/online journalism. However, ITV believed that such capabilities could be readily expanded to provide a full news service to ITV. ITV noted that BSkyB was currently

prohibited under CA 2003 from becoming the news provider on a sole basis to ITV,<sup>2</sup> and that the BBC was prohibited from becoming the news provider to ITV under the Broadcasting Act.<sup>3</sup>

#### **Channel 4**

17. Channel 4 told us that it considered that only the BBC, Sky News and ITN currently possessed the infrastructure, personnel and know-how to produce a television news service of sufficient quality to meet its requirements. Channel 4 considered it unlikely that the BBC would be permitted to bid for Channel 4 news services, which would also conflict with Channel 4's own remit. Channel 4 considered it unlikely that other providers of news content would be in a position to bid for Channel 4 news services.

#### **Five**

18. Five told us that, in its experience, the costs of news provision are falling, due to advances in digital technology and distribution. This could mean many more companies being potential news providers to Five when its contract is next up for renewal. In addition to Sky News and ITN, this could include international news organizations such as CNN, Reuters and APTN. Should they feel inclined, Five considered that any one of these organizations could recruit the staff to provide the dedicated 'front end' resources for a high-quality news programme while relying on its own infrastructure to support this.
19. Five also considered that by the time of the next contract, it would be possible for a resourceful independent production company with appropriate editorial experience to provide Five's news service. Such a company could compensate for a lack of

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<sup>2</sup>This restriction arises from paragraphs 1 and 2 of Part I of Schedule 14 of CA 2003. ITV also noted that BSKyB could hold up to a 20 per cent stake in any consortium formed to bid for the ITV news contract (see paragraph 7).

<sup>3</sup>Paragraph 5 of Part II of Schedule 2 to the 1990 Broadcasting Act, as amended by the 1996 Broadcasting Act.

infrastructure by sourcing picture and information from international agencies such as Reuters and APTN.