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The End of Public Media?
The UK: canary in the coal mine?

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Abstract

The author proposes that the advertising finance which historically has underpinned public media (that is, affordable and ubiquitous access to diverse and high quality information about the world) is drying up. Latterly, advertising revenue has migrated to the internet, and particularly to eBay and search engines, threatening the long established business model which has sustained "legacy" public media. The author considers different national instances and policy responses in this connection, drawing on publicly available data, in particular from the UK media regulator Ofcom. He argues that though the contemporary changes considered have had adverse consequences for "legacy" media, they provide a measure of opportunity for new entrants. The rebalancing of the media universe, flowing from changes to the advertising market, puts in question the scope, character and institutional form of established types of public policy intervention – notably that of public service broadcasters and thus, in the UK context, the BBC. The author argues that, though data is fragmentary and national differences are apparent, recent shifts in the media advertising market have had, and will continue to have, profound, and largely adverse, consequences for established public media, whether publicly or privately owned.

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Introduction

Once upon a time there was a newspaper called the *Daily Universal Register* (DUR). Its importance lies in having been the basis on which *The Times* (or as Americans, sensibly seeking disambiguation, often call it "The London Times") was founded and the early history of the DUR/Times provides good examples of the business models which thus far have underpinned modern public mass media[1]. The first edition of the DUR came out in 1785 and the first *Times* in 1788, entitled *The Times or Daily Universal Register* (Anonymous[2] 1935: 6). The DUR/Times was first published by John Walter, a bankrupted coal merchant and insurance underwriter, who became a printer/publisher dealing principally in dissemination of shipping and financial market intelligence but which also, at least once, published "kiss-and-tell" tales – notably an *Apology for the Life of George Anne Bellamy.* The author of the first volume of the history of *The Times* wrote that: "Mrs. Bellamy had eloped from boarding school with Lord Tyrawley and subsequently been mistress to half the aristocracy of London" and that her memoir "mentioned the names and characters of every well-known man about town" (Anonymous 1935: 7). This business model is, essentially, that of paying for desired content – whether kiss-and-tell tales or market intelligence. Regulation inhibited development of an alternative business model, based on attracting advertising revenue. Anonymous observed that "all Administrations were jealously afraid of the Press; they taxed the journals and taxed the advertisements……. A self-supporting circulation was rendered impossible by the increasing duties. As the advertisements were increasingly taxed, the space cost more than it was worth… The bare sale of copies would not afford to pay the compositors and printers" (Anonymous 1935: 17) and thus proprietors accepted bribes/subsidies from political interests to sustain their publications.

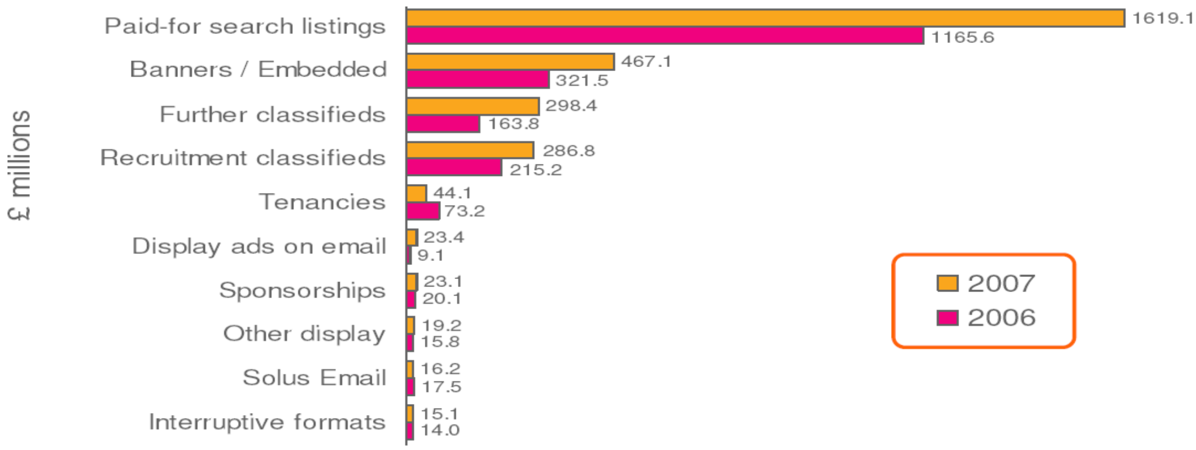
We have, in this brief history, a story of the varying articulation of the three business models which have, in varying degrees at different times and places, sustained public mass media: direct payment for content, payment for advertising and state subsidy. The heroic history of *The Times*, told by Anonymous, features a sloughing off of the corrupt business models of payment for kiss-and-tell and/or backhanders from politicians in favour of the advertising funded model which permitted development of the reputation for authoritative and dispassionate reporting on which *The Times* has liked to pride itself. As Anonymous stated "Emancipation of the daily journals from political dictation, and from the necessity to accept doles from the Treasury or from party funds in return for political support, waited upon the development of commercial advertising" (Anonymous 1935: 18)[3]. Contemporary changes to the advertising market are undermining this economic model, a model which has for more than a hundred years sustained a more or less pluralistic, more or less affordable and more or less universal public media in most "western"[4] states.

However, despite these large scale trends, the UK is currently fortunate in having five national daily newspapers[5], diversely owned, which provide high quality and comprehensive news coverage and three distinct, and of similar quality, sources of TV news[6] as well as a host of other, less salient, news sources. This rosy picture can, of course, be qualified by observing that all these UK based news sources share similar news values; most newspaper reading is not of these five "quality" (or as one tabloid editor named them "The Unpopulars") papers; there is much less diversity and quality in regional and local media; and, although ownership is diverse, some owners enjoy considerably more market power than do others and, further, that such concentrations of ownership and market power are likely to grow[7]. Moreover, news, though important, is not the only significant kind of content – drama, children's programming, documentaries etc are also all important and are all threatened.

Changes to the media advertising market: legacy media to the internet.

Price Waterhouse Coopers (PWC)[8] have recently estimated that the global advertising market fell 12% between 2008 and 2009, further to this (possibly cyclical[9]) absolute fall there has been a major, though unevenly experienced, redistribution of advertising revenues in major developed economies. Authoritative generalisation is difficult because of the uneven availability of reliable data, lack of equivalence in time series etc etc. However, in varying degrees (not least because of varying levels of affordable broadband access to the internet) there is a consensus that has been a striking fall in the proportion of advertising spend devoted to "legacy" media (notably newspapers and free to air broadcasting – the traditional heartlands of public media) and a corresponding rise in spend on the internet (and particularly to search advertising). The significance of this shift, particularly within the context of an overall fall in advertising spend, is that the funding model (advertising plus subscription/cover price) for content production and distribution, notably news and current affairs, is in crisis. Advertising revenues, which once funded content production and distribution, including news, are now received by firms which do not produce content – Google, Yahoo and the like[10] - see figure 1.

Figure 1. UK advertising online.



Source: *IAB/PWC survey 2007.*

Broadly, these trends persist. In the first half of 2010, UK internet advertising spend grew by 10%, achieving a share of the UK advertising market of 24.3% (search advertising accounted for 56% of UK internet advertising), whereas total advertising spend grew only by 6.3% (see http://www.iabuk.net/en/1/ukonlineadspendrises10percent051010.mxs).

Policy responses

The consequences of the impact on content (particularly news) production of this shift of advertising revenues away from "legacy" media and to the internet (particularly to search engines) has been addressed differently in different countries. In Europe, France and the UK, as ever, provide a convenient vignette of the range of responses. In France, with customary active interventionism, the Government has required public service broadcasting to cease to take advertising (with obvious benefits to advertising funded commercial television in France); increased subsidies to the newspaper sector – notably by providing 600m euros in support over three years; offered free hard copy newspapers to young people; and levied 0.9% of the turnover of telcos and ISPs for a content fund.

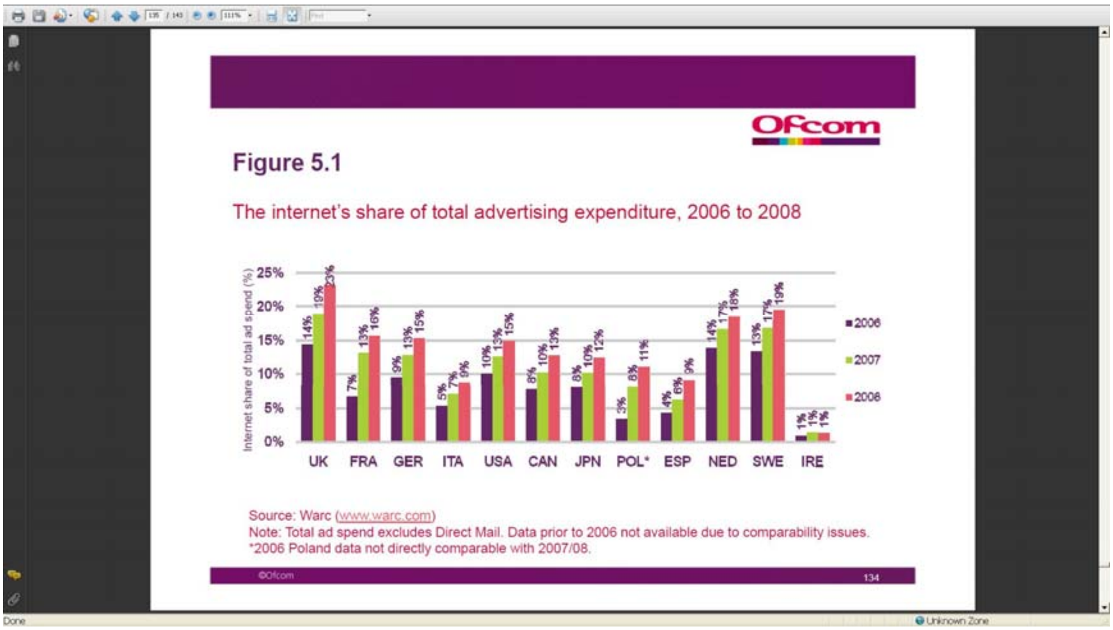
There have been no such bold initiatives in the UK, though Ofcom tentatively proposed diverting some of the funds devoted to public service broadcasting to support a "Public Service Publisher" [11] and the last Labour government (which lost office in May 2010) proposed to fund three pilot schemes to provide news (located in northern England, Scotland and Wales). . The pilots were scheduled to receive funding of up to £47m (from an underspent budget line, funded from the BBC licence fee, initially identified for digital television switchover[12]) over two years. However, the clause which would permit establishment of Independently Funded News Consortia (IFNCs) was deleted from the Digital Economy Bill on its final Parliamentary reading in the pre-election "wash up" on April 7th 2010. This means that IFNCs cannot be established without new primary legislation. And this is unlikely in the foreseeable future, the Conservative/Liberal Democrat Coalition Government, which took office in May 2010, has stated that there will be no commitment to IFNCs. This is not surprising given the poor state of UK public finances and the Coalition's policies of cost reduction and reduction of public spending[13].

How far are such concerns about the impact on content production and availability arising from a changed advertising market justified? There are significant difficulties in data collection and comparison. Electronic media (notably broadcasting) tend to be subject to statutory regulation which, in turn, means that regulators tend to collect and publish authoritative and timely data. But this is not the case for the print sector: newspapers guard jealously their "independence" of government and so data on the press is often less comprehensive and up to data than is that for broadcasting. Moreover, different countries' data collection and publication differs considerably and the finite linguistic competencies of an individual scholar necessarily make her or him reliant on secondary source compilations. Further, authoritative sources may differ in the data they provide (in some cases below I cite differing data from different sources for the same case – however I have only done this where each data set points in the same direction – where different data sources suggest significantly different trends and/or experiences I have attempted to bottom out the differences). However, what data is available points clearly towards the conclusions that, first, that there is a notable and widely shared internet effect, a similarity in kind, and, second, that this shared internet effect does appear to differ between countries – there are differences in degree as well as similarities in kind.

International experience and the UK.

The most recent edition of Ofcom's bi-annual International Communications Market Report (Ofcom 2008) was published in 2008 (with the next edition expected in Q4 2010) but some charts were updated in December 2009[14] and one of these (see figure 2, Ofcom's figure 5.1 below) shows conveniently and authoritatively how the internet's share of advertising expenditure has risen in all of the 12 countries tracked. The shared trend of growth in internet advertising, at the expense of legacy media, is clear but, for some reason(s) the shift of advertising revenue to the internet appears more pronounced in the UK than elsewhere.

Figure 2



Source: *Ofcom 2009a.*

Ofcom (2010: 235) reported that UK internet advertising expenditure had grown from £1.4bn pa in 2005 to £3.5bn in 2009. Although rates of growth may be even more rapid in other jurisdictions (eg in Germany in 2008 Internet advertising trebled, from 105m to 336m euro whereas television advertising grew only 4.5% and newspaper advertising fell 4.2% [Evangelischer Pressedienst 2009: 12]) such growth is usually from a lower base. The reasons for the particularly high salience of internet advertising in the UK are not clear. True, internet access at home in the UK is high – at c73% of homes (Ofcom 2010: 235) but other countries also enjoy similarly high, and sometime higher, levels of penetration (eg the Netherlands and Sweden have significantly higher numbers of internet connections per head than does the UK and France and Germany only a single percentage point lower[15].

Of course, growth in one sector does not necessarily mean decline in another but in this case there seems to be strong evidence of a substitution of internet advertising spend for spend on legacy media. In the UK, television advertising revenues fell by 14.5% in 2008-09 and, as a result, the contribution of advertising to total TV revenue fell to 26% in 2009 from 35% in 2004 (Enders 2010: 3). UK commercial radio revenues have fallen in absolute terms from £551m pa in 2004 to £432 in 2009 and radio's share of UK advertising revenue from 3.5% to 2.8% in the same period (Ofcom 2010: 189). The UK's experience in broadcasting finance is echoed elsewhere: across the 27 EU Member States, aggregate revenues for television fell 4.5% in 2008 (Source: European Audiovisual Observatory Yearbook 2009). And if Ireland's experience is representative, where TV ad revenues fell 2.8% in 2008 but 14.6% in 2009, 2009 will be even worse for European television[16]. Ofcom's trend comparison (see figure 3, Ofcom's figure 2.13) does suggest that there is a general tendency for advertising to migrate from "legacy" public media to the internet.

Figure 3

Ofcom

Figure 2.13

Changes in patterns of advertiser spend, 2007 to 2008 (percentage points)

	UK	FRA	GER	ITA	USA	CAN	JPN	POL	ESP	NED	SWE	IRL
Newspapers	-2.9	-0.6	-0.8	-1	-3	-1.7	-1.6	-1.2	-2.1	-1.5	-2.9	-2
Magazines	-0.8	-0.7	-0.6	-0.9	-0.6	-0.6	-0.6	-1	-0.1	-0.9	-0.2	0.1
TV	-0.5	-1.2	-0.6	0.3	1.7	-0.4	0.2	-1.1	0.5	0.4	0.5	0
Radio	-0.2	-0.2	-0.2	0.2	-0.4	0.1	-0.1	-0.1	0.6	0.2	0	0.8
Cinema	0.1	-0.1	-0.2	-0.1	0	0	0	0.4	-0.2	0	0	-0.1
Outdoor	0	0.2	-0.1	0	0.1	0.2	-0.1	0.1	-1.5	0	-0.1	1.3
Internet	4.3	2.5	2.5	1.6	2.3	2.4	2.3	2.9	2.8	1.8	2.6	-0.1

Source: Warc (www.warc.com)

©Ofcom

Source: *Ofcom 2009a.*

Newspapers are in decline across the world (except in emerging economies such as China and India).[17] The fall in advertising revenue has been accompanied by a fall in circulation, Ofcom found that "Over the past four years circulation figures of the popular press have fallen on average by 3.2% per annum, while 'quality' newspapers have fared better, but still experienced average reductions of 1.3% per annum" (Ofcom 2009: 293). And, although Ofcom does not have statutory responsibility for the press, it noted in 2009 that "Newspaper advertising revenue fell by 12% year on year" (Ofcom 2009: 36). Newspaper publishers have responded by raising prices (for example, the *Financial Times* has doubled its cover price from £1 daily in mid 2007 to the current £2 effective from April 2009) and reducing pagination. Decline in newspaper circulation appears to be accelerating: in the year 2009-10 the five "quality" national daily newspapers and the four national Sunday newspapers all experienced significant falls in circulation.

Regional and local media.

Most attention focuses on the national press (although in many countries – France, Germany and the USA are cases in point – the clear distinction between national and regional/local which obtains in England is not so clear) but funding pressure on local newspapers in the UK is even more marked. In 2008, ABN AMRO (figure 4) commented that one of the largest UK regional/local newspaper groups (which also owns the national daily the *Daily Mirror* and the national Sundays the *Sunday Mirror* and *The People* – all of which are experiencing falling circulations) was experiencing "desperate times" which called for "desperate measures".

Figure 4

ABN·AMRO

Tuesday 1 July 2008

Change of recommendation

Trinity Mirror

Desperate times, desperate measures

Following yesterday's profit warning, we cut our EPS forecasts aggressively (14% for 2008, 19% for 2009). These are desperate times, and they call for desperate measures: we believe a Trinity/Johnston combination makes sense.

Key forecasts

	FY06A	FY07A	FY08F	FY09F	FY10F
Revenue (£m)	1032.2	932.3	880.4	862.8	880.1
EBITDA (£m)	246.5	254.6	192.4	186.3▼	189.5▼
Reported PTP (£m)	180.2	186.2	111.5▼	117.3▼	120.3▼
Normalised PTP (£m)	180.2	191.2	131.5▼	117.3▼	120.3▼
Normalised EPS (p)	43.6	45.8	35.2▼	32.1▼	32.6▼
Dividend per share (p)	21.9	21.9	10.9▼	10.9▼	10.9▼
Dividend yield (%)	20.5	20.5	10.2	10.2	10.2
Normalised PE (x)	2.46	2.34	3.04	3.34	3.29
EV/EBITDA (x)	2.51	1.70	2.96	2.86	2.56
EV/invested capital (x)	0.30	0.22	0.30	0.27	0.27
ROIC - WACC (%)	-2.60	-1.63	-3.18	-3.61	-3.53

Accounting Standard: IFRS
Source: Company data, ABN AMRO forecasts
year to Dec, fully diluted

Produced by: ABN AMRO Bank NV

Hold (from Sell)
Absolute performance

n/a
Short term (0-60 days)

Neutral
Sector relative to market

United Kingdom
Media

Price
£1.07

Target price
£1.15 (from £2.85)

Market capitalisation
£312.13m (€395.22m)

Avg (12mth) daily turnover
£12.20m (€16.97m)

Reuters	Bloomberg
TNI.L	TNI LN

Asset allocation

Equities	Overweight
Cash	Neutral
Bonds	Underweight

Source: *ABN.AMRO 2008.*

Trinity Mirror responded with a merger, though not that with Johnston Press enjoined by ABN AMRO, but rather by acquiring the Guardian Media Group's local newspapers. However, the company's 2010 interim financial results showed a further fall in underlying revenues of 5%, though cost cutting enabled the company to improve margins by 3.3.5 and profit by 25.7%. In some sense a positive story until one recognises that the company has over £300m in debt (albeit holding £75m in cash) and does not distribute a dividend to shareholders[18].

Subscription finance.

In contrast to the experience of the advertising funded mass media, broadcasters funded by subscription (including licence fees – cynically but not inaccurately described as a compulsory subscription) have enjoyed a boom. Between 2004 and 2009, UK pay TV operators enjoyed revenue growth of c39% in nominal terms – of which BSkyB accounted for some 80% in 2009 - to account for 44% of the total TV market (Enders 2010: 3). Again, the UK experience is echoed elsewhere, (see figure 5) albeit sometimes less stridently.

Figure 5

Ofcom

Figure 2.6

Global television sector revenue: 2004 and 2008

	2004	2008
Advertising	£78.77	£91.09
Subscriptions	£56.23	£84.95
Public funding	£15.77	£17.65

Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2009-2012, Ofcom and IDATE for US public funding and subscriber revenue
Notes: Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of $1.848 to the pound, representing the IMF average for 2008.

Source: *Ofcom 2009a.*

A more fine grained snapshot (and thus not showing trends) is also provided by Ofcom (see figure 6, Ofcom's figure 2.1. below) and shows that although the UK is second only to the USA in the absolute amount spent per head on subscription television it is relatively low in terms of the proportion of television spend accounted for by subscription. Canada has the highest proportion of its television spend accounted for by subscription followed by Japan, Germany, the UK, France and the USA.

Figure 6

Figure 2.1

Key television metrics indicators

	UK	FRA	GER	ITA	USA	CAN	JPN
Ads, subscriptions and public funds	£10.5bn	£8.6bn	£10.1bn	£7.4bn	£81.3bn	£3.1bn	£20.3bn
Revs per head	£172	£138	£123	£129	£268	£93	£159
from advertising	*£57*	*£44*	*£39*	*£63*	*£130*	*£51*	*£78*
from subscription	*£71*	*£68*	*£40*	*£44*	*£137*	*£29*	*£54*
from public funding	*£44*	*£26*	*£44*	*£22*	*£1*	*£13*	*£26*
Annual licence fee	£140	£92	£163	£84	n/a	n/a	£134*
Largest TV platform Proportion of homes (%)	DTT 38%	DTT 30%	ACab 47%	ATT 34%	DCab 36%	ACab 32%	ACab 29%
ATT channels	5	7	13	7	5	6	7
Viewing per head (mins/day)	225	204	207	234	277	228	n/a
Share of largest channel (%)	22%	27%	13%	22%	7%	8%	18%
Share of three largest channels (%)	44%	58%	38%	53%	21%	19%	52%
DTV penetration	88%	72%	37%	63%	76%	61%	65%
DSO date	2012	2011	2008	2012	2009	2011	2011

Source: IDATE, Ofcom
Note: The Japanese licence fee comes in two parts. This higher fee is payable for those homes where broadcast satellite services are taken.

Source: *Ofcom 2009a.*

Ofcom also shows (see figure 7, Ofcom's figure 2.10 below) that there is a general, but not invariable, trend of growth in television subscription funding and decline in advertising funding (albeit over a short time series). But despite this, it is clear that, without exception, in the (western) countries and time period considered subscription funding has grown faster than other forms of funding.

Figure 7

Ofcom

Figure 2.10

Changes in components of TV revenues per head, 2007 to 2008

	UK	FRA	GER	ITA	USA	CAN	JPN	POL	ESP	NED	SWE	IRE
Subscription	8.27	6.95	1.27	3.17	8.97	2.72	2.99	5.76	0.9	1.63	5.17	9.04
Public funding	2.68	0.17	-1.14	-0.78	1.33	1.24	-3.65	3.02	-6.36	1.3	-1.19	4.97
Advertising	-0.17	2.44	-0.34	0.49	-0.04	-0.2	0.31	-0.61	-6.11	-1.46	-0.91	0.56

Source: IDATE and Ofcom analysis

Source: *Ofcom 2009a.*

However, a somewhat more nuanced picture emerges when other countries are considered. In the BRICs (Brazil, Russia, India, China) countries considered by Ofcom, and compared to the UK, the same trend towards growth in subscription funding evident in the Europe/North America/Japan (ENAJ) configuration is apparent but in important cases – notably Russia and China – there is an even more striking growth in advertising funding (see figure 8, Ofcom figure 2.37 below)[19]. One may speculate as to the reasons for the differences between the BRICs and ENAJ (later development of a market economy? lower levels of disposable income in the mass of the population?) but to do so authoritatively would require more information and more extensive linguistic capabilities than I can boast.

Figure 8

Figure 2.37

Television industry revenue by source, 2003 and 2008 (£bn)

	BRA		RUS		IND		CHN		UK	
	2003	2008	2003	2008	2003	2008	2003	2008	2003	2008
Subscription fees	1	2.9	0.1	0.5	1.3	2.3	2	2.8	3.1	4.3
Public funding	0	0.1	0	0	0	0	0	0	2.3	2.6
Advertising revenues	2	4.1	0.8	3.1	0.5	1.5	2.1	4.1	3.2	3.5

Source: IDATE / industry data / Ofcom

Source: *Ofcom 2009a.*

So what? The consequences of change.

So what, one might respond? The shift in media funding that I've identified has several important potential consequences. First, in the long term it's likely that public access to affordable content (most importantly, news) is likely to decline. Second, the quality of content is likely to decline. Third, the plurality of sources of content (most importantly, news) may decline – not least in consequence of mergers as firms seek to reduce costs in response to diminishing revenues and/or as control of bottleneck essential facilities (subscription management systems, encryption and API protocols, transmission and distribution platforms etc) endow a few firms with sufficient market power to exercise dominance. None of these potential consequences are necessary or inescapable but all, perhaps for a finite time as markets find a new equilibrium and/or new technologies[20] or business models emerge, can currently be seen in actual and existing media regimes.

Declining access to affordable content? In the UK we have seen significant numbers of newspaper closures and mergers[21], notably in the local/regional sector but the economic health of the national press also remains shaky. As the UK *Press Gazette* reported on 13.8.2010, "The circulation of every national newspaper suffered a year-on-year decline in July, with quality titles faring worse than tabloid and mid-markets papers"[22]. In response, papers have reduced pagination (eg the *Financial Times*), closed free access to websites (*The Times*) and raised prices (the *Financial Times* raised its price from £1 in mid 2007 to £2 in mid 2010). In television, Channel 3 (generally known as ITV but in fact made up of three companies – ITV, stv and UTV) has foreshadowed closure of its regional news services. The combination of the potential loss of both local/regional newspaper and television news coverage underpinned the Labour government's flirtation with the IFNC initiative. Although the consortia were planned a response to a "television problem" they were likely to have had a more general impact. They would have provided local news content to web, mobile, and other platforms, and to the television slots currently occupied by ITV and stv. And thus there was a clear likelihood that these Independently Funded News Consortia would, if they had been implemented, have had a significant impact on non-broadcast news production and distribution. For example, the website of the Scottish pilot scheme was designed to: "act as a portal to 130 local newspaper partner websites" and major publishers of local and regional newspapers were involved in all three pilot schemes. Further contraction may be anticipated as the *Financial Times* reported: "The Birmingham Post might cease daily publication after 132 years…….. Local papers have been hit badly…. Resulting from a shift in classified advertising to the Internet…. Forecasts that advertising sales will slip to £1.8bn this year, 40% lower than in 2003… circulation has dropped from 18,500 to 12,700" (Financial Times 11/12.7.2009 p 4).

Pay walls and online newspapers.

However, there is some evidence of a substitution effect whereby readership of online newspapers substitutes for readership of hard copies. In January 2010 *The Guardian* reported that its website (which includes content from *The Observer* and *MediaGuardian.co.uk*) attracted 36,980,637 unique users; up 3.32% from November and an increase of 62% year on year. Similarly, at Mail Online, the *Daily Mail* website, readership grew by 67% year on year, up 5.1% from November to 32,843,958 unique users. And, third, the most successful UK newspaper website, the *Daily Telegraph* site, fell slightly by 0.33% from November to 30,711,261 unique users. However, this represented a 46% year-on-year increase (source http://www.guardian.co.uk/media/2010/jan/28/guardian-website-attracts-record-users)[23]. But, despite the success of attracting "footfall" to newspaper websites – not surprising when most of these remain free at the point of use - it is generally agreed that newspapers' revenues have not grown commensurately with increased use of their websites. Falling revenues mean a reduction in journalists' jobs and newsgathering resources (see, for example, the National Union of Journalists' website at http://www.nuj.org.uk/innerPagenuj.html?docid=1035). Some newspapers, notably *The Times*[24] have moved to a subscription/pay per view model for web journalism. But it seems unlikely that any such initiative will enjoy success as long as acceptable non-pay equivalents are available: whereas *The Times* has (like other Murdoch owned papers) introduced pay for access to its website as long as *The Guardian*, *The Daily Telegraph* (and the BBC) remain free access sites it is hard to envisage significant revenues accruing to *The Times* online.

Preliminary findings from *The Times'* July 2010 initiative to establish a pay wall are not encouraging. Enders estimates that prior to establishing the pay wall *The Times Online* had 6m unique visitors per month and secured c£25-30m in annual advertising revenues. But, after establishing the pay wall, visitors fell to only 15,000 per month (generating a max annual revenue – assuming all sign up for a year) of £1.5m per annum with an unquantified, but surely significant, loss of advertising revenue (Enders 2010: 13). Subsequent data is no more encouraging. comScore (see http://www.beehivecity.com/newspapers/the-times-lose-another-120000-online-readers-behind-paywall14498765/) suggest that in August 2010, the second month of *The Times'* pay wall business model, site use minutage fell by 16% and page views by 22%.

However, despite the, at best, modest success enjoyed by *The Times*, the Chief Executive of the *Financial Times* Group, John Ridding, has anticipated that 2010 will, for the first time, see his company's revenues from content overtake revenues from advertising.[25] It remains to be seen whether the success Ridding anticipates for the *Financial Times'* pay wall model is vindicated, accordingly it's too soon to predict the long term future of the pay wall media content model. However, what can, provisionally, be concluded is that, first, the success of businesses based on pay walls will be severely constrained whilst free-at-the-point-of-use substitutes (such as *The Daily Telegraph, The Guardian* and the BBC's sites) continue to be available. The relative success of the *Financial Times'* pay wall business model is, doubtless, due to its closest online substitute, the *Wall Street Journal*, also being behind a pay wall. But whilst public service media sites, such as the BBC's, are available free-at-the-point-of-use the success of pay wall protected sites – even if they become a commercial media norm - is likely to be constrained. Second, although **some** legacy media may be able successfully to implement a pay wall model[26], advertising finance is likely to remain important – many newspapers have long experienced the pattern of revenue flows which Ridding claims as a novel success for the *Financial Times*: but the affordability (and quality) of the content, which has for the *Financial Times* recently overtaken advertising as a source of income, is likely to continue to depend on, albeit in part, on advertising revenues.

The changes in the media landscape that I've sketched above are of obvious interest to direct stakeholders in legacy media – whether workers or shareholders – but why should any one else care? A general public interest is at issue only if such changes have damaged, or will significantly damage, the quality, plurality and accessibility of the information necessary for people to make well informed decisions on how to conduct their lives. And here it is, again, too soon to tell. Certainly, there is acute pessimism over the future of established news media, see, for example, http://www.newspaperdeathwatch.com/ US data suggests an analogous decline – see Erick Schonfeld's comment on TechCrunch at http://www.techcrunch.com/2008/11/27/newspaper-death-spiral-continues-industry-advertising-contracts-5-billion-so-far-this-year/ accessed on 3.12.2008. Further, Ofcom's exemplary study *New News, Future News. The challenges for television news after Digital Switch-over* (Ofcom 2007: 1) found that "Economic circumstances make it much less likely that commercial broadcasters would choose to carry news for the UK nations and regions at anything like its current level, in the absence of effective regulatory intervention". And Roy Greenslade, formerly editor of the *Daily Mirror* and now a Professor of Journalism and a highly respected UK media commentator, has also argued that change has been for the worse. On 25.10.2007 he claimed that "media outlets will never generate the kind of income enjoyed by printed newspapers: circulation revenue will vanish and advertising revenue will be much smaller than today. There just won't be the money to afford a large staff" (see http://blogs.guardian.co.uk/greenslade/2007/10/why_im_saying_farewell_to_the.html).

The glass half full? New initiatives.

On the other hand, the decline of professional journalism claimed by Greenslade above has been accompanied by a collapse of entry barriers and the blossoming of a host of specialist sites, Web 2.0 collaborations[27] and the flourishing of what's variously been called "citizen", "distributed" or "networked" (Beckett 2008) journalism or, in a particularly felicitous coining, a "fifth estate" (Dutton 2007). Greenslade himself has claimed[28] "We are surely moving towards a situation in which relatively small "core" staffs will process material from freelances and/or citizen journalists, bloggers, whatever (and there are many who think this business of "processing" will itself gradually disappear too in an era of what we might call an unmediated media).

New entrants range from e-zine sites such as *openDemocracy* (which started in 2000/2001) and has acquired a high reputation for its range of dialogic/debate based international citizen journalism, embodying the attributes of Dutton's "fifth estate", to Rick Waghorn's *Norwich City* soccer club focused site. *openDemocracy* (www.openDemocracy.net) combines user generated content with expert editorial origination and amendment of content whereas Waghorn's site (http://norwichcity.myfootballwriter.com/index.asp) is much more rooted in the established idiom and practices of "legacy" journalism. Waghorn claims his site has "the standards and commitments to quality you would expect from a trained and experienced, professional journalist - just a journalist that's now free from the space and time constraints traditionally imposed by a print press". He asserts that the core competence which sustains the site is his own local, expert, knowledge: "There are lots of journalists who may know more about national football or about England, but nobody will know more about Norwich football than me. Punters know I have a personal relation with a team" (from: http://www.polismedia.org/futureofnews.aspx accessed on 20.1.2009). Waghorn was formerly a sports writer on the Norwich *Evening News* and, after losing his job there, set up his Norwich City FC centred site: lower costs, Waghorn's expert knowledge and informed judgment, and specialisation attracting local advertising and low threshold subscription revenues have established what seems to be a durable service.

The e-zine *openDemocracy* is on a bigger scale than Waghorn's *Norwich City* site with four full time workers and costs c £250,000 pa. It is distinguished by its use of writers from the localities under consideration "we use African writers when an African issue is under consideration", by its commitment to "non metropolitan voices" – "we don't publish on the basis of a metropolitan outlook" and by its dialogic and debate format: "we typically commission more than one piece" and "we still regard ourselves as a debate site" (Hilton interview 7.2.2007[29]). On September 21 2010, Alexa ranked the site 5,198 among UK sites (see http://www.alexa.com/siteinfo/opendemocracy.net .

However, despite the growth of news and comment internet sites/media and a host of blogs (eg www.ekklesia.co.uk , www.indymedia.org.uk , www.openDemocracy.net , www.iandale.blogspot.com , www.18doughtystreet.com , www.pickledpolitics.com , www.liberalconspiracy.org , www.thefirstpost.co.uk) many sites have a mayfly life and survivors are often extremely fragile. *openDemocracy* owes its existence to support from foundations, notably the Ford Foundation, in the USA. It launched with $5m of support with the Ford Foundation was the biggest contributor. In the last two years, in spite of a growing celebrity and reputation, o*penDemocracy* has been in decline. Staffing has fallen from 15 to only 4 full time staff (further supported by interns and contributions from associated projects) and the range and quality of content has changed accordingly. Although *openDemocracy* secured c1, 000 donations in 2007 (c10% of revenues, a further 5% being earned from sale and syndication of content and the remainder being met by donations from foundations) its expenditure on core activities amounts to c£150k pa. Of this very modest sum, its editor in chief, Tony Curzon-Price (interview 27.6.2008), stated that only about 10% can be devoted to commissioning and paying for contributions, premises, connectivity and webhosting account for about a further 10% and core staff salaries the remaining 80%. Distributed journalism has, at best, the authority and immediacy of direct experience and the trustworthiness that the dialogic and self-correcting capacity of Web 2.0 deliberation potentially endows. But, as the case of *openDemocracy* exemplifies, the financial foundations of new entrants are usually fragile and many new entrants thus enjoy, at best, a mayfly life[30].

Despite the promise of "fifth estate" journalism and the contributions to pluralism made by new web based entrants to the UK media there are solid grounds for supposing that the basis on which authoritative, affordable and pluralistic public media have been available for around the last hundred years is falling away. In television resources, slowly followed by consumption, are shifting way from free to air to subscription (pay wall protected) television; in radio (hardly considered by me today) no viable subscription model has been developed but, in the UK at least, advertising revenues are falling slowly though consumption is shifting faster to licence fee funded services; and in the press sector, advertising funded newspapers are (with the qualified exception of free sheets) in decline with no viable pay wall or other alternative emerging.

The change in the advertising market seems, if the trends identified above are sustained, to presage a significant qualitative change in the general mass media environment: for legacy media threats seem most salient, for new media opportunities. But in both legacy and new media these changes point to considerable uncertainty about how the core social and political role of public media – to provide pervasive and affordable access to diverse, high quality, content – is to be sustained. Change, whether manifested as threat or opportunity, points towards renewed attention to public finance for the mass media.

Public finance.

The UK has, with the (significant) exception of exemption from VAT and (less significant) award of postal pricing privileges, confined public support to the broadcasting sector: unlike many other European Union Member States the UK does not subsidise its newspaper press. However, the break down of the long standing system of support for public service broadcasting has posed, and broadened, the question of the future extent and character of public service broadcasting finance beyond conventional radio and television.

Heretofore, public service broadcasting in the UK has been provided by 4[31] free to air broadcasters: ITV and *five* (advertising financed for profit commercial limited television companies), Channel 4 (a public sector non-profit advertising financed radio and television broadcaster) and the BBC (a public sector not for profit corporation funded by an annual licence fee). The rapid decline in television advertising revenue (not least that occasioned by the migration of advertising online) has, it is generally but not universally agreed, fatally compromised the ability of the advertising funded public service broadcasters to discharge their public service mandates. Ofcom estimates that an additional c£200m pa will be required to maintain a satisfactory quantum of public service broadcasting from providers other than the BBC (assuming no change in BBC financing). This estimate does not include any element for any decline in the capacity of newspapers to provide authoritative news and information services.

In its most recent, 2008, consultation on the future of public service broadcasting (see http://www.ofcom.org.uk/tv/psb_review/) Ofcom invited comment on three possible future funding models: "**extended evolution**" (which reduces the public service duties of ITV and *five* and requires additional funding to sustain the public service mandates of the advertising funded broadcasters); a "**refined BBC/Channel 4 model**"(whereby only these two broadcasters would be charged with public service obligations in respect of which Channel 4 would require additional funding to discharge); and a "**refined competitive funding**" regime in which "additional funding would be opened up to a wider pool of providers. Channel 4 could retain its PSB status along with its existing regulatory assets, but be required to bid for any additional funds alongside other providers. Current Channel 3 licensees and Five could also bid for funding, alongside others, if they wished to continue to contribute" (Ofcom 2008b: 65). Ofcom identified different options (including reducing the BBC's licence fee revenues) for funding the public services associated with each option.

The third, competitive funding, option has its origins in an earlier tentative Ofcom proposal to establish a Public Service Publisher (PSP) at the heart of which was a vision of "content for all distribution channels - broadband and mobile, together with a broadcast element" (see http://www.ofcom.org.uk/media/news/2005/02/nr_20050208 accessed 20.1.2009). Ofcom's PSP proposal has been successfully lobbied out of existence by incumbent PSBs but it's worth noting that the Netherlands has recently established an analogous initiative[32].

In the face of challenges such as those outlines above, the obvious answer is to propose public intervention: if markets are failing then the classic answer is action by government to redress failure. And the aborted IFNC initiative represented just such a classic interventionist response. It's important to ask, therefore, why the IFNCs were aborted, why they have not (yet) been resurrected and why the classic, and very large scale, UK instrument of intervention in media markets, the BBC, is no longer the instrument of intervention of choice.

First, there is always room for argument as to whether markets have failed in a long term, structural, way or whether particular problems are transient phenomena and symptoms of markets adjusting rather than failing. So was it with the IFNCs. Second, they have not been resurrected (and other instruments of intervention, such as the UK Film Council, have been closed down) because UK public finances are in a parlous state: when the Government canvasses reductions in defence and university budgets of 25-35% there is scant willingness in most quarters to spend more on the media. And, third, there is a significant level of elite, and to a lesser extent, popular disenchantment with the BBC: a disenchantment which was manifest in the Labour government's topslicing of the BBC budget to fund IFNCs and the Coalition government's freezing of BBC funding.

The BBC.

Both empirically and theoretically the UK picture has, therefore, to be completed by reference to publicly funded media. In the UK, with modest exceptions[33], this means the BBC. The BBC is enormously salient in the UK media landscape. As its former Director General, Greg Dyke, described it, it is an "800 pound gorilla" (see http://news.bbc.co.uk/1/hi/entertainment/3130206.stm). The BBC accounts for c55% of radio listening and a little less than 30% of TV viewing; its website is the most used web content sites in the UK (see www.alexa.com/topsites/countries/GB); is the 47th highest rated global site and is the third highest rated content site (after Wikipedia and the Internet Movie Database. See www.alexa.com/topsites/global;2). It has an annual income exceeding £4bn pa. Moreover, the BBC's licence fee income has risen consistently year on year[34] since 1997 at a time of financial weakness (see above) for its advertising financed rivals.

The BBC has secured generous licence fee settlements over the last decade. In 1997, when the Labour government took office, the licence fee was £91.50 annually. It rose by c56% to £142.50 in 2009. However, I estimate, that in the period between 1997 and Labour losing office in 2010 the BBC's actual income rose by 63% (because of greater efficiencies in licence fee collection and growth in numbers of households as well as an increase in the price of the licence fee)[35]. This at a time when national finances deteriorated: in 2009, for example, UK GDP fell by 4.9% and GDP per head fell by 5.5% (see ONS 2010: 20 and 22). Some of the BBC's "Jacuzzi of cash" as the BBC's Director General, Mark Thompson (in 2002 when Chief Executive of Channel 4) described it was "topsliced" (although that term is strongly resisted by the BBC) to fund digital television switchover (and the underspend on switchover was to have funded the aborted IFNCs).

Despite the BBC's salience and the growing public support it enjoyed under Labour there are indications of disenchantment with the BBC. The BBC is now controversial, both because it has been perceived as a poor custodian of public resources (inflated executive salaries and expenses, excessive spending on "talent", weak performance under external audit etc); and also because its size and resourcing are seen as disproportionately large – particularly in a context where the BBC's growth, fuelled by rising licence fee revenues, contrasts with the decline experienced by its advertising funded counterparts. Further, the BBC has moved too far from its public service mandate ("dumbing down" programming and resiling from its universal service vocation in providing partial, not universal, coverage on some platforms, encryption of services etc).

Despite these travails, the BBC retains a considerable (albeit diminishing) degree of public affection and trust. However, structural changes (as well as contingent issues such as the very generous remuneration enjoyed many senior BBC managers and by “talent”) have put the BBC’s role, status and funding in question. The shift to independent production (a 25% quota of BBC television programmes and with a further 25% of programming open to competition under the so called “Window of Creative Competition” (WOCC) together with increasing, and wide spread, recourse to short term staff contracts has led to a substantial loss of BBC programme makers’ commitment to psb values. Moreover, the external environment has become increasingly hostile. At a time when commercial competitors have experienced significant financial pressure and loss of profitability the BBC’s guaranteed, and seemingly inexorably increasing, funding has led to much criticism from its competitors. Further, the 2010 resignation letter of the Chair of the BBC Trust, Sir Michael Lyons, testifies to external pressures on the BBC’s independence. Lyons stated, *inter alia* “I am proud of what we have achieved in safeguarding the BBC’s independence against significant challenge”[36] (see http://www.beehivecity.com/politics/sir-michael-lyons-quits-bbc-have-the-tories-won/).

The BBC’s response to such pressures is inadequate. In its recent *Strategy Review* (BBC Trust 2010) - which is discussed extensively in postings on the *openDemocracy* Public Service Broadcasting Forum, see http://www.opendemocracy.net/psbf - it proposes a series of pieties backed by little substance. The BBC executive has proposed to: put quality first, do fewer things better, guarantee access, make the licence fee work harder and set new boundaries. Few could object to the BBC’s proposal to put quality first (only the cynic would ask “Why is this new? Where’s it been so far?”), no-one (almost no-one) could object in principle to reducing management headcount and freezing the highest salaries (though they might ask why were there so many and why were they paid so much if henceforth they can done without?). Nor could anyone reasonably object to proposals to provide the best journalism in the world, inspire knowledge, music and culture; provide ambitious UK drama and comedy, outstanding children’s content and events that bring communities and the nation together? Nor to rebalancing expenditure by curtailing activities that haven’t worked too well or are at the margins of core business so as to reinforce core activities.

Where the crunch comes is in choosing the sacrificial lambs. The BBC has proposed, with sublime cunning, to close two radio services – the Asian Network and 6 Music (and some of its web offerings). At a time when the government is ramping up to digital radio switchover, to propose closure of two of the UK’s digital only radio services (all of the digital only radio services together account for only about 4 percent of radio listening - so to close two services is a big hit in this rather rarefied digital atmosphere) and to choose one service that is clearly for people not like me (white, male, middle class, getting on for dead) and another that’s (as the howls of pain from its listeners have testified) really providing something that’s not provided by commercial broadcasters can only be described as genius.

The strategy proposals provide the BBC with a win-win scenario. If the sacrificial lamb radio services are closed, the BBC has shown it’s willing to tighten its belt and take the pain. But the smallest possible pain – these are the BBC’s tiniest national services. And if they don’t close, then there’s *prima facie* evidence that what the BBC does is indispensible. It’s a shoot the puppy strategy. For what’s being proposed is tiny in comparison to the overall size, level of output and revenues of the BBC. The BBC has an annual income of about £4.5bn – the rather meagre detail offered in the Strategy Review suggests that the expenditure of that £4.5bn may not change very much. Remember that the executive are proposing to “put quality first”? Putting quality first means, in one of the few specifics given, increasing spending on children’s output by £10m a year. This hardly seems like a big change in a £4.5bn a year organisation. Moreover, the extra spend on children’s output will take effect only from 2013, a year which, coincidentally, is the year in which a new licence fee settlement will be implemented.

Conclusion and UK Government policy.

In the UK there is thus both a crisis in the business model which has thus far sustained pervasive affordable access to diverse, high quality, media content: advertising finance has, to a significant extent, migrated to the internet (and away from funding content) and the main (effectively, sole) publicly funded content provider, the BBC, has lost a significant amount of its legitimacy (in my judgment, for good reasons). Accordingly, the institutional instruments and regulatory, governance and funding regimes which formerly ensured that most UK media users were able to enjoy a plurality of varied and high quality services, pervasively available at affordable prices, have lost much of their power to secure public policy goals and not a little of their legitimacy. Circumstances have changed - but too few of the UK's media regimes and institutions have changed sufficiently to meet the new challenges and secure their mandated public policy goals. But crisis is not a wholly bad thing – crises bring opportunities and sometimes the destructive storms which blow turn out to be Schumpeterian gales of creative destruction. Threats are matched by opportunities and what is a crisis for particular institutions and interests may turn out to provide, as in this case, opportunities for new entrants and new ways to secure public interest objectives.

Chief among the threats perhaps is the erosion of the resource base that has sustained pluralism in serious journalism and news dissemination. The core of this problem is the migration of sufficient of the advertising finance that, hitherto, has sustained news production and dissemination through legacy media (newspapers, radio and television) to the Internet. The biggest shift has been to search media such as Google and Yahoo which, though important aggregators and disseminators of pre-existing news, do not fund journalism and the production of original news copy. Pluralism in news supply may sometimes have been more apparent than real (newspapers rely on news agencies, seemingly separate broadcast news outlets relay news from the same newsrooms) but there can be little doubt that the economic base for pluralism in serious, original news journalism has diminished and seems likely to continue to do so (see, *inter alia*, Ofcom 2007)[37]. This, of course, is not a problem which afflicts the BBC – but it is particularly unfortunate that the advertising finance crisis coincides with an endogenous BBC crisis.

It remains to be seen how the coalition government which took office in May 2010 will address these issues. However, before taking office, the Conservatives (the largest element in the coalition government) rattled sabres over both the size and cost of Ofcom and of the BBC as was made clear in the Government's statement of intent for the media sector (see http://www.culture.gov.uk/images/publications/SRP_DCMS_150710.pdf).
This foreshadowed the intention to "Change the media regulatory regime by reforming Ofcom and deregulating the broadcasting sector[38]". Reforming Ofcom[39] was to take place by:

i. Identify areas for scaling back Ofcom duties

ii. If necessary, include Ofcom measures in the Public Bodies Reform Bill

iii. Conduct scoping exercise for new Communications Bill, including reduced role for regulator

iv. Publish appropriate deregulatory steps

v. Consult on deregulatory steps as appropriate

vi. Begin the legislative process

And a process of "BBC reform" and action on "the new licence fee" was to begin by:

i. Give the National Audit Office full access to the BBC's accounts

ii. Agree the terms of a new licence fee settlement, whilst maintaining the BBC's independence

The granting of access to the BBC by the National Audit Office (NAO) will do no more than bring the BBC into line with every other publicly financed body in the UK; strip away the formality, which currently obtains, whereby NAO access is at the invitation of the BBC Trust (and formerly the BBC's Governors).[40]And, at a time of straitened national public finances, it would be extraordinary that an organisation which annually enjoys between £3bn and £4bn in public funding (and has benefitted from a 60%+ increase in its revenues over the past decade) would be exempt from scrutiny. The Government's Comprehensive Spending Review of October 2010 made Government intentions clear.

The BBC licence fee is to be frozen at £145.50 for the next six years (ie until the current Royal Charter expires) and the BBC is to take over responsibility for funding its own External Services (formerly funded by the Foreign and Commonwealth Office); S4C (formerly funded by the Department of Culture, Media and Sport which, perhaps as a valedictory act, removed the inflation proofing link between the RPI and S4C funding); broadband roll out (at an estimated cost of £150m over five years – a liability formerly assumed by the Department of Culture, Media and Sport); the BBC has undertaken to cut funding for its website by 25% (about £25m) annually and will support new local television stations through providing £25m of infrastructure and a guaranteed £5m annually for purchase of news feeds from the new broadcasters.

These measures may seem stringent but from the perspective of BBC management a bargain, which provides a guaranteed level of revenue for the next six years, removes an effective sanction in the hands of the Government (the ability to reduce the licence fee) and secures the BBC against a cut in revenues arising from possible deflation at the expense of a reduction in licence fee revenues to about the level it enjoyed in 2006[41], may seem more like a good second prize rather than a wooden spoon. As the Director General stated: "This is a realistic deal in exceptional circumstances securing a strong independent BBC for the next six years"[42], Sir Michael Lyons, currently Chairman of the BBC Trust, was more grudging but essentially concurred, stating that the settlement was "better than we might have expected"[43]. They are also measures which have attracted attention, and not a little concern, for their potential to compromise the BBC's independence.

Steve Hewlett, in *The Guardian*, has claimed that "the events of last week have seen almost every one of the admittedly flimsy political conventions that underpin that independence ridden over roughshod. The government has always had the legal right to take money from the licence fee but by convention does not do so – reinforcing the separation of the money from general taxation that is so important to the public's perception (as well as the fact) of the BBC's separation from government. Until now, that is. The coalition has simply laid claim to the cash, treating the BBC as if it were just another government department" (see http://www.guardian.co.uk/media/organgrinder/2010/oct/25/csr-bbc-independence-steve-hewlett?intcmp=239).

Hewlett's comments are representative, though he is not correct in stating that convention demands that the Government does not take money from the licence fee. Well established, albeit dusty, precedents suggest the reverse. In the 1920s and 1930s the Government (through both the Post Office and The Treasury) took a slice of the licence fee: in year to 30.3.1929, for example, the BBC's income from licence fees was £944,301 – amounting to only 64.2% of licence fee revenue, the Post Office took 12.5% (£183,750) and the Treasury the remaining £341,949. The BBC Year Book for 1932 recorded a further Government exaction and stated that (for year end 31.12.1930) "the Corporation has decided, in view of the present state of the national finances, to forego voluntarily, for the benefit of the Exchequer, part of the revenue from licences due to it under existing arrangements". This "voluntary" levy amounted in

1931-32 to £150,000 and in 1932-33 to £150,000. And so on. More recently, the BBC took on financial responsibility (using the licence fee) for delivering the Government's policy of switching over terrestrial television from analogue to digital. Cynics might think their worst suspicions of loss of independence were confirmed when the BBC Director General, Mark Thompson, went into print (see http://www.guardian.co.uk/media/organgrinder/2010/oct/25/bbc-mark-thompson-comment) assuring readers that the BBC's independence had not been compromised. Just as an eighteenth century analogy illuminated contemporary media's business models so we might think that the BBC's claims of its unruptured independence are reminiscent of the narrator's account of Fireblood's encounter with Laetitia in Fielding's *Jonathan Wild* to the effect that: "He in a few minutes ravished this fair creature, or at least would have ravished her, if she had not, by a timely compliance, prevented him" (Fielding 1964 [1754]: 101-2).

As to Ofcom, it's to cut its staff by about 19% and its operating budget by 28%. The Government has also announced that Ofcom will no longer have a duty to review regularly public service broadcasting and media ownership (the scope and frequency of such reviews will be determined by the Secretary of State) and it is released from a number of other duties (all with the effect of liberalising the markets and sectors in question. All this in the interests of returning "the policy-setting role to the Secretary of State" and to "reduce unnecessary expense and to avoid duplication" (DCMS 2010). However, European treaty obligations necessitate retention of an independent national communications regulator and for any government that has consumer interest and the fostering of competition as a major priority (see http://www.bis.gov.uk/news/topstories/2010/Jul/pfg-consumer); effective regulation of the communications sector is inescapable. Whether the cuts to Ofcom will leave it with sufficient firepower to remain an effective regulator remains to be seen[44]. In its statement of intent for Ofcom (see above) the Government signalled its intention to progress a new Communications Bill through Parliament. Much will depend on the scope and content of such a Bill. It is too early to speculate whether the Bill will be a "maximalist" Bill, addressing what I believe to be a fundamental change in the basis of the UK media environment (in which case it might include diversification and pluralisation of public financial support for the media sector – perhaps along the lines of Ofcom's PSP proposal), or a "minimalist" tidying up of established regimes and institutions.

The canary in the UK's media coal mine has stopped singing: it remains to be seen how much significance the Government attaches to that event and what, if anything, is to stand in place of the diminished flows of advertising finance to UK public media. Short of Government intervention, we are likely to see the growth of pay-for-content media (already a striking feature of the television sector, though the large scale revenues enjoyed by pay-tv providers, [45] are not matched by correspondingly high levels of consumption of pay-for content) complemented, probably, by an increasingly embattled and less generously funded BBC and a severely diminished advertising funded/advertising supported sector. It is unlikely, therefore, that any of the current and time honoured players in UK public media will live happily ever after.

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[1] My use of the terms "public media", "mass media" and, here, "public mass media" requires comment. I use the term "public media" not to signify publicly owned media (eg the ABC, BBC, Channel 4, SBS etc) but media which are widely available at affordable prices to a widely defined public (if I was being Habermasian, which I'm not, I might have written "media which contribute to a public sphere"). Why not "mass media"? Because that's too old style, "legacy" media-ish. Referring to public media potentially opens the door to blogs, e-zines and other new media.

[2] Grigg (1993: xi) states that, though formally anonymous, the first four volumes of *The History of The Times* were substantially written by Stanley Morison.

[3] Curran and Seaton (2003) testify both to the pervasiveness of this “standard interpretation of press history” (Curran and Seaton 2003: 5) and to the vulnerability of a press, emancipated from political subsidy, to capture by business interests and to a centrism powered by advertisers’ desire to maximise consumption of their commercial messages.

[4] “Western” is, of course, an odd term to use when it includes, as it must, Australia and New Zealand but its familiarity makes it unavoidable.

[5] *The Daily Telegraph, The Financial Times, The Guardian, The Independent, The Times.*

[6] *The BBC, ITN, Sky News.*

[7] For example, News Corporation’s bid to acquire the 60.9% of shares in BSkyB which it does not already own. See http://corporate.sky.com/file.axd?pointerid=04bd854973e246a890d476b6d59f3c1e&versionid=ee1d6dfd1a2743e98f737ec32a31898a and Enders 2010.

[8] *The Global and Irish E&M Landscape 2009-2013* of 16.8.2010.

[9] In the first eight months of 2010, UK television advertising revenues grew by 15-16% http://www.ft.com/cms/s/0/09983bec-8b88-11df-ab4d-00144feab49a.html

[10] The shift of advertising from legacy media to internet search applications is the most striking example of this trend but the “disintermediation” afforded by the internet has enabled firms to recruit via websites, rather than through newspaper advertising; individuals to buy and sell via eBay rather than classified newspaper advertising etc with similar consequences for the funding of content production and dissemination.

[11] See, inter alia, Ofcom’s News Release publicising its “request for comments” on its PSP proposal at http://www.ofcom.org.uk/media/news/2004/11/nr_20041103

[12] See: http://www.culture.gov.uk/reference_library/media_releases/6782.aspx
http://www.culture.gov.uk/what_we_do/broadcasting/6549.aspx
http://www.culture.gov.uk/what_we_do/broadcasting/6721.aspx

[13] For informative and penetrating analyses of these issues in the UK context see House of Commons 2010, House of Lords 2008 and Ofcom 2007.

[14] See http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/icmr09/ accessed on 13.9.2010.

[15] See Figure 1.4 in Ofcom’s updated information on international communications markets at http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/icmr09/).

[16] In Ireland in 2009 only online advertising grew – taking 10% of advertising revenues (Source: Nielsen July 2010).

[17] See World Association of Newspapers 2009.

[18] See http://www.trinitymirror.com/documents/2010%20Interim%20Announcement%20Final.pdf

[19] World Press Trends 2009 (World Association of Newspapers 2009: 312) states that 2008 advertising revenues in China grew 13.22% for television, 10.215 for the internet and 6.36% for newspapers. Newspaper circulation in China has grown year on year between 2004 and 2007 as has, with a downward blip in 2005, the number of newspaper titles (World Association of Newspapers 2009: 315). In India, both circulation and number of newspaper titles has grown consistently between 2004 and 2007 (World Association of Newspapers 2009: 492).

[20] Many hopes of “legacy” broadcasters ride on the translation of conventional broadcast television to an online delivery to conventional television receivers of on demand programming. The UK terrestrial public service broadcasters (BBC, ITV, Channel 4 and *five* (with transmission capacity providers Arquiva, British Telecom and TalkTalk) have collaborated in the development of an online TV platform, Project Canvas/YouView. See http://www.bbc.co.uk/news/technology-11330712

[21] See, for example, the table showing declining circulations of twenty representative non-national UK newspapers over twenty years compiled by Peter Robins in August 2010 at http://www.guardian.co.uk/media/organgrinder/2010/aug/25/long-fall-local-press

[22] See http://www.pressgazette.co.uk/story.asp?sectioncode=1&storycode=45856&c=1

[23] See also http://www.pressgazette.co.uk/story.asp?sectioncode=1&storycode=45910&c=1

[24] In June 2010.

[25] See http://paidcontent.co.uk/article/419-financial-times-contentcharging-revs-to-overtake-print-ad-revs-this-yea/ and http://www.guardian.co.uk/media/greenslade/2010/jul/27/financialtimes-paywalls

[26] See also Herbert and Thurman 2007.

[27] Much of the content of such sites, eg *Wikinews*, may be dependent on material derived from legacy media. Paterson (2005) found that news websites were heavily dependent on a few sources, notably the international news agencies Reuters, AP, AFP and the BBC and Davies' (2008) account of a content analysis of more than 2207 stories drawn from five top UK national daily newspapers argued that more than 70% [27]of stories are derived from press releases or news agency sources and, at most, 20% (and possibly as few as 12%) were originated by journalists.

[28] See http://blogs.guardian.co.uk/greenslade/2007/10/why_im_saying_farewell_to_the.html

[29] Isabel Hilton was editor in chief of *openDemocracy* at the time of the interview.

[30] There are some examples of "crowd funded" journalism, whereby a host of subscribers make modest payments in order to fund enquiries they deem significant. See for example http://spot.us/ and http://www.globalfm.com/

[31] There are also the publicly owned not for profit S4C which provides Welsh language television programmes and is financed by government grant and advertising (the BBC is required to provide some programmes in the Welsh language to S4C) and the Gaelic Media Service which uses a government grant to fund provision of high quality programmes in Gaelic using both conventional broadcast and new media services.

[32] Dutch public service Internet content providers have received public support of c 2.5m euros between 2003-2007 (see the 2008 study by TNO for the Stimuleringsfonds voor de Pers – TNO forthcoming).

[33] Notably the Welsh language television service S4C, the Gaelic Media Service (Scots Gaelic) and the recently abolished UK Film Council.

[34] In 2010, the BBC "voluntarily" froze the licence fee. In 2011, many informed commentators expect that Government influence will lead the BBC to amplify its "voluntary" benevolence by reducing the licence fee. In 2012 a new licence fee settlement is due to be negotiated. An interesting precedent for the BBC's voluntary foregoing of the licence fee increase to which it was formally entitled came in 1930-31. In that year the BBC Year Book 1932 (for year end 31.12.1930) reported that the Corporation has decided, in view of the present state of the national finances, to forego voluntarily, for the benefit of the Exchequer, part of the revenue from licences due to it under existing arrangements" (BBC 1932: 28).

[35] My estimate is based on data from the BBC's Annual Report and Accounts for 2009 and on data extracted by Wikipedia from BBC Annual Report and Accounts for 1998 (see http://downloads.bbc.co.uk/annualreport/pdf/bbc_ar_online_2009_10.pdf and http://en.wikipedia.org/wiki/Television_licensing_in_the_United_Kingdom_(historical) both accessed on 19.10.2010).

[36] This may suggest that the Labour government (which held power during almost all of Lyons' four year term of office as Chairman of the BBC Trust) exerted pressure on BBC independence.

[37] Amid the sounds of crisis for legacy media, it's worth noting Picard's (2003) finding that returns on shareholder capital in newspaper publishing exceed handsomely average returns in other sectors. Picard found that newspaper publishers enjoyed, on average, an average return of 12% compared with that of 2% for grocery stores and 9% for pharmaceuticals.

[38] The specific deregulatory measures proposed are relaxing cross-media ownership rules and permitting establishment of local television stations.

[39] In mid September 2010, the Government announced its intention to merge the postal regulator, Postcomm, with Ofcom. *Prima facie* this seems a sensible idea and follows the precedent established elsewhere, eg in Finland's FICORA and Germany's Bundesnetzagentur.

[40] See http://www.bbc.co.uk/bbctrust/our_work/vfm/index.shtml and http://www.bbc.co.uk/bbctrust/our_work/other/govs/vfm.shtml for examples of past NAO reports on BBC effectiveness. These seem to me to suggest that NAO scrutiny has a significant potential to improve the BBC's effectiveness and secure value-for-money savings for licence fee payers.

[41] See data at http://en.wikipedia.org/wiki/Television_licensing_in_the_United_Kingdom_(historical)

[42] See http://www.bbc.co.uk/bbctrust/news/press_releases/october/licence_fee_settlement.shtml

[43] See http://www.ft.com/cms/s/0/79545400-dc93-11df-84f5-00144feabdc0.html

[44] See Damian Tambini's commentary at http://www.guardian.co.uk/media/2010/oct/18/ofcom-cuts-threaten-freedom

[45] Effectively only Sky.

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