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3 **COMPETITION AND MARKETS AUTHORITY**
4 **21ST CENTURY FOX / SKY MERGER INQUIRY**
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7 **Notes of a hearing with Leo Watkins**
8 **held at Victoria House, Southampton Row, WC1B 4AD**
9 **on Friday, 13 October 2017**
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11
12 *PRESENT:*
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15 **FOR THE STAFF**

16 Joel Bamford - Project Director
17 Sabrina Basran - Project Manager
18 David Du Parc Braham - Assistant Project Director
19 Adnan Farook - Project Officer
20 James Jamieson - Economics Advisor
21 Chris Jenkins - Economics Director
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25 **IN A PERSONAL CAPACITY**

26 Leo Watkins - Freelance media analyst
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1 Q. (Mr Bamford) Thank you for coming in today, Leo.

2 A. (Mr Watkins) Thank you for having me.

3 Q. (Mr Bamford) You have seen faces on this other table before, but just to
4 introduce ourselves. I am Joel Bamford, Director managing the inquiry team.

5 Q. (Mr Du Parc Braham) David Du Parc Braham, I am the Assistant Director.

6 Q. (Mr Jamieson) James Jamieson, Economics Advisor.

7 Q. (Mr Jenkins) Chris Jenkins, Economics Director.

8 Q. (Mr Bamford) Yourself, obviously. Do you want to give me a little
9 background?

10 A. (Mr Watkins) [✂]

11 Q. (Mr Bamford) Just before we carry on, just to do the procedural basis. So
12 actually you attended a hearing on Wednesday of this week, so previously
13 sent information about our procedures. In respect of the evidence that you
14 give today, if you would like to amend it please do so in writing. We are taking
15 a transcript as we have done previously and we will send you that for
16 accuracy, but we plan to publish that. And as was reminded on Wednesday,
17 but just to ensure we have consistency we remind you as we remind everyone
18 else, it is a criminal offence under Section 117 of the Enterprise Act 2002 to
19 provide false and misleading information to the CMA at any time, including at
20 this hearing.

21 So they are the legal points out the way.

22 We are interested, you state that you have worked with politicians, but also
23 with the campaign groups. Can you just detail the work that you have done
24 with the campaign groups alongside your previous correspondence where you
25 have highlighted the work that you did on the submission that came in from

1 Ed Miliband and Ken Clarke?

2 A. (Mr Watkins) Sure. I have not, as far as I can remember, written anything to
3 the campaign groups, but I have been at the meetings where there have been
4 representatives of the different groups where they have talked about the
5 issues raised by the bid, for example the Media Reform Coalition has
6 organised meetings, some of them public, some of them not and I have been
7 to those and in general sort of discussed the issues around the bid. That is
8 really the extent of my involvement with any other groups.

9 By the way, none of them are paying me in any way, unfortunately.

10 Q. (Mr Bamford) You contacted us stating after Wednesday's meeting that there
11 were certain things that you felt you would like to put forward. And really this
12 is your opportunity to do that. We have some questions which are largely
13 based on the questions that were posed on Wednesday but we are happy for
14 you to put forward whatever evidence you would like to and if you have
15 particular things that you want to put to us now, please feel free.

16 A. (Mr Watkins) The first thing I should say is, I have a lot of sympathy with you
17 in the sense that you have been handed this investigation where you have to
18 come to a judgement about things which no one has actually had to come to a
19 full judgement about before, and you are dealing with a policy framework
20 which is very badly underdeveloped. And I think the fact that it is so
21 underdeveloped is quite an interesting thing to consider in its own right.

22 So the legislation obviously involved here is the result of a rebellion against
23 the government of the day in 2003 led by Lord Puttnam, which inserted these
24 amendments into the Communications Act that introduced these merger
25 intervention grounds. That is quite a curious situation because it meant that

1 the government of the day was not really interested in this area. Indeed, it
2 was resistant to it and had to concede defeat eventually on it. And then there
3 has been virtually no interest whatsoever in developing this area and
4 considering what is involved in judging whether we had sufficient plurality, and
5 what even the harm of lacking sufficient plurality is, by any politicians really
6 since 2003.

7 The only people who have touched this area, as far as I can remember, two
8 House of Lords inquiries, i.e. unelected politicians, politicians who are not
9 necessarily as afraid of consequences of annoying media interests as elected
10 politicians who rely much more heavily, obviously, on media coverage for their
11 political careers. So there has been very little interest by the Cultural, Media
12 and Sport Committee, for example. No inquiry into this area as far as I can
13 tell since then. This is quite remarkable considering we have had a number of
14 cases where plurality concerns have been engaged, although of course, it has
15 never actually been plurality that has been at the central issue of a phase two
16 inquiry. There was the 2007 Competition Commission review of the Sky-ITV
17 case, but they deemed that plurality concerns were not actually fully engaged,
18 really, in that area. It was ultimately competition concerns that were
19 paramount.

20 So you are in this situation where Ofcom has not really had to come to a full
21 view when it has done phase one plurality assessment, because the bar is
22 quite low. They just have to have initial concerns, they do not have to come
23 to a final judgement. And as a result they have left a lot of areas, I think, in
24 this field unresolved. One of the reasons for that, I think, is that they feel that
25 as an unelected body it would be exceeding their remit to start making policy

1 in this area, for example by saying "We consider, ex nihilo, this level of
2 plurality to be sufficient." And I see the CMA in its issue statement has said,
3 what benchmark should we look at? And in the submission that I wrote for Ed
4 Miliband and co we said, that 2003 is not an adequate benchmark. We think
5 the most reasonable benchmark is 2011 and then you need to consider what
6 has actually happened to the media markets involved since then. And we
7 think that if you do that you do not come to the conclusion that there has been
8 a radical increase in plurality sufficient to justify this transaction. In 2011 the
9 judgement was effectively that someone had managed to get too much power
10 and under the current framework that means plurality was, in that sense,
11 insufficient.

12 So when you look at how Ofcom has looked at sufficiency, and even how it
13 has looked at what the harms of lack of plurality are, it has essentially tried to
14 interpret the remarks of a politician, Lord McIntosh, who was representative
15 of a government that did not intend this policy to exist in the first place, which
16 is quite strange. So they have had to parse these remarks and come up with
17 these two harms, or two objectives of informed citizens and preventing one
18 owner from having too much influence. But there are a number of very
19 unresolved questions there which bear on this inquiry.

20 So, for example, what are the harms of having too much influence? If you can
21 list those harms, you can potentially identify whether those harms are
22 occurring at the moment. Too much influence on its own is obviously a very
23 hard thing to assess, because influence is very vaporous, almost. And the
24 additional problem you have, and this is one thing I really want to stress to the
25 inquiry, there is a danger of applying too high an evidential threshold for

1 detecting influence. You are not necessarily, when you try and assess the
2 influence of a media owner over a politician, or over the political agenda,
3 going to get lots of open and shut cases or smoking guns where there is a
4 meeting where a deal is done where there is somehow a record of that
5 meeting and what was said between a media owner and a politician. That is
6 just not how it works.

7 Lord Justice Leveson pointed this out quite clearly, I think, in his report, in the
8 section where he talked about Rupert Murdoch. He said: "The language of
9 deals is too crude in this context." But then there are additional factors which
10 is that too much influence over the political process does not just manifest
11 itself in politicians doing things that favour your interests as a powerful media
12 owner or respecting your views as they are widely known. It also manifests in
13 other areas. It manifests in other kinds of public official being afraid,
14 essentially, of this organisation. And not just public officials, others. I would
15 submit that it was also the case that journalists were afraid of the power of
16 News International and that that is one reason why phone hacking did not
17 come to light sooner, even though it seems to have been fairly widely known
18 about in the media industry.

19 Indeed, it is very indicative that the one journalist who blew the whole story
20 wide open, Nick Davies, was a very experienced journalist who worked at the
21 Guardian for a long time, had probably no intention of going to get
22 employment anywhere else in the media industry, and indeed retired a few
23 years later. If you were a young journalist, why would you expose the
24 malpractices of a large organisation which could be your potential employer,
25 and certainly could have an impact on other potential employers? So it has

1 an impact on journalists. It has also an impact on people like, I am afraid to
2 say it has an impact on the police, it has an impact on the regulators like the
3 Press Complaints Commission. It may even have also had an impact on
4 Ofcom, I do not know. But it had an impact, I think, judging from the Leveson
5 report, on the Information Commissioner in 2003 when Operation Motorman
6 uncovered this tranche of evidence of rampant breaches of data protection,
7 and essentially very little was done.

8 Why might that be? Well, because even if you are an unelected official you
9 are still dependent on good media coverage in a number of ways and of
10 course you are ultimately answerable to politicians who are themselves
11 susceptible to this influence. And so in that way I think you have to broaden
12 how you look for the harms that result from a lack of plurality in order to
13 actually assess whether there is too much influence.

14 Another reason, just briefly, why I sympathise with you is that obviously it a
15 very political judgement to say a media owner has too much influence over
16 the political process. Politicians are very reluctant to admit that anyone has
17 too much influence over them if that person is unelected, because it goes to
18 the heart of how sovereign we believe our parliament is. It is deeply
19 damaging for them to admit that. It is also deeply damaging for a media
20 owner to concede that they have that influence. So of course they are going
21 to deny it and of course they are going to take steps to try and minimise the
22 appearance of that influence. As a result, if you do have evidence of
23 remarkable access, of fairly open relationship, then that is all the more
24 remarkable. That suggests that these people are not really worried about the
25 political ramifications of being seen to actively court such a media owner.

1 To take concretely the case of Rupert Murdoch and News Corporation, the
2 level of access that they continue to enjoy after the phone hacking scandal,
3 after a time when one of the main political parties switched its political position
4 and was no longer actively seeking that support, but essentially trying to cash
5 in on having called for Leveson and proper investigation and so on, the fact
6 that politicians were continuing to meet this proprietor knowing that the record
7 of those meetings would be made public, knowing that the number of those
8 meetings would be made public, and knowing all the backstory and so forth, is
9 all the more remarkable, actually. It is very clear evidence, I would suggest,
10 much clearer than Ofcom was prepared to concede at phase one where it
11 said: "These meetings could mean a number of things."

12 The sheer number of those meetings is remarkable. For example, they had
13 more meetings in that period around the 2015 election than the BBC, which
14 was coming up for charter renewal, which is a huge process where you would
15 expect there to be lots of contact between the BBC and government, and yet
16 this organisation had many more meetings. That is a remarkable fact about it,
17 I think. And if you want sort of hard evidence of someone continuing to have
18 real power, the fact that politicians are prepared to meet them after everything
19 that has happened and after all the reputational risks and so on and so forth,
20 is very remarkable.

21 The problem is, as a body pronouncing on this area in this inquiry, again, it is
22 going to be politically contentious if you say, "We think the evidence of too
23 much influence is that the people from this party or from this government have
24 been meeting a lot with this particular media owner." So in that sense, you
25 see why I think you have a difficult job in this inquiry.

1 Q. (Mr Bamford) And taking that to the next step in the transaction, what do you
2 think the transaction would add to the influence that you are putting forward?

3 A. (Mr Watkins) I think, look at it this way; one of our two main political parties
4 seems to have taken the line that it is no longer necessary for them to tailor
5 their policies towards courting the approval of this particular media owner.
6 Maybe that is because they think that -- there is a whole range of reasons why
7 they may have come to that judgement, basically. But that might be
8 concerning. It may also be the case that they look at the decline of print
9 newspapers and think, "Well, we just shore up that influence by buying our
10 way into a significant presence in television," which is still very widely
11 consumed. And of course online where Sky News is a very significant player.
12 So there are clear benefits in terms of increasing influence to acquiring this
13 entity and achieving fuller control of it than they have at the moment.

14 Q. (Mr Du Parc Braham) Can we push you on that? Obviously all those
15 newspapers have their own online brands anyway. Sky News as a television
16 channel, yes, it is the only other twenty-four hour news channel, but it is not
17 watched by a huge number of people. Even at the hearing with Miliband and
18 Ken Clarke and everyone when they talked about the news on television they
19 were concerned about -- they specifically mentioned bulletins, the six o'clock
20 news and the ten o'clock news. So what, just guessing, Sky actually add?

21 A. (Mr Watkins) I think there are a number of things. I think you have to talk
22 about it in two ways; firstly the influence on the consumer and secondly the
23 influence on the news agenda. So it is in a way direct and indirect influence,
24 because you can influence the consumer if the news that you run influences
25 other broadcasters to run with that news and it reaches their viewers as well,

1 right? So in terms of, focusing first on direct influence, what does it do? Well,
2 you are right that in terms of viewership of the Sky News channel at the
3 moment, it is not massive. It is still significant, I think. There is a portion of
4 the population that does go to it in preference to the BBC for a range of
5 reasons.

6 Secondly we know that online it is a major payer and one reason for that is
7 because, in common with the other broadcasters, it is more trusted than most
8 of the press. In general, broadcasters are more trusted, more highly rated,
9 because they are believed to be more impartial, I think. They have resources
10 that the press do not have. They have much better capacity to produce
11 original video, which is increasingly able to be consumed online, mobile,
12 because of increasing mobile data speeds and so on and so forth.

13 So there are lots of reasons to think, even just with Sky News as it is, that it
14 would be significant, but then you have the additional factor that there is going
15 to be a huge amount of additional financial resources, potentially, behind this
16 entity, as I pointed out in our submission, that if they want to radically increase
17 the share of consumption that accrues to Sky News, this merged company is
18 going to be by far the biggest player of any in the United Kingdom media
19 landscape, basically. The amount of profit that they have, I think also the
20 motive is there as well. So you have motive and means to substantially
21 increase its position from here on in. And then you also have to factor in what
22 is happening to the other players.

23 Although we have had a long period of a lot of newspapers providing their
24 news for free online, that is coming to an end now, I think. We are starting to
25 see the end of that. A good example of that is the Telegraph. It was free for a

1 long time and then I think in about 2013 it put up a metered paywall and in
2 2016 it tightened that paywall some more. The Times obviously has a
3 paywall. I think it is almost inevitable that the Guardian will have to put one
4 up. If you look at the size of the losses that they are sustaining, £50 million of
5 losses a year with an endowment that is not going to sustain them for longer
6 than a decade or so, and an online advertisement market that is just ceasing
7 to yield any real growth for these players, because it is all being hoovered up
8 by Google and Facebook with their superior data and advertising targeting
9 capabilities.

10 So when you put all those things together it looks highly likely that if you want
11 to staunch your losses or prove your revenues, whatever, you are going to
12 need to put up a paywall if you are a pure news provider. And the ones who
13 are going to remain free are going to be ones where their revenue is
14 somehow not generated directly from the sale of news or from advertising.
15 And those are most likely to be, obviously the BBC, maybe to some extent the
16 other broadcasters, but I think also Sky post- this acquisition if it goes through
17 is going to have tremendous resources. And if it is free, then it is going to be
18 particularly chosen by people who can less afford to pay for news as well. So
19 you would expect the less well-off portions of the population to particularly use
20 this news service.

21 Q. (Mr Du Parc Braham) So is it saying that people who subscribe the Sky, the
22 fees they pay for their package will part subsidise the free --

23 A. (Mr Watkins) And other profits that are made by Twenty-First Century Fox
24 including, potentially, in other countries. Mr Murdoch used the profits from his
25 United Kingdom newspapers to help himself get into American television, and

1 eventually he built up a position in American television where he now has the
2 dominant news network there. Incidentally, it is also very profitable, so you
3 can almost see the process reacting back using the profits of the United
4 States listed company to subsidise the British operation.

5 Q. (Mr Du Parc Braham) To flick that around slightly, let us say that we stop, we
6 block the merger. It does not go ahead. Is that not indicating then that the
7 Times and the Sun and other news sources might actually decline and go
8 away leaving us just with BBC? So is it not better, actually, that at least we
9 will have Sky with the Times and the Sun?

10 A. (Mr Watkins) There is no real suggestion that Sky at the moment is in some
11 way in peril, that is it somehow some sort of failing --

12 Q. (Mr Du Pont Parc) No, you are saying that traditional news sources like the
13 Guardian are struggling, there is no advertising revenue, the Telegraph has
14 had to do a paywall, so I am just trying to think, so let us say that there is no
15 merger. So Sky is continuing as it is, but the Times and the Sun will not have
16 the benefit, as you are describing, of being able to get revenues from Twenty-
17 First Century Fox or Sky to sustain them and how big it is. Is that actually
18 going to end up reducing plurality in that case?

19 A. (Mr Watkins) Well, of course the Times and the Sun are owned through a
20 separate company, News Corporation. Are you suggesting that they would
21 use the profits from Twenty-First Century Fox to subsidise News
22 Corporation's newspapers, somehow?

23 Q. (Mr Du Parc Braham) Your argument is that if we allow the merger to go
24 through one of the benefits is that you have got all these other newspapers,
25 news sources that are struggling because they are losing advertising

1 revenues so there is going to be less availability of free news, whereas
2 because of the revenues from Twenty-First Century Fox and the revenues
3 from Sky the Murdoch empire, as it were, would be able to keep its news front
4 and centre and free.

5 So what I am saying is that, look at it from the other direction. We are not
6 saying that without the merger the Times and the Sun will face the same
7 problems that you are saying all the others are facing, and that you are going
8 to lose them in the way that you are saying we are potentially going to lose
9 the others, with the exception of the Times and the Sun because they are
10 going to be able to have a line on the benefits of being within Sky and Twenty-
11 First Century Fox.

12 A. (Mr Watkins) I think there are a few things I would say to that. The first is that
13 the Times is actually pretty well placed amongst newspapers to, as has seen
14 in this environment, its circulation is not too bad and its digital subscriber base
15 is already fairly strong, better than I think any other United Kingdom
16 newspaper except for the Financial Times, which is a slightly sort of special
17 case.

18 So I would not say that necessarily the Times needs bailing out in that way.
19 With the Sun, it is more arguable, but on the other hand the problem you have
20 is the Sun is, as I say, part of a separate company, with the suggestion that
21 Twenty-First Century Fox is going to be able to use that money to subsidise
22 Sky. Would it somehow be that the Murdochs use the wealth that they
23 acquire from Twenty-First Century Fox making lots of money, somehow
24 channelling that into their other company? It is possible, but I think there is
25 the fundamental issue that we are talking about the, I think, most significant

1 player other than the BBC becoming much, much stronger.

2 In that sense, the risk of too much influence over the political agenda is huge.

3 That is why I am making this point. I think the honest truth is, and again I
4 sympathise with the CMA, we have a big emergent public policy problem
5 about plurality in news because of online and I think the ultimate cause of that
6 problem is that the sort of technological changes that have occurred have
7 made it harder and harder for commercial news organisations to make money
8 out of news, and therefore less original news is being produced.

9 Now, over time that seems to me to call for much bolder solutions to this kind
10 of problem. All I think the CMA can do in this inquiry is prevent the problem
11 from getting worse by blocking this. I think by blocking it, what do you do?
12 You keep Sky News an independent entity. Again, no one is suggesting that
13 Sky is going to run out of ability to subsidise it. And if the Murdochs want to
14 keep the Sun going, it is not massively loss making at the moment. It has
15 always been profitable. I can see there is a case for it being more profitable
16 as an online entity because they do not necessarily spend a huge amount on
17 their journalism compared to the quality providers. If they want to subsidise it,
18 there are other elements of the News Corporation empire which are capable
19 of providing that subsidy.

20 So I do not really see the case for this merger protecting plurality, especially
21 when you consider that one of the objectives here is to prevent too much
22 influence over the political agenda accruing to one person. The other major
23 entities that you could point to as rivals, supposedly ITN and the BBC, I think
24 both have significant limiting factors their ability to exert a kind of concerted
25 editorial agenda, a concerted impact on the political process. ITN is limited by

1 the fact that three different channels buy its news. It is not even very big in
2 the first place. I think they pay a combined total of about £85-86 million a year
3 for that news. The fact that they have to secure those contracts, the fact that
4 the ownership of ITN is dispersed between four different companies, of which
5 the largest has only forty per cent, ITV. Those are both limiting factors which
6 means that when you look at from a share of references, I do not think it is
7 remotely comparable to the combined influence of News Corporation and Sky
8 under a much more unified approach concerted effort to influence those titles,
9 and so on and so forth.

10 And again with the BBC, it is publically owned, it is regulated for internal
11 plurality. I think it takes the requirement to be impartial even further than any
12 other broadcaster, because of that public ownership, and indeed because of
13 its share of consumption as well.

14 Q. (Mr Bamford) I want to pick up on a couple of points you have made and
15 something I would like you to develop on, after Wednesday. You talk about a
16 concerted effort across News Corporation and other entities. So recognising
17 that Sky currently is roughly forty per cent owned by Twenty-First Century
18 Fox. Twenty-First Century Fox being roughly forty per cent owned by the
19 Murdoch family trusts and the same on the News Corporation side. If you
20 could talk us through how you see the difference being from the move from
21 thirty-nine per cent ownership of Twenty-First Century Fox of Sky to one
22 hundred per cent ownership, and particularly around how that will mean both
23 commercially and from the influence point of view across both the Twenty-
24 First Century Fox owners and the News Corporation entity.

25 A. (Mr Watkins) I think the first thing to say is to make the obvious point that

1 Ofcom has made in its phase one enquiries, this time and in 2011, namely
2 once you acquire full ownership you become able to take decisions about the
3 company which are exclusively in your interests. When you have forty per
4 cent it is not anywhere near as easy to do that.

5 Q. (Mr Bamford) So that is in Twenty-First Century Fox's exclusive interests?

6 A. (Mr Watkins) Yes. As I say, Ofcom has made this point in the two previous
7 inquiries it has done, that they can make decisions, as I say, in Twenty-First
8 Century Fox's exclusive interests. Now, let us say that you want to run Sky
9 News in a way that is in Twenty-First Century Fox's interest, but is not really in
10 the interests of the other Sky shareholders. Let us say you want to run the
11 whole company in that way and you adopt a corporate approach which those
12 shareholders might have had reservations about. That is a clear difference
13 once you move to one hundred per cent because they no longer have any
14 real say.

15 Now --

16 Q. (Mr Bamford) Could you give an example of something that you consider
17 might be of that line? Particularly thinking that the shareholders in Sky
18 presumably hold the shares in Sky to make a profit and the same for the
19 shareholders in Twenty-First Century Fox. I am wondering what the
20 difference would be.

21 A. (Mr Watkins) I think in the case of the Sky shareholders, I think they have
22 shown, for whatever reason, a more marked concern for upholding standards
23 of good governance, compliance. And you see that in their reaction to the
24 phone hacking scandal when James Murdoch has to step down. Contrast
25 that with Twenty-First Century Fox, where he becomes CEO despite this

1 awful track record at News International where he has been severely criticised
2 by the regulator, Ofcom. He is appointed as CEO of Twenty-First Century
3 Fox and where is the reaction from their shareholders? I do not remember
4 seeing one, particularly.

5 Q. (Mr Bamford) Let us unpick that a little bit. I am interested in your view. If we
6 think about it from a commercial perspective, and this is not an opinion that
7 has necessarily been put to us from either side. If you own shares in Sky and
8 your chairman has a reputational issue, shall we say with the phone hacking,
9 then it may be in your commercial interest to get rid of that gem, to take away
10 that negative impact with News Corporation United Kingdom, Sky, EFC(?
11 33:55). If you are Twenty-First Century Fox in the United States, if the
12 commercial impact from that reputational issue is lower you may have less
13 incentive to remove that individual.

14 So a line of argument could be taken, and I am not saying it is an appropriate
15 line of argument, that both were protecting their commercial interests rather
16 than having any particularly deep seated belief in governance, with the
17 commercial impact of removing the chairman was different in the two
18 companies.

19 A. (Mr Watkins) I see that point. I still think you have the issue of in whose
20 interest it is to run the company a particular way. So if, as I would argue, the
21 whole sort of Rupert Murdoch editorial approach is one that is geared towards
22 furthering the interests of the company that he runs then there may be ways in
23 which he may try and use Sky News to further those aims. That could cross a
24 line as far as Sky shareholders are concerned, and where the argument that it
25 is in their commercial interest is of limited kind of purchase with them because

1 they do not share those interests.

2 So for example, Rupert Murdoch has the same control over News Corporation
3 as he has over Twenty-First Century Fox. That means that he has a stake in
4 issues around press regulation, part of the Leveson Inquiry. I do not see any
5 reason why other Sky shareholders have particular interest at stake in those
6 policy areas. Equally, Rupert Murdoch has strong interests in, for example,
7 the removal of cross media ownership rules that will allow him to get bigger.
8 We know he wants to get bigger because he nearly bought Time Warner,
9 which is a huge company which would therefore raise huge competition and, I
10 would submit, also plurality concerns.

11 He would have acquired CNN, another major movie studio, a huge share of
12 United States television viewing. So he clearly wants to get bigger. His
13 companies have got bigger and bigger throughout his career and it is not
14 really clear why Sky shareholders share that interest particularly, I would say,
15 because they are investors in Sky. So in that way, his interests can be
16 engaged without theirs' being engaged on a whole range of issues. Another
17 example one could point to, he is trying to get into various foreign media
18 markets, and indeed he has made decisions about the way that his United
19 Kingdom newspapers have been run, it is alleged, which have been shaped
20 by those interests. The case of Andrew Neil who alleges that he was fired as
21 editor of the Sunday Times because he ran a story which offended Malaysian
22 politicians with whom Rupert Murdoch needed to maintain good relations.

23 What are Sky independent shareholders' interests in Malaysia? I do not
24 know. I doubt they are as extensive as Rupert Murdoch's. And this goes for
25 all kinds of places around the world because of the sheer size of these

1 companies. And so that divergence of interest then does have an impact, I
2 think, on the way in which you run an outlet.

3 So if you have these extremely broad interests in a whole range of areas
4 which mean that you want certain issues to be covered certain ways, that you
5 have a much bigger stake than the other shareholders in, let us say, the
6 outcome of elections and what kind of political party is in power and what kind
7 of approach it has to a whole range of media policy issues, then you can see
8 why it might be an imperative for you to interfere in the editorial process of the
9 news outlets you control in that market without it being in the interests of
10 independent shareholders who may just be shareholders with all kinds of
11 other interests of their own which do not necessarily overlap at all with yours.

12 Q. (Mr Bamford) Take that to the next level up from Sky to Twenty-First Century
13 Fox. What is the difference with the Twenty-First Century Fox independent
14 shareholders? I know we discussed independent directors on Wednesday,
15 but the Twenty-First Century Fox independent shareholders, that they would
16 have the same commercial alignment with News Corporation. So your
17 example for a newspaper regulation on a Leveson part two.

18 A. (Mr Watkins) The answer is they may not. They may not have the same
19 interests. They certainly have the same interests in Twenty-First Century Fox
20 doing well, though. And they also, I do not know, there may be some sort of
21 commonality of shareholding in the sense that if they buy into the Rupert
22 Murdoch approach in one company, they may buy into it in another. The
23 classic case of that was Prince Al-Waleed bin Talal who was an investor in
24 both for a long time. He has a small stake left in News Corporation but
25 continues to have a large stake left in Twenty-First Century Fox.

1 I think the other element of it is that when you just look at the -- it is a
2 comment someone made the other day about when you buy into these
3 companies you are buying into the Murdoch approach and if part of it is
4 maybe factored into the share price that Rupert is going to use Twenty-First
5 Century Fox to a certain extent to promote the interests of News Corporation
6 as well. Maybe it is factored into the Sky share price too, to some extent, but
7 I would submit a lot less because he does not run it in the same way that he
8 runs, that the three Murdochs - him, Lachlan and James - run, Twenty-First
9 Century Fox and are deeply involved at all kinds of levels in that organisation.
10 For example, Rupert is interim CEO of Fox News while they find a new one.
11 There has never been any suggestion, really, of him doing anything like that in
12 relation to Sky News.

13 Q. (Mr Bamford) That is interesting because James was CEO of Sky and he is
14 currently Chairman of Sky. Why is Sky considered to be that much more
15 independent with those relationships having taken place?

16 A. (Mr Watkins) I think the honest answer is when you look at the three
17 Murdochs there seems to be a bit of a difference in what they are interested
18 in. I think James has always maintained, for example he maintained to the
19 Leveson Inquiry in his witness statement that he is more interested in the
20 commercial side of the business, not so much interested in the editorial side
21 of the business. That might be true, but there are two problems with that as a
22 solution to the issues in this case.

23 The first is there may just simply be a division of responsibility between
24 Murdochs. It may be that Rupert loves being involved in the editorial process.
25 I think all the evidence over his career suggests that is the case. As a result,

1 he arrogates that area to himself and wants the control over it himself. He is,
2 after all, the largest shareholder in the Murdoch family trust. He still basically
3 says what goes within the family as far as I can see. And so it makes sense
4 for James, in a way, to say, "I am just going to focus on the commercial
5 aspects of the business." There is no guarantee that he will not be involved in
6 those things once Rupert steps down from that role, and of course this
7 acquisition is not solely by James Murdoch. It is by Twenty-First Century Fox,
8 over which the Murdoch family trust has control and there is plenty of reason,
9 I think, to anticipate that Rupert will want to influence the editorial output of
10 Sky News after this transaction because he has done so with every other
11 entity over which he has acquired full control.

12 The only cases one can point to with any editorial independence in Murdoch
13 run companies are companies which they do not have one hundred per cent
14 ownership of. Where they have something like forty per cent ownership, or
15 whatever.

16 Another case would be Sky News Arabia, which is a joint venture with the Abu
17 Dhabi Investment Corporation, which is apparently fairly editorially
18 independent. Rupert probably does not ring them up every day the way that
19 he is supposed to have with the Sun, because he does not solely own it, and
20 that seems to make a difference to his perception of whether it is his personal
21 fiefdom or whether he were to interfere too much other people might balk at
22 that. I think that has a kind of regulative effect on you.

23 There may not necessarily be many cases of shareholders getting up in arms
24 about it if you do not try it in the first place, because you anticipate that.
25 Rupert said in 2006: "Nobody listens to me at Sky," and that was at a time

1 when his son was CEO there. That does not mean that they will not listen to
2 him once he has got whole ownership of it.

3 And then you have the additional factor that a forty per cent owner is not quite
4 your boss in the same way as a one hundred per cent owner as an employee
5 of an organisation, and when Sky is folded into Twenty-First Century Fox
6 there are also the opportunities to be promoted up into that company and so
7 on and so forth. We know that lots of Murdoch employees have been
8 promoted up the organisation in this way, particularly, I think, if they have
9 been good editors who have faithfully presented the news as written the way
10 the Murdochs would like it to be presented.

11 So the folding of the company into Twenty-First Century Fox I think has an
12 impact on the employees as well and their perception of what happens to their
13 chances of any kind of professional advancement, I suppose.

14 Q. (Mr Bamford) Just to move away from the ownership and the control point.
15 Just think about the cross-media ownership. I think there has been
16 discussion around (a) the influence in terms of setting the agenda, both
17 political but also the news agenda at newspapers versus broadcasters, and
18 then how owning both the broadcaster and a newspaper or within an
19 associated online presence, how that would magnify any influence or
20 essentially how it would demonstrate something beyond just the raw share of
21 reference numbers, for example.

22 A. (Mr Watkins) Obviously there are lots of dimensions to why cross-media
23 ownership is significant from our kind of point of view of influence. There are
24 some people who only use one platform, different platforms, different people.
25 Suddenly you have got the ability to reach across all different portions of the

1 population, all age groups. That is significant in terms of generating broad
2 awareness of a story, making a story un-ignorable, if you like. Dictating the
3 debate on social media or whatever. So that is the first point.

4 The second point is there are people who get their information from multiple
5 different platforms. You suddenly have the ability to keep this hypothetical
6 story in their consciousness, especially given that these platforms are often
7 used at different times of the day. You can get the story to, as it were, follow
8 them through the day. They begin in the morning with the newspapers and
9 the Today programme, and they get to lunchtime and they are hearing it on
10 commercial radio, say, or seeing it on the internet and in the evening on
11 television. That kind of wall to wall coverage has an impact on people.

12 The third element of it is that these are different brands, and I think you will
13 find if you ask most members of the public that they have very little sense of
14 who owns what media, in many cases. They probably know the BBC is
15 publically owned. But for example, how many members of the public, even in
16 London, could tell you who owns the Independent, or the Evening Standard,
17 or the fact they are both owned by the same person. Even after this
18 transaction, which by the way there has not been a huge amount of media
19 interest in, there will be many people who do not know that the news that they
20 get from the Sun and the news they get from Sky News is actually coming
21 from companies that are ultimately controlled by the same person? And they
22 certainly will not have, I think, any idea what that person's broader commercial
23 interests are and how they might be shaping that coverage. And the number
24 of different brands, if you like, and outlets that they hear a news source from
25 has a sort of multiplier effect on how seriously they take a news story.

1 The Daily Mail can bang on about an issue on its own, but it can almost be
2 sort of written off as the media equivalent of a sort of raving grandparent with
3 a bee in their bonnet, but when you have got a number of different news
4 outlets with different branding running the same story, or running a similar
5 angle on a story, framing the story the same way, that has a very powerful
6 effect on people because it seems more like objective reality, if you see what I
7 mean, rather than simply the opinion of one news source.

8 That goes to another point which I did not properly address earlier about
9 indirect consumption. Of course the more news outlets run a news story, the
10 more likely it is that outlets that feel obliged to reflect the broader media
11 agenda will run that story. And of course here I am mainly talking about the
12 BBC. The BBC we, I think, know from many people who have worked there
13 and other people who do not work there but have criticised it, that the BBC
14 operates in a field which is created by the rest of the media.

15 The BBC's perception of what the impartial position is to take on the priority
16 given to particular stories, on the framing, on who is right and so on and so
17 forth, the reality is that the BBC is heavily influenced by where everyone else's
18 positions are within the media industry on that story. And they seem to try
19 and get somewhere close to the middle of that. And that in practice is what
20 impartiality, I think, often translates into, and in that sense you can shift the
21 centre of debate, you can shift what the impartial position is by having other
22 outlets.

23 A twenty-four hour news channel is very, very useful for that, by the way,
24 because it means that there is a constant check, if you like. There is a
25 constant question in the minds of any BBC television producer of, how are

1 Sky covering it? The fact that it is not the most watched news channel does
2 not really matter that much in that sense.

3 Q. (Mr Du Parc Braham) I get your point that the man in the street might not
4 necessarily know Sky and the Times will be owned by the same person. The
5 people at the BBC who are setting up the Today programme and setting up
6 what is going to be covered in the newspaper review, they are intimately
7 involved in the media. If you are saying to me that they are going to look at a
8 story that is now being run in the Times and the Sun and Sky and they are
9 going to treat it as if they are completely different and they are not going to
10 notice any links between them and therefore they will position the BBC's take
11 on it accordingly rather than say, "We know they are all run by Murdoch.
12 They are all taking this position so we will treat them as a single entity". I
13 cannot see that they would be pushed in that fashion that you are suggesting.

14 A. (Mr Watkins) I see what you are saying. I think that is a fair point. I think
15 they are less likely to look at news coming from those different sources as
16 coming from totally different editorial agendas. Of course they would, in this
17 scenario, recognise that they were ultimately owned by the same person.
18 That does not mean that they would be immune from pressure to reflect that
19 agenda. The more other outlets outside of the BBC run with a particular news
20 story, the more the BBC is going to feel like it may be criticised if it does not,
21 to some extent, follow that thing.

22 Q. (Mr Du Parc Braham) Can you think of any example of a story that (a) the
23 BBC has not run but which has been covered by a lot of other outlets which is
24 newsworthy, is not being driven by an editorial agenda, which the BBC has
25 not covered but it is newsworthy, and vice versa, a story which maybe, for

1 example, the Daily Mail has attempted to push but no one has picked up
2 because regardless of what the Daily Mail think it is clearly not newsworthy?

3 A. (Mr Watkins) That is quite a question. I think to take your second question
4 first, I think the issue with the Daily Mail is that the Daily Mail often leads on
5 stories which are more sort of a take on something that has happened, which
6 is going to be quite hard for the BBC to replicate. It can only really report the
7 controversy, if you like. So a good example might be something like the Daily
8 Mail has something over the front page about the Court of Appeal judges in
9 the European Union referendum case where it labelled them enemies of the
10 people. I suppose in a sense that is a kind of agenda setting item that the
11 Daily Mail ran. The BBC cannot take that up because it is highly opinionated.
12 I suppose it probably did report it as a controversy.

13 In terms of ignoring the Daily Mail outright, it is quite hard to think of any off
14 the top of my head but it is something which I can probably try and look for
15 some evidence to come back to you on.

16 Q. (Mr Du Parc Braham) Not specifically the Daily Mail, it is just trying to give
17 some colour to your position that nobody is going to be able to -- basically the
18 thinking is that we are trying to distinguish between stories that are, say,
19 generated by the Sun and the Times or Sky News that are newsworthy. I
20 mean, the reason they are being picked up by the BBC or by other papers is
21 because they are inherently newsworthy. Or stories that are being run by the
22 three of them, but they are then being picked up because as you say they are
23 being run by three different agencies and there is not any inherent
24 newsworthiness about them.

25 A. (Mr Watkins) It is not so much a case of forcing the BBC to run stories that

1 are not newsworthy. I think it is more subtle than that. I think it is more a
2 question of what kind of prominence and emphasis should be given to a story.
3 I think perception of what everyone else is leading with is a factor in deciding
4 how important it is to give something priority.

5 Clearly newsworthiness, if you like, in itself is also a major factor. I would not
6 claim that it is not, but then of course the other factor is the more of these
7 outlets you control, the more news production resources you control and so
8 the more control you have over what news is produced, what things there are
9 that the BBC could look at and go, "That is newsworthy."

10 If you control Sky News, particularly if you put a lot of money into it, plus the
11 five hundred journalists or so that they have at the Times, plus the Sun, you
12 have extended your ability to create news, and in that way influence the BBC
13 as well. Not just through having all run the same story or followed the same
14 frame.

15 Q. (Mr Bamford) Can I just pick up the combination of the newspapers and Sky
16 as a television broadcaster? Is there anything in particular with respect to the
17 News United Kingdom newspapers, or would the concerns that you have be
18 the same concerns if it was, for example, the Daily Mail group or the
19 Independent and the Evening Standard purchasing Sky?

20 A. (Mr Watkins) I think in some ways you would have the same concerns, and in
21 some ways they would be less. The way in which you have the same concern
22 is that cross media ownership does have this power, as I said, to reach
23 broader parts of the population, to keep the same story in the news cycle at
24 different parts of the day and so on and so forth. And of course the addition of
25 more production resources to people who already had some.

1 On the other hand, I think it is clearly true that if you take, for example, DMGT
2 that has far fewer interests engaged around the world on a whole range of
3 issues than the people who control News Corporation. It is also run
4 differently, we know that. Lord Rothermere is not an interventionist proprietor.
5 He gave evidence, I think, to the Leveson Inquiry to that effect and no one
6 seriously contests it.

7 There is a story about when David Cameron went to Lord Rothermere and
8 tried to get him to change the line of the Daily Mail in the Brexit referendum
9 and Lord Rothermere effectively said: "I do not control the editorial line of the
10 Daily Mail. As long as it makes a profit for me it is a matter for Paul Dacre
11 and I trust my editor. That is the way I choose to run my newspapers."

12 I do not think Rupert Murdoch runs his newspapers in the same way, and so
13 the different approach to editorial interference at News UK does mark it out as,
14 as I say, does the fact that it is part of a much larger group of interests. And
15 that also makes the influence that is acquired more potentially problematic, if
16 you see what I mean.

17 Q. (Mr Bamford) I am not wanting to assess the merger between the Daily Mail
18 Group and Sky, but just to think through, I mean the Daily Mail as a
19 newspaper has similar circulation figures to the Sun now. The Daily Mail
20 online is by some measures the largest online news provider in the world.
21 And while I recognise your statements around the proprietor, if the editor of
22 the Daily Mail had influence across to Sky News and Sky, would that bring the
23 same level of concern, or the same type of concerns? I guess it is whether
24 what we are talking about here is a particular concern with a particular
25 individual and a proprietor, or whether it is the same cross-media ownership,

1 and I know you articulated some of those concerns more generally, that would
2 occur with similar size organisations, or even larger in terms of online reach
3 across media as well.

4 A. (Mr Watkins) I think the answer is a bit of both. You have concerns that arise
5 simply by having a very large organisation with significant ability to influence
6 across a number of different points of news production and consumption.
7 There are concerns that are also specific to the way that Rupert Murdoch runs
8 the outlets that he wholly owns, or wholly controls.

9 One also has to bear in mind that different providers have a different mix of
10 content as a result of the different imperatives that they are following. What I
11 mean concretely is if you are in the news business just to make money you
12 will seek to make different kinds of content, and particularly buy different kinds
13 of assets to if you are in the news business with a view to, yes doing that, but
14 also acquiring political influence which you can use because it is beneficial not
15 just to your news outlets, but also to a whole range of other businesses that
16 you may own. For example businesses that have a strong stake in sports
17 rights, crime, entertainment content, things like that. So the kind of news you
18 produce will be different, I think, if you are actively trying to acquire influence
19 over the political process.

20 So, to make this concrete, as I think I did in the submission, point you to the
21 fact that although Rupert Murdoch clearly has a strong focus on the bottom
22 line in his businesses, it is remarkable to note that there are certain news
23 outlets that he has been prepared to run at a significant loss for a long period
24 of time, and that those news outlets have tended on the whole to be quality
25 newspapers that are highly influential in the country they operate in amongst

1 the political, media, business, elite in that country.

2 He set up the Australian from nothing. There was no national Australian
3 quality paper until the Australian was set up. He bought the Times and
4 Sunday Times, which fulfil a similar role in this country, and of course he
5 acquired Dow Jones, which includes the Wall Street Journal in 2007, and I
6 would add for an extraordinary amount of money, for over USD \$5 billion, half
7 of which News Corporation then took as a write down subsequently. That is
8 an indication of how desperate he was to acquire this asset. And it is also
9 interesting that a year or so after doing that he sold his previous elite United
10 States print asset, the Weekly Standard which he had set up in 1995 and was,
11 according to the New York Times, quite influential in the Bush administration.

12 So this is a guy who seems to, as far as I can see from looking at his
13 companies for a few years, and reading about his past, an approach to
14 business which recognises the commercial value of political influence.

15 Now, I am not sure that other news organisations do that in the same way. I
16 do not think they make it as much a part of their business model to pursue the
17 acquisition of that kind of influence. And would I include DMGT in that? I
18 think I sort of would. It does have influence, and that influence is beneficial to
19 Lord Rothermere³³ in some ways. But there is not really that much evidence
20 that he actively courts politicians or in any way uses his newspapers to
21 influence the political process to the benefit of his commercial interest.

22 In so far as he does so - there is a case that the Mail has done that pretty
23 vociferously in relation to press regulation, because of course that has a
24 potential to impact on the Mail's profitability very severely. But I mean he has
25 not really used the money he has to try and acquire lots more media assets,

1 to get a lot bigger, and so on and so forth.

2 So that in turn means, that when you look at the Mail, he has not tried to make
3 it into an organ of elite influence in the same way. He has not shown the
4 same propensity to acquire a news outlet and run it at a loss just because it is
5 influential. He seems to be more straightforwardly interested in how much
6 money the Mail can make for him, or the mail is mainly concerned about
7 influencing public policy that affects the Mail, rather than other aspects of
8 DMGT's business, as far as I can see.

9 That as quite a longwinded answer. Did that get to your question?

10 Q. (Mr Bamford) Yes, thank you.

11 Q. (Mr Jenkins) I suppose one thing. You talked a little bit about production of
12 news, the sort of wholesale side, and the idea that there are not many news
13 producers. I think you tied that in slightly with the argument about online. So,
14 as I understand it, your argument is that online is not, as some people would
15 answer, a big benefit to variety. Your argument is contrary to that, that it
16 could produce plurality. If I understand it right, that is partly because you think
17 that it undermines the business model of producing news. Is that right?

18 A. (Mr Watkins) Yes.

19 Q. (Mr Jenkins) I wondered if you could give us concrete evidence of whether
20 there has actually been a reduction in, and also an increase in concentration
21 of production of news since 2011? Because on the face of it, you have got
22 BuzzFeed and Huffington Post, so you have got some new entrants online,
23 and you have got the existing providers that are still operating, and you have
24 got, for example, MailOnline, which is a separate journalistic business,
25 separate from the newspaper, the Mail. So, on the face of it, does that not

1 suggest that there are actually quite a lot of good people producing news
2 stories at the moment?

3 A. (Mr Watkins) Of course the difficulty with assessing the issue of production is
4 that a lot of these companies do not disclose the number of journalists they
5 employ, or the terms on which they employ them, and they are not very keen
6 on breakdown the kinds of journalism that people are being asked to produce.
7 So while it is true that you have Huffington Post and BuzzFeed, it is worth
8 bearing in mind that, especially in the case of BuzzFeed, the vast majority of
9 what it produces is not news. They may be called journalists, but a lot of what
10 they are producing is basically entertainment content.

11 The same, if you like, true of MailOnline. A lot of what MailOnline produces is
12 more kind of entertainment content. When we talk about the plurality of
13 objectives here, we are interested in particular kinds of news, I think, because
14 of their potential to influence people's perceptions of politics, their
15 understanding of public issues, politicians and so on. And the evidence of
16 real kind of pluralisation of that, I am not sure is really there. There is a
17 handful maybe of BuzzFeed journalist who are covering that area, a handful
18 again with the Huffington Post.

19 There is the additional factor that a lot of online output is being plagiarised
20 from other news providers, which makes it inherently hard to assess the issue
21 that you raise, which is, if you like, the concentration of original production of
22 news that is relevant to the plurality objectives. All I think we can say is the
23 idea that there has been much of an increase in provision of that kind of news
24 by these providers, the evidence is just fairly scant really. That is as far as I
25 can really go.

1 On the other hand, it is true that there are traditional providers who have laid
2 off more people. It is also true that newsrooms have been merged, between
3 the Times and Sunday Times I think potentially. Certainly in the case of the
4 Independent and Evening Standard, the respective exit of some newspapers
5 seem to be on the cards; the acquisition of the Express and the Star,
6 potentially quite soon. They have been in talks with Trinity Mirror about that.
7 And then of course there is the whole story of local news where production
8 has collapsed.

9 But if it is one thing which maybe the inquiry can look into a bit is to simply ask
10 these different news organisations how many people they employ.

11 Q. (Mr Jenkins) Thank you.

12 Q. (Mr Jamieson) I was going to pick up on something you said just before that,
13 about you were saying about the quality of newspapers matters. So, in one
14 sense, are you trying to say it is a matter of who is reading it in terms of
15 getting influence, rather than how many people are reading it?

16 A. (Mr Watkins) Well, I think there are a few factors. The first is, on the whole,
17 the quality press have more journalists. The Times has many more journalists
18 than the Sun does, even though is read by fewer people, and that is related to
19 the fact that it is a quality title. Traditionally, the quality press has been more
20 lucrative, because it has been targeted at wealthier people, so they are
21 prepared to pay more, and of course that targeting advertising at them is
22 much more lucrative. So in those two ways, a quality newspaper can sustain
23 a much larger newsroom addressed to a smaller audience.

24 The fact that they have such production resources gives them more kind of
25 original agenda-setting power. It also therefore makes them more significant

1 at influencing other news providers. For example, the BBC is I think going to
2 find the Times quite an important source of news, because it simply has the
3 ability to originate more news than the Sun. And there may also be a feeling
4 that the news that is produced is of a higher quality, is more reliable, if it goes
5 by the brand name of the Times; more trust can be placed in its veracity.

6 And it is also true that I think news organisations do pay attention to these
7 outlets because of who reads them, if you like, and people with the politics
8 and so forth. Part of it is that people in politics tend to read things like the
9 Times and the Financial Times, so their perception of what other people are
10 reading will be coloured more by those outlets.

11 Does that sort of get to your question?

12 Q. (Mr Jamieson) Yes. To what extent does that apply to Sky then?

13 A. (Mr Watkins) I think Sky is perceived as more trusted. More trustworthy, I
14 should say. More serious, upmarket, I suppose. But, on the other hand, it is
15 free. It is sort of the best of both worlds really as a news organisation.

16 Q. (Mr Bamford) Just to pick up on you talked earlier about Sky being influential
17 rolling news, trusted, impartial. If the merger were to change those particular
18 characteristics, do you think that Sky would have less influence potentially?

19 A. (Mr Watkins) I think there are two ways I would answer that though. The first
20 is you can still appear to be all of those things while in fact include a
21 significant amount of bias through omission. Which is also incredibly hard to
22 regulate for.

23 So if for example you become owned by an organisation which is far more
24 conflicted, if you like, because it has a much broader range of interests, as I
25 have just said is true of 21CF and News Corp, then there is a potential for

1 your coverage to become more partial in that way, without necessarily the
2 tone being lowered particularly. So that is the first thing to say.

3 The second thing to say is if you did want to create an entity that jettisoned
4 some of those characteristics but you still wanted people watching, how would
5 you go about it? Well, you would insist that your version of the news is not
6 biased at all; it is fair and balanced. Right? That is what Fox News did and
7 CNN. You would, I think, still probably have a significant impact on many
8 people if you did that.

9 Q. (Mr Du Parc Braham) What about with no changes whatsoever? So nothing
10 changes in the output. But it is well known that it is now owned wholly by
11 Rupert Murdoch. People are therefore willing to trust Sky less. Would that
12 decrease its influence then?

13 A. (Mr Watkins) Maybe. How widely known that would be, I am not sure. How
14 much people think that ownership by Rupert Murdoch actually affects the kind
15 of output that they get, I am not sure either. Again, it cuts to the question that
16 a lot of people, even if they know that something is owned by someone, the
17 ways in which that ownership shapes what they read, the complexity of the
18 interest behind it, the subtlety also of the ways in which that influence can be
19 exerted over that news, mean that oftentimes you can heavily influence a
20 news organisation's output without that influence being hugely detectable to
21 people.

22 I mean it gets to a point was raised on Wednesday, which is a question of
23 how much influence do news organisations actually have over public opinion?

24 Well, the way that that influence works is often so subtle; it comes down to
25 things like the choice of a photo. It is also the way that you can describe

1 events.

2 So if you are a highly opinionated newspaper, you can loudly declare your
3 opinion. If you are broadcaster, you can often achieve a similar kind of impact
4 on people's perceptions by sort of objectivising the judgement you are making
5 by saying something like: "Questions have been raised". By whom have
6 these questions been raised? Right? But you can just say: "Questions have
7 been raised about so-and-so's integrity". There are ways of getting around
8 potential perception of bias.

9 And I think you are seeing that actually with Fox News in America. People
10 look at Fox News and they sometimes think the way that it influences people
11 is just by having very opinionated people on the programming. That is part of
12 it. But one thing so remarkable about Fox News is the way in which it has
13 managed to convince people that it is the sole provider of the truth, and that it
14 is the sole place that they can get reliable information. And if you look at the
15 dominance of Fox News amongst Republican conservative-leaning people in
16 the US, it is quite remarkable.

17 And that influence over them occurs not just through Bill O'Reilly mouthing off
18 about something. It also occurs through the news presenters saying things
19 like: "Questions are being raised about Robert Mueller's interests and whether
20 he is conflicted in this investigation about this scandal which has been
21 invented from years ago to somehow suggest that he is not the right person to
22 continue leading this investigation into the Trump-Russia connection". And
23 that influence over them, because it occurs through the production of news,
24 through the very subtle decisions that are made by journalists, it can smuggle
25 all kinds of influence into people's perceptions without necessarily triggering

1 the kind of warning light in them which says: "Well, this entity is really trying to
2 influence me. This news outlet is in some way heavily biased".

3 So in that way I could see Sky News becoming a much more effective tool of
4 influence without it necessarily leading to a huge reduction in qualities that
5 people rate highly in news outlets, like impartiality and so on.

6 I think the Times is a good case for this. I think the Times is very conflicted on
7 a whole range of issues, despite supposedly being editorially independent,
8 because of the undertakings, and also a high-quality news source. I have
9 friends and family who read the Times and who have no idea of the agenda
10 behind some of the stories that are being made. But if you are a close
11 follower of Rupert Murdoch, you can detect when that story seems to have
12 been run because it will please the boss. I will give you a concrete example.

13 Earlier this year, there was a scandal about YouTube and various brands
14 having ads placed next to video of extremist content that was appearing on
15 YouTube. Now, that is a story which I think there is a public interest in that,
16 sure. But as to the agenda behind, well, how many people know that
17 Rupert Murdoch is an investor in something called AppNexus, which is an
18 attempted rival to Google?

19 Q. (Mr Du Parc Braham) But it is a newsworthy story.

20 A. (Mr Watkins) It is a newsworthy story, but at the same time --

21 Q. (Mr Du Parc Braham) You would expect the Times - you would expect any
22 news agency worth its salt to look into things like that and to run it.

23 A. (Mr Watkins) Sure. But every news organisation has finite resources, and
24 there is a question about in what direction you would deploy those resources?

25 I am not saying that it was wrong for them to do that story; there was a public

1 interest in them doing that story. But that is an example of a story which was,
2 I think, pursued because - it certainly was not going to offend
3 Rupert Murdoch; if anything, it was going to please him.

4 There are other subjects which the Times has not investigated which would
5 obviously have grossly been more problematic for them, let us say. An
6 obvious example is phone hacking, where only the Guardian was really
7 prepared to pursue that story.

8 Q. (Mr Du Parc Braham) Although the story that James Harding was pushed out
9 because of his position.

10 A. (Mr Watkins) That was after the phone-hacking scandal blew up. I think the
11 Times at that point felt rightly that it would be embarrassing for the Times not
12 to cover a story which basically the entire rest of the media was covering, and
13 for them to have a bit of a mea culpa about that and so on, not least because
14 there were allegations about it occurring at the Times as well.

15 But him doing that was reported at the Times having been one reason why
16 Rupert Murdoch was not happy with his performance and one reason why he
17 said that News Corp asked for his resignation, which, as I think I pointed out
18 in my submission, may constitute a breach of the undertakings.

19 That episode is certainly an interesting thing for the CMA to gather evidence
20 on. To be honest, I think you should speak to Mr Harding, and you should ask
21 him, is he certain the order came from above? Was Rupert Murdoch involved
22 in that decision? When you look at the detail of the undertakings in 19891,
23 that seems to constitute a breach of them. There may have been other
24 factors at play, but that phone hacking, the reporting of phone hacking was
25 one factor, was what was reported at the time, mostly via anonymous sources

1 it has to be said.

2 Anyway, so just to reiterate, I am not saying that it is bad when news
3 organisations uncover things which are newsworthy just because it is in their
4 interest to do so. But the problem is that if your interests shape where the
5 coverage lies and you acquire a larger and larger share of the media market,
6 then the probability of stories being uncovered which are newsworthy that go
7 against your interests goes down. I think that is a significant issue.

8 You know, there are some news organisations that are quite good at reporting
9 stories which actually are damaging to themselves, and I think the BBC is one
10 of them. The BBC does actually go to town when there is scandal about
11 themselves, and, indeed, sometimes they try and over compensate for having
12 missed a story. I mean, that was arguably what was behind the
13 Lord McAlpine issue at Newsnight.

14 I cannot think of many similar cases at news organisations run by
15 Rupert Murdoch. Instead the pattern seems to be rather the opposite, which
16 is if something bad about these organisations is exposed, some kind of
17 wrong-doing internally, the attitude seems to be: "Well, this is in some sense a
18 politically motivated hit job by our opponents against which we have to
19 retaliate, either by smearing them or by pointing out their own similar failing",
20 or something like that. Right?

21 Q. (Mr Du Parc Braham) Potentially with the exception of the BBC, all news
22 organisations tend to take the same tack; they tend to try and avoid covering
23 their own skeletons, as it were.

24 A. (Mr Watkins) That is probably true. I am not sure that there are many news
25 organisations that are quite as aggressive in the way that they retaliate

1 against people who do that though, or who respond to embarrassing scandals
2 involving themselves, with that kind of self-exculpating mind-set. I think they
3 tend to think: "Okay, that is bad. We should investigate it and make sure that
4 something like that does not happen again".

5 Whereas what was Rebekah Brooks' response to the Millie Dowler story in
6 July 2011? Well, she texted or maybe emailed James Harding to say not:
7 "This is shocking. This is terrible. How did this happen at our newspaper?"
8 but: "This is a Guardian/BBC/Old Labour hit job on us". It is quite a
9 remarkable reaction to have to a story that shocking, about a newspaper that
10 you ran. And a very unhealthy mind-set, I think, because it inevitably leads to,
11 when you get these allegations flying towards you, a certain amount of them
12 you just ignore as: "Oh, it is just politically motivated. There is probably no
13 truth in it". And indeed, News Corp's own defence of what happened, or
14 explanation of what happened, why they did not get to the truth about phone
15 hacking quicker, is that they had that attitude towards their critics.

16 Then again, Fox News had a similar approach with the sexual-harassment
17 stuff. I think there have been submissions made to you about others about
18 this, about the amount of time that they had spent covering their own scandals
19 and the amount of time they have spent covering scandals at other
20 organisations - you know, the Harvey Weinstein thing and so on - in order to
21 try and create a broader narrative in which they look less bad, if you like. In
22 addition to also, in some cases, allegedly having retaliated through their news
23 outlets against women who have made allegations. That was the case
24 allegedly again in 2004, according to Gabriel Sherman in his book about
25 Roger Ailes. And not just through Fox News, but through the New York Post.

1 Q. (Mr Bamford) I think that is it from us here. Do you have anything you would
2 like to add in the last couple of minutes?

3 A. (Mr Watkins) Yes, there is just one point I want to make at the end, which is
4 when you look at the influence of online or the effect online is having on
5 journalism, and its influence, it is kind of complicated. I mean, it can be
6 looked at in terms of increase or decrease, but I think that is a bit simplistic. It
7 is creating different winners, to a certain degree. It is also changing the way
8 that they influence people.

9 So an example that I do not think anyone has really talked about in this
10 debate so far is news organisations can now run a news story about you and
11 publish it online. And then if someone searches your name, it is there, and it
12 is going to be there for a long time. Especially if you are not regularly in the
13 news.

14 So let us say that the Mail or the Sun, or whoever, picks you out amongst all
15 these people in this country and names you in a story and says that you did
16 really bad things or whatever, or publishes embarrassing information of you,
17 or just things that you may not - it may just be personal things that you do not
18 want an employer to know or you do not want friends and family to know.
19 That is now out there on the internet, and anyone now knows that that could
20 happen to them.

21 That is a way in which online has increased the power of news organisations,
22 which is not to do with the amount of consumption necessarily that they have,
23 or how widely they are consumed through social media. But it is a powerful
24 additional factor, because it means that you are aware now that if you step
25 into the public domain or the public debate on any given issue, you could be

1 kind of singled out for that treatment by a news organisation.

2 And I think that is quite powerful as a way of - it is a dimension of online
3 influence which is a complete change on what it was before. In 1992, say, a
4 newspaper ran an article about you, maybe people would read it, maybe
5 some people would remember it, but within a year it would be quite hard for
6 anyone to find that story out about you. They would have to go into an
7 archive and know what they were looking for really.

8 And I think it is an easy form of influence to underrate the importance of. And
9 when we talk about too much influence over political process, that is
10 something that can affect politicians, but it is particularly likely to affect people
11 who are not in the news that much, which include lots of public officials. For
12 example, police who may not have much news coverage in their careers
13 before, but suddenly get some from a particular story because the media has
14 not taken a particular liking to them. And the same goes for all kinds of
15 people. I think that is a significant element of what is happening that can
16 easily be overlooked.

17 Just one other point I would make just before finishing, which is I think it is
18 really important that you look at news as a market. Obviously that is an
19 obvious thing to say. But it comes to a point that was raised on Wednesday
20 about do news organisations influence people, or do people influence news
21 organisations by having preferences that those news organisations try to cater
22 to?

23 Well, it is easy to assume that what we want is to be told the truth. I think
24 there is plenty of evidence that that is not the case. Often what people want is
25 to be told things that confirm their beliefs, and often they also want things that

1 will entertain them; they want a version of the news that is entertaining. And
2 that is a problem that has got more severe as choice has increased, and this
3 is why I think it is important not to necessarily buy the argument about choice
4 solving the plurality problem.

5 Look at it this way. In 1975, there were three TV channels that you could
6 watch in the UK. There was no video. There was no catch-up or anything. If
7 two of them ran a particular kind of programming, like current-affairs
8 programming, then lots of people have to watch it and they just do not have a
9 choice if they want to watch TV or video content. They have to watch
10 something like that. That was a way that the BBC and ITV maximised the
11 audience for news content at the time, by scheduling Panorama and World in
12 Action at the same time.

13 Now we have an incredible choice environment. Lots of people are not that
14 interested in news and consume less of it as a result because they have more
15 choice. Where once they could only consume newspapers on the way to
16 work, or a book maybe or a magazine, now they have got all the things
17 available on the spot.

18 So the distribution of consumption of news across the population changes
19 over time, and no one is really measuring that. Ofcom is not measuring that,
20 but that should be measured, because that is extremely important from a
21 plurality point of view. We are interested in who is consuming what news.
22 How many people are multi-sourcing, for example, may vary hugely across
23 the population, even if the average does not change very much. Some
24 people may be multi-sourcing less, because they no longer read a newspaper
25 on the way to work and only get their news from the TV in the evening, and

1 some people may be news addicts who are consuming lots and lots of news.

2 And in that way there are two kinds of plurality problem. One is a portion of
3 the population consuming less news, and a second, which is in order to
4 compete with non-news alternatives, news has to become more entertaining.

5 And I think that that is a force that is operating on commercial providers which
6 is drawing them in the direction of more entertainment-style news, and looking
7 for news stories that are great box office, if you like.

8 And the only way that that can be got around is by having a funding source
9 that is not as closely connected to the actual amount of viewing, or
10 consumption, like a public subsidy is not affected by this. And that is a reason
11 why public subsidy has in effect become a better way of funding news than in
12 the past, and commercial funding of news has become less attractive,
13 because people are learning less from commercial news as a result of these
14 changes.

15 That is not just my opinion. There is evidence of this. I think I cite some of it
16 in my submission. There is a book, for example, called How Media
17 Inform Democracy, which tries to analyse this by looking at political learning in
18 different countries. There is also a very important book to look at called Post-
19 Broadcast Democracy, by Markus Prior, a US academic, which shows how
20 the audience for news has been radically cut in from the US by the
21 introduction of more choice.

22 So one of the problems with the plurality assessment in this case is, this
23 assumption that choice is the primary determinant of how well informed
24 people are, actually, the key plurality objective of informed citizens is also
25 affected by what kinds of news they are consuming and what kinds of

1 providers are providing it and their share of the market, if it has got any.
2 So I think that is an important thing to consider, when you consider what the
3 impact of increasing share of a commercial provider is likely to be on the
4 overall amount of political learning in this country.
5 Unfortunately there is not a huge amount of evidence on how much different
6 sources inform people. Indeed, Ofcom, as far as I can see, has never
7 assessed that, which is, I think, a major failing of their work on plurality today.
8 Anyway, that is all I have to say.

9 Q. (Mr Bamford) Thank you. Thank you for your time.

10 A. (Mr Watkins) Thank you very much for having me.

11 Q. (Mr Bamford) As I said earlier, if there is anything you wanted to add or
12 amend, feel free to.
13
14

Key to punctuation used in transcript

--	Double dashes are used at the end of a line to indicate that the person's speech was cut off by someone else speaking
...	Ellipsis is used at the end of a line to indicate that the person tailed off their speech and didn't finish the sentence.
- xx xx xx -	A pair of single dashes are used to separate strong interruptions from the rest of the sentence e.g. An honest politician – if such a creature exists – would never agree to such a plan. These are unlike commas, which only separate off a weak interruption.
-	Single dashes are used when the strong interruption comes at the end of the sentence, e.g. There was no other way – or was there?