COMPETITION AND MARKETS AUTHORITY
21ST CENTURY FOX / SKY MERGER INQUIRY

Notes of a hearing with Leo Watkins
held at Victoria House, Southampton Row, WC1B 4AD
on Friday, 13 October 2017

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Q. (Mr Bamford) Thank you for coming in today, Leo.

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

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

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

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

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

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

A. (Mr Watkins) [35]

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

So they are the legal points out the way.

We are interested, you state that you have worked with politicians, but also with the campaign groups. Can you just detail the work that you have done with the campaign groups alongside your previous correspondence where you have highlighted the work that you did on the submission that came in from
Ed Miliband and Ken Clarke?

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

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

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

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

So the legislation obviously involved here is the result of a rebellion against the government of the day in 2003 led by Lord Puttnam, which inserted these amendments into the Communications Act that introduced these merger intervention grounds. That is quite a curious situation because it meant that
the government of the day was not really interested in this area. Indeed, it was resistant to it and had to concede defeat eventually on it. And then there has been virtually no interest whatsoever in developing this area and considering what is involved in judging whether we had sufficient plurality, and what even the harm of lacking sufficient plurality is, by any politicians really since 2003.

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

So you are in this situation where Ofcom has not really had to come to a full view when it has done phase one plurality assessment, because the bar is quite low. They just have to have initial concerns, they do not have to come to a final judgement. And as a result they have left a lot of areas, I think, in this field unresolved. One of the reasons for that, I think, is that they feel that as an unelected body it would be exceeding their remit to start making policy
in this area, for example by saying "We consider, ex nihilo, this level of plurality to be sufficient." And I see the CMA in its issue statement has said, what benchmark should we look at? And in the submission that I wrote for Ed Miliband and co we said, that 2003 is not an adequate benchmark. We think the most reasonable benchmark is 2011 and then you need to consider what has actually happened to the media markets involved since then. And we think that if you do that you do not come to the conclusion that there has been a radical increase in plurality sufficient to justify this transaction. In 2011 the judgement was effectively that someone had managed to get too much power and under the current framework that means plurality was, in that sense, insufficient.

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

So, for example, what are the harms of having too much influence? If you can list those harms, you can potentially identify whether those harms are occurring at the moment. Too much influence on its own is obviously a very hard thing to assess, because influence is very vaporous, almost. And the additional problem you have, and this is one thing I really want to stress to the inquiry, there is a danger of applying too high an evidential threshold for
detecting influence. You are not necessarily, when you try and assess the
influence of a media owner over a politician, or over the political agenda,
going to get lots of open and shut cases or smoking guns where there is a
meeting where a deal is done where there is somehow a record of that
meeting and what was said between a media owner and a politician. That is
just not how it works.

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

Indeed, it is very indicative that the one journalist who blew the whole story
wide open, Nick Davies, was a very experienced journalist who worked at the
Guardian for a long time, had probably no intention of going to get
employment anywhere else in the media industry, and indeed retired a few
years later. If you were a young journalist, why would you expose the
malpractices of a large organisation which could be your potential employer,
and certainly could have an impact on other potential employers? So it has
an impact on journalists. It has also an impact on people like, I am afraid to say it has an impact on the police, it has an impact on the regulators like the Press Complaints Commission. It may even have also had an impact on Ofcom, I do not know. But it had an impact, I think, judging from the Leveson report, on the Information Commissioner in 2003 when Operation Motorman uncovered this tranche of evidence of rampant breaches of data protection, and essentially very little was done.

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

Another reason, just briefly, why I sympathise with you is that obviously it a very political judgement to say a media owner has too much influence over the political process. Politicians are very reluctant to admit that anyone has too much influence over them if that person is unelected, because it goes to the heart of how sovereign we believe our parliament is. It is deeply damaging for them to admit that. It is also deeply damaging for a media owner to concede that they have that influence. So of course they are going to deny it and of course they are going to take steps to try and minimise the appearance of that influence. As a result, if you do have evidence of remarkable access, of fairly open relationship, then that is all the more remarkable. That suggests that these people are not really worried about the political ramifications of being seen to actively court such a media owner.
To take concretely the case of Rupert Murdoch and News Corporation, the level of access that they continue to enjoy after the phone hacking scandal, after a time when one of the main political parties switched its political position and was no longer actively seeking that support, but essentially trying to cash in on having called for Leveson and proper investigation and so on, the fact that politicians were continuing to meet this proprietor knowing that the record of those meetings would be made public, knowing that the number of those meetings would be made public, and knowing all the backstory and so forth, is all the more remarkable, actually. It is very clear evidence, I would suggest, much clearer than Ofcom was prepared to concede at phase one where it said: "These meetings could mean a number of things."

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

The problem is, as a body pronouncing on this area in this inquiry, again, it is going to be politically contentious if you say, "We think the evidence of too much influence is that the people from this party or from this government have been meeting a lot with this particular media owner." So in that sense, you see why I think you have a difficult job in this inquiry.
Q. (Mr Bamford) And taking that to the next step in the transaction, what do you think the transaction would add to the influence that you are putting forward?

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

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

A. (Mr Watkins) I think there are a number of things. I think you have to talk about it in two ways; firstly the influence on the consumer and secondly the influence on the news agenda. So it is in a way direct and indirect influence, because you can influence the consumer if the news that you run influences other broadcasters to run with that news and it reaches their viewers as well,
right? So in terms of, focusing first on direct influence, what does it do? Well, you are right that in terms of viewership of the Sky News channel at the moment, it is not massive. It is still significant, I think. There is a portion of the population that does go to it in preference to the BBC for a range of reasons.

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

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

Although we have had a long period of a lot of newspapers providing their news for free online, that is coming to an end now, I think. We are starting to see the end of that. A good example of that is the Telegraph. It was free for a
long time and then I think in about 2013 it put up a metered paywall and in
2016 it tightened that paywall some more. The Times obviously has a
paywall. I think it is almost inevitable that the Guardian will have to put one
up. If you look at the size of the losses that they are sustaining, £50 million of
losses a year with an endowment that is not going to sustain them for longer
than a decade or so, and an online advertisement market that is just ceasing
to yield any real growth for these players, because it is all being hoovered up
by Google and Facebook with their superior data and advertising targeting
capabilities.

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

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

A. (Mr Watkins) And other profits that are made by Twenty-First Century Fox
including, potentially, in other countries. Mr Murdoch used the profits from his
United Kingdom newspapers to help himself get into American television, and
eventually he built up a position in American television where he now has the
dominant news network there. Incidentally, it is also very profitable, so you
can almost see the process reacting back using the profits of the United
States listed company to subsidise the British operation.

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

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

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

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

Q. (Mr Du Parc Braham) Your argument is that if we allow the merger to go
through one of the benefits is that you have got all these other newspapers,
news sources that are struggling because they are losing advertising
revenues so there is going to be less availability of free news, whereas because of the revenues from Twenty-First Century Fox and the revenues from Sky the Murdoch empire, as it were, would be able to keep its news front and centre and free.

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

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

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

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

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

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

So I do not really see the case for this merger protecting plurality, especially
when you consider that one of the objectives here is to prevent too much
influence over the political agenda accruing to one person. The other major
entities that you could point to as rivals, supposedly ITN and the BBC, I think
both have significant limiting factors their ability to exert a kind of concerted
editorial agenda, a concerted impact on the political process. ITN is limited by
the fact that three different channels buy its news. It is not even very big in
the first place. I think they pay a combined total of about £85-86 million a year
for that news. The fact that they have to secure those contracts, the fact that
the ownership of ITN is dispersed between four different companies, of which
the largest has only forty per cent, ITV. Those are both limiting factors which
means that when you look at from a share of references, I do not think it is
remotely comparable to the combined influence of News Corporation and Sky
under a much more unified approach concerted effort to influence those titles,
and so on and so forth.
And again with the BBC, it is publically owned, it is regulated for internal
plurality. I think it takes the requirement to be impartial even further than any
other broadcaster, because of that public ownership, and indeed because of
its share of consumption as well.

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

A. (Mr Watkins) I think the first thing to say is to make the obvious point that
Ofcom has made in its phase one enquiries, this time and in 2011, namely once you acquire full ownership you become able to take decisions about the company which are exclusively in your interests. When you have forty per cent it is not anywhere hear as easy to do that.

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

Now --

Q. (Mr Bamford) Could you give an example of something that you consider might be of that line? Particularly thinking that the shareholders in Sky presumably hold the shares in Sky to make a profit and the same for the shareholders in Twenty-First Century Fox. I am wondering what the difference would be.
A. (Mr Watkins) I think in the case of the Sky shareholders, I think they have shown, for whatever reason, a more marked concern for upholding standards of good governance, compliance. And you see that in their reaction to the phone hacking scandal when James Murdoch has to step down. Contrast that with Twenty-First Century Fox, where he becomes CEO despite this
awful track record at News International where he has been severely criticised by the regulator, Ofcom. He is appointed as CEO of Twenty-First Century Fox and where is the reaction from their shareholders? I do not remember seeing one, particularly.

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

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

A. (Mr Watkins) I see that point. I still think you have the issue of in whose interest it is to run the company a particular way. So if, as I would argue, the whole sort of Rupert Murdoch editorial approach is one that is geared towards furthering the interests of the company that he runs then there may be ways in which he may try and use Sky News to further those aims. That could cross a line as far as Sky shareholders are concerned, and where the argument that it is in their commercial interest is of limited kind of purchase with them because
they do not share those interests.

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

He would have acquired CNN, another major movie studio, a huge share of United States television viewing. So he clearly wants to get bigger. His companies have got bigger and bigger throughout his career and it is not really clear why Sky shareholders share that interest particularly, I would say, because they are investors in Sky. So in that way, his interests can be engaged without theirs’ being engaged on a whole range of issues. Another example one could point to, he is trying to get into various foreign media markets, and indeed he has made decisions about the way that his United Kingdom newspapers have been run, it is alleged, which have been shaped by those interests. The case of Andrew Neil who alleges that he was fired as editor of the Sunday Times because he ran a story which offended Malaysian politicians with whom Rupert Murdoch needed to maintain good relations. What are Sky independent shareholders' interests in Malaysia? I do not know. I doubt they are as extensive as Rupert Murdoch’s. And this goes for all kinds of places around the world because of the sheer size of these
companies. And so that divergence of interest then does have an impact, I think, on the way in which you run an outlet.

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

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

A. (Mr Watkins) The answer is they may not. They may not have the same interests. They certainly have the same interests in Twenty-First Century Fox doing well, though. And they also, I do not know, there may be some sort of commonality of shareholding in the sense that if they buy into the Rupert Murdoch approach in one company, they may buy into it in another. The classic case of that was Prince Al-Waleed bin Talal who was an investor in both for a long time. He has a small stake left in News Corporation but continues to have a large stake left in Twenty-First Century Fox.
I think the other element of it is that when you just look at the -- it is a comment someone made the other day about when you buy into these companies you are buying into the Murdoch approach and if part of it is maybe factored into the share price that Rupert is going to use Twenty-First Century Fox to a certain extent to promote the interests of News Corporation as well. Maybe it is factored into the Sky share price too, to some extent, but I would submit a lot less because he does not run it in the same way that he runs, that the three Murdochs - him, Lachlan and James - run, Twenty-First Century Fox and are deeply involved at all kinds of levels in that organisation. For example, Rupert is interim CEO of Fox News while they find a new one. There has never been any suggestion, really, of him doing anything like that in relation to Sky News.

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

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

The first is there may just simply be a division of responsibility between Murdochs. It may be that Rupert loves being involved in the editorial process.

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

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

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

There may not necessarily be many cases of shareholders getting up in arms about it if you do not try it in the first place, because you anticipate that. Rupert said in 2006: "Nobody listens to me at Sky," and that was at a time
when his son was CEO there. That does not mean that they will not listen to
him once he has got whole ownership of it.
And then you have the additional factor that a forty per cent owner is not quite
your boss in the same way as a one hundred per cent owner as an employee
of an organisation, and when Sky is folded into Twenty-First Century Fox
there are also the opportunities to be promoted up into that company and so
on and so forth. We know that lots of Murdoch employees have been
promoted up the organisation in this way, particularly, I think, if they have
been good editors who have faithfully presented the news as written the way
the Murdochs would like it to be presented.
So the folding of the company into Twenty-First Century Fox I think has an
impact on the employees as well and their perception of what happens to their
chances of any kind of professional advancement, I suppose.

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

A.  (Mr Watkins)  Obviously there are lots of dimensions to why cross-media
ownership is significant from our kind of point of view of influence. There are
some people who only use one platform, different platforms, different people.
Suddenly you have got the ability to reach across all different portions of the
population, all age groups. That is significant in terms of generating broad
awareness of a story, making a story un-ignorable, if you like. Dictating the
debate on social media or whatever. So that is the first point.
The second point is there are people who get their information from multiple
different platforms. You suddenly have the ability to keep this hypothetical
story in their consciousness, especially given that these platforms are often
used at different times of the day. You can get the story to, as it were, follow
them through the day. They begin in the morning with the newspapers and
the Today programme, and they get to lunchtime and they are hearing it on
commercial radio, say, or seeing it on the internet and in the evening on
television. That kind of wall to wall coverage has an impact on people.
The third element of it is that these are different brands, and I think you will
find if you ask most members of the public that they have very little sense of
who owns what media, in many cases. The probably know the BBC is
publically owned. But for example, how many members of the public, even in
London, could tell you who owns the Independent, or the Evening Standard,
or the fact they are both owned by the same person. Even after this
transaction, which by the way there has not been a huge amount of media
interest in, there will be many people who do not know that the news that they
get from the Sun and the news they get from Sky News is actually coming
from companies that are ultimately controlled by the same person? And they
certainly will not have, I think, any idea what that person's broader commercial
interests are and how they might be shaping that coverage. And the number
of different brands, if you like, and outlets that they hear a news source from
has a sort of multiplier effect on how seriously they take a news story.
The Daily Mail can bang on about an issue on its own, but it can almost be
sort of written off as the media equivalent of a sort of raving grandparent with
a bee in their bonnet, but when you have got a number of different news
outlets with different branding running the same story, or running a similar
angle on a story, framing the story the same way, that has a very powerful
effect on people because it seems more like objective reality, if you see what I
mean, rather than simply the opinion of one news source.

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

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

A twenty-four hour news channel is very, very useful for that, by the way,
because it means that there is a constant check, if you like. There is a
constant question in the minds of any BBC television producer of, how are
Sky covering it? The fact that it is not the most watched news channel does not really matter that much in that sense.

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

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

Q. *(Mr Du Parc Braham)* Can you think of any example of a story that (a) the BBC has not run but which has been covered by a lot of other outlets which is newsworthy, is not being driven by an editorial agenda, which the BBC has not covered but it is newsworthy, and vice versa, a story which maybe, for
example, the Daily Mail has attempted to push but no one has picked up
because regardless of what the Daily Mail think it is clearly not newsworthy?

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

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

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

A. (Mr Watkins) It is not so much a case of forcing the BBC to run stories that
are not newsworthy. I think it is more subtle than that. I think it is more a question of what kind of prominence and emphasis should be given to a story. I think perception of what everyone else is leading with is a factor in deciding how important it is to give something priority.

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

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

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

A. (Mr Watkins) I think in some ways you would have the same concerns, and in some ways they would be less. The way in which you have the same concern is that cross media ownership does have this power, as I said, to reach broader parts of the population, to keep the same story in the news cycle at different parts of the day and so on and so forth. And of course the addition of more production resources to people who already had some.
On the other hand, I think it is clearly true that if you take, for example, DMGT that has far fewer interests engaged around the world on a whole range of issues than the people who control News Corporation. It is also run differently, we know that. Lord Rothermere is not an interventionist proprietor. He gave evidence, I think, to the Leveson Inquiry to that effect and no one seriously contests it.

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

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

Q. (Mr Bamford) I am not wanting to assess the merger between the Daily Mail Group and Sky, but just to think through, I mean the Daily Mail as a newspaper has similar circulation figures to the Sun now. The Daily Mail online is by some measures the largest online news provider in the world. And while I recognise your statements around the proprietor, if the editor of the Daily Mail had influence across to Sky News and Sky, would that bring the same level of concern, or the same type of concerns? I guess it is whether what we are talking about here is a particular concern with a particular individual and a proprietor, or whether it is the same cross-media ownership,
and I know you articulated some of those concerns more generally, that would
occur with similar size organisations, or even larger in terms of online reach
across media as well.

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

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

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

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

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

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

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

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

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

Q. (Mr Bamford) Yes, thank you.

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

A. (Mr Watkins) Yes.

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

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

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

There is the additional factor that a lot of online output is being plagiarised from other news providers, which makes it inherently hard to assess the issue that you raise, which is, if you like, the concentration of original production of news that is relevant to the plurality objectives. All I think we can say is the idea that there has been much of an increase in provision of that kind of news by these providers, the evidence is just fairly scant really. That is as far as I can really go.
On the other hand, it is true that there are traditional providers who have laid off more people. It is also true that newsrooms have been merged, between the Times and Sunday Times I think potentially. Certainly in the case of the Independent and Evening Standard, the respective exit of some newspapers seem to be on the cards; the acquisition of the Express and the Star, potentially quite soon. They have been in talks with Trinity Mirror about that. And then of course there is the whole story of local news where production has collapsed.

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

Q. (Mr Jenkins) Thank you.

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

A. (Mr Watkins) Well, I think there are a few factors. The first is, on the whole, the quality press have more journalists. The Times has many more journalists than the Sun does, even though is read by fewer people, and that is related to the fact that it is a quality title. Traditionally, the quality press has been more lucrative, because it has been targeted at wealthier people, so they are prepared to pay more, and of course that targeting advertising at them is much more lucrative. So in those two ways, a quality newspaper can sustain a much larger newsroom addressed to a smaller audience. The fact that they have such production resources gives them more kind of original agenda-setting power. It also therefore makes them more significant
at influencing other news providers. For example, the BBC is I think going to find the Times quite an important source of news, because it simply has the ability to originate more news than the Sun. And there may also be a feeling that the news that is produced is of a higher quality, is more reliable, if it goes by the brand name of the Times; more trust can be placed in its veracity. And it is also true that I think news organisations do pay attention to these outlets because of who reads them, if you like, and people with the politics and so forth. Part of it is that people in politics tend to read things like the Times and the Financial Times, so their perception of what other people are reading will be coloured more by those outlets.

Does that sort of get to your question?

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

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

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

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

So if for example you become owned by an organisation which is far more conflicted, if you like, because it has a much broader range of interests, as I have just said is true of 21CF and News Corp, then there is a potential for
your coverage to become more partial in that way, without necessarily the
tone being lowered particularly. So that is the first thing to say.

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

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

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

I mean it gets to a point was raised on Wednesday, which is a question of
how much influence do news organisations actually have over public opinion?
Well, the way that that influence works is often so subtle; it comes down to
things like the choice of a photo. It is also the way that you can describe
events.

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

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

And that influence over them occurs not just through Bill O'Reilly mouthing off about something. It also occurs through the news presenters saying things like: "Questions are being raised about Robert Mueller's interests and whether he is conflicted in this investigation about this scandal which has been invented from years ago to somehow suggest that he is not the right person to continue leading this investigation into the Trump-Russia connection". And that influence over them, because it occurs through the production of news, through the very subtle decisions that are made by journalists, it can smuggle all kinds of influence into people's perceptions without necessarily triggering
the kind of warning light in them which says: "Well, this entity is really trying to
influence me. This news outlet is in some way heavily biased".

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

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

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

Q.  (Mr Du Parc Braham) But it is a newsworthy story.
A.  (Mr Watkins) It is a newsworthy story, but at the same time --
Q.  (Mr Du Parc Braham) You would expect the Times - you would expect any
news agency worth its salt to look into things like that and to run it.
A.  (Mr Watkins) Sure. But every news organisation has finite resources, and
there is a question about in what direction you would deploy those resources?
I am not saying that it was wrong for them to do that story; there was a public
interest in them doing that story. But that is an example of a story which was, I think, pursued because - it certainly was not going to offend Rupert Murdoch; if anything, it was going to please him.

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

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

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

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

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

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

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

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

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

A. (Mr Watkins) That is probably true. I am not sure that there are many news organisations that are quite as aggressive in the way that they retaliate
against people who do that though, or who respond to embarrassing scandals involving themselves, with that kind of self-exculpating mind-set. I think they tend to think: "Okay, that is bad. We should investigate it and make sure that something like that does not happen again".

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

Then again, Fox News had a similar approach with the sexual-harassment stuff. I think there have been submissions made to you about others about this, about the amount of time that they had spent covering their own scandals and the amount of time they have spent covering scandals at other organisations - you know, the Harvey Weinstein thing and so on - in order to try and create a broader narrative in which they look less bad, if you like. In addition to also, in some cases, allegedly having retaliated through their news outlets against women who have made allegations. That was the case allegedly again in 2004, according to Gabriel Sherman in his book about Roger Ailes. And not just through Fox News, but through the New York Post.
Q. (Mr Bamford) I think that is it from us here. Do you have anything you would like to add in the last couple of minutes?

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

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

So let us say that the Mail or the Sun, or whoever, picks you out amongst all these people in this country and names you in a story and says that you did really bad things or whatever, or publishes embarrassing information of you, or just things that you may not - it may just be personal things that you do not want an employer to know or you do not want friends and family to know.

That is now out there on the internet, and anyone now knows that that could happen to them.

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

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

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

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

Well, it is easy to assume that what we want is to be told the truth. I think there is plenty of evidence that that is not the case. Often what people want is to be told things that confirm their beliefs, and often they also want things that
will entertain them; they want a version of the news that is entertaining. And
that is a problem that has got more severe as choice has increased, and this
is why I think it is important not to necessarily buy the argument about choice
solving the plurality problem.

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

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

So the distribution of consumption of news across the population changes
over time, and no one is really measuring that. Ofcom is not measuring that,
but that should be measured, because that is extremely important from a
plurality point of view. We are interested in who is consuming what news.

How many people are multi-sourcing, for example, may vary hugely across
the population, even if the average does not change very much. Some
people may be multi-sourcing less, because they no longer read a newspaper
on the way to work and only get their news from the TV in the evening, and
some people may be news addicts who are consuming lots and lots of news.

And in that way there are two kinds of plurality problem. One is a portion of
the population consuming less news, and a second, which is in order to
compete with non-news alternatives, news has to become more entertaining.
And I think that that is a force that is operating on commercial providers which
is drawing them in the direction of more entertainment-style news, and looking
for news stories that are great box office, if you like.

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

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

So one of the problems with the plurality assessment in this case is, this
assumption that choice is the primary determinant of how well informed
people are, actually, the key plurality objective of informed citizens is also
affected by what kinds of news they are consuming and what kinds of
providers are providing it and their share of the market, if it has got any.
So I think that is an important thing to consider, when you consider what the impact of increasing share of a commercial provider is likely to be on the overall amount of political learning in this country.
Unfortunately there is not a huge amount of evidence on how much different sources inform people. Indeed, Ofcom, as far as I can see, has never assessed that, which is, I think, a major failing of their work on plurality today.
Anyway, that is all I have to say.

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

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

Q. (Mr Bamford) As I said earlier, if there is anything you wanted to add or amend, feel free to.
### Key to punctuation used in transcript

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Description</th>
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<tbody>
<tr>
<td>--</td>
<td>Double dashes are used at the end of a line to indicate that the person's speech was cut off by someone else speaking</td>
</tr>
<tr>
<td>…</td>
<td>Ellipsis is used at the end of a line to indicate that the person tailed off their speech and didn't finish the sentence.</td>
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<tr>
<td>- xx xx xx -</td>
<td>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.</td>
</tr>
<tr>
<td>-</td>
<td>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?</td>
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