

News Corporation's proposed takeover of BSkyB:

A submission to the Secretary of State by Claire Enders, CEO, Enders Analysis Ltd

Overview

News Corporation, listed in the United States, controls a large range of media assets in the UK and in other countries. In the UK, the principal assets of News Corp are:

- 100% ownership of News International, which publishes *The Times*, *The Sunday Times*, *The Sun* and *News of the World*
- A 39.1% stake in BSkyB, the leading supplier of pay-TV services in the UK and also a supplier of telecommunication services
- 100% ownership of HarperCollins, one of the top four book publishers in the UK

Other notable News Corp assets include:

- In the United States, *The Wall Street Journal* (the leading global business newspaper), Dow Jones, *The New York Post*, and Fox Television, one of the big four US networks
- In Australia, a portfolio of newspapers including *The Australian*, *The Daily Telegraph* and *Herald Sun* and a 25% stake in pay-TV satellite television service FOXTEL
- 100% ownership of Sky Italia, the leading supplier of pay-TV services in Italy and a 45.4% stake in Sky Deutschland, the leading supplier of pay-TV services in Germany

News Corp has proposed to purchase the remaining 60.9% of BSkyB that it does not already own. This transaction constitutes a 'relevant merger situation' under the Enterprise Act 2002, engaging the responsibilities of the competition authorities. This Act permits Ministers to intervene in merger cases which raise public interest considerations specified in the Act. National security was the only consideration initially specified in the Act, but 'media public interest considerations' were added upon amendment of the Act by the Communications Act 2003. Baroness Blackstone, introducing what became the 2003 Communications Act into the Lords, said that one of the main purposes of the legislation was 'to ensure the existence of a range of media voices, safeguarding the vibrancy of democratic debate'.

As the Department of Trade and Industry (now BIS) specified in its Guidance Document of May 2004, such 'media public interest considerations' may apply to mergers involving newspapers or broadcast media enterprises or to cross-media mergers of newspaper and broadcast media enterprises. Clearly, News Corp's proposed transaction involves both a broadcast media enterprise (BSkyB) and a newspaper enterprise (News International) and therefore constitutes a cross-media merger.

This submission examines the proposed transaction's potential effects on 'plurality' in the UK in the context of the UK TV and newspaper markets. It has three sections:

- Section I provides a factual summary of the UK TV market to 2009, our projections for the development of the market by 2014, and a detailed discussion of the strategy of BSkyB
- Section II provides a factual summary of the UK newspaper market to 2009, our projections for the development of the market by 2014, and a detailed discussion of the strategy of News International
- Section III discusses the implications of the proposed cross-media merger for media plurality in the UK

We conclude that the potentially adverse effects of the proposed transaction on media plurality in the UK constitute 'media public interest considerations' that deserve the issuance of an intervention notice on the part of the Secretary of State. The resulting investigation by independent regulator Ofcom should provide a thorough exploration of the plurality implications of the proposed transaction, increasing the transparency and therefore public debate on this matter, which is vital for the future of the UK's democracy. At the very least, Ofcom's advice and recommendations will be valuable in the Secretary of State's decision as to whether plurality is relevant to the merger's consideration by the Competition Commission.

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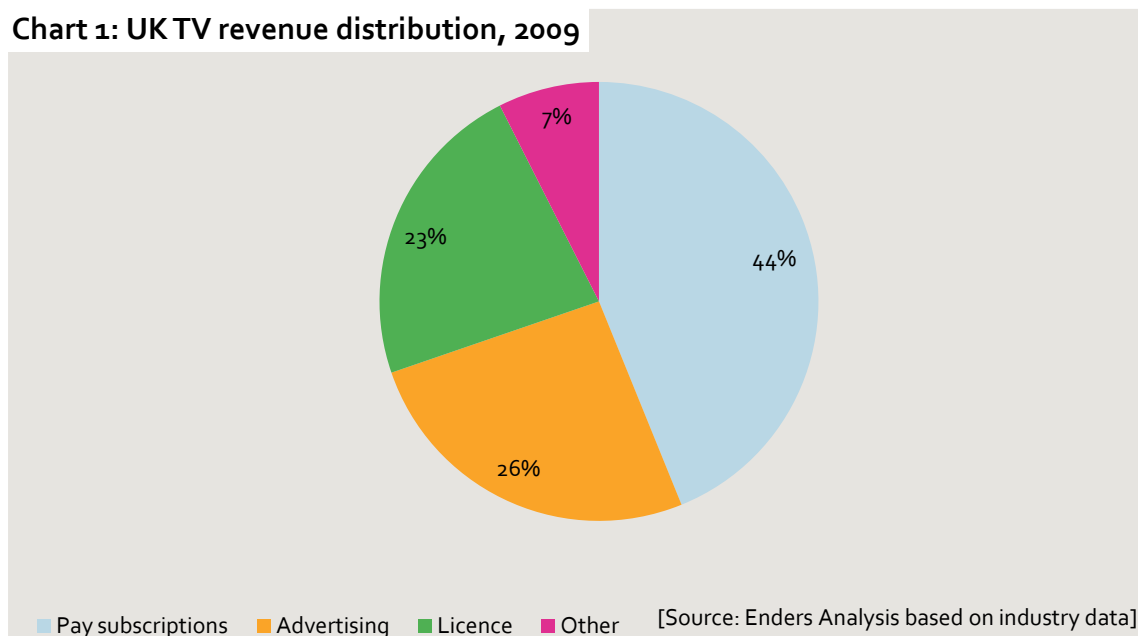
Section I – UK TV market through to 2014

UK TV market

The UK TV market totalled approximately £11.4 billion in 2009, and comprised three significant sources of revenue (Chart 1): the licence fee (23%), advertising (26%) and pay subscription revenues (44%). The remaining 7% came from a variety of other sources, including global programme sales. These revenue streams are defined as follows:

- Pay – Subscription and pay-per-view revenues generated from the provision of television services, excluding any payments for telecoms services, or wholesale revenues from third-party channel provision¹
- Advertising – Revenue generated by television groups from the sale of spot advertising. Excludes any revenue received from programme production divisions
- Licence – Revenue allocated to BBC television activities (excludes radio and other activities)
- Other – Includes estimates of net TV shopping as well as sponsorship, product placement, interactive revenue (e.g. premium rate telephony), programme sales and S4C grants from the DCMS and non-UK subscription revenue from BSkyB

Chart 1: UK TV revenue distribution, 2009



Industry structure

BSkyB achieved total revenue of £5.9 billion in its last financial year (ending June 2010) and adjusted operating profits of £855 million.² BSkyB is the UK's leading supplier of residential and business pay-TV services, and also supplies residential telecommunication services. We estimate that BSkyB currently accounts for 67% of UK residential subscribers to subscription pay-TV services and about 80% of subscription pay-TV revenues. Virgin Media is the other leading retail provider of pay-TV subscription services, while BT Retail is a recent entrant.

BSkyB also competes with the major UK TV public service broadcasters (PSBs). The BBC is the largest of the PSBs, with total funding of £3.6 billion (including radio and websites) in the year ending March 2010, principally from the license fee. The other PSBs rely mainly on advertising for their funding. ITV's total revenue in 2009 was £1.9 billion, only £52 million larger than BSkyB's programming spend in the same period. Part of

¹ BSkyB pay revenues include residential and non-residential subscriptions, both in the UK and other countries (e.g. Ireland).

² BSkyB's total revenues are generated from subscription payments and fees for entertainment products, advertising sales, residential and business telecommunications services, and fees from the wholesaling of Sky channels to other TV operators.

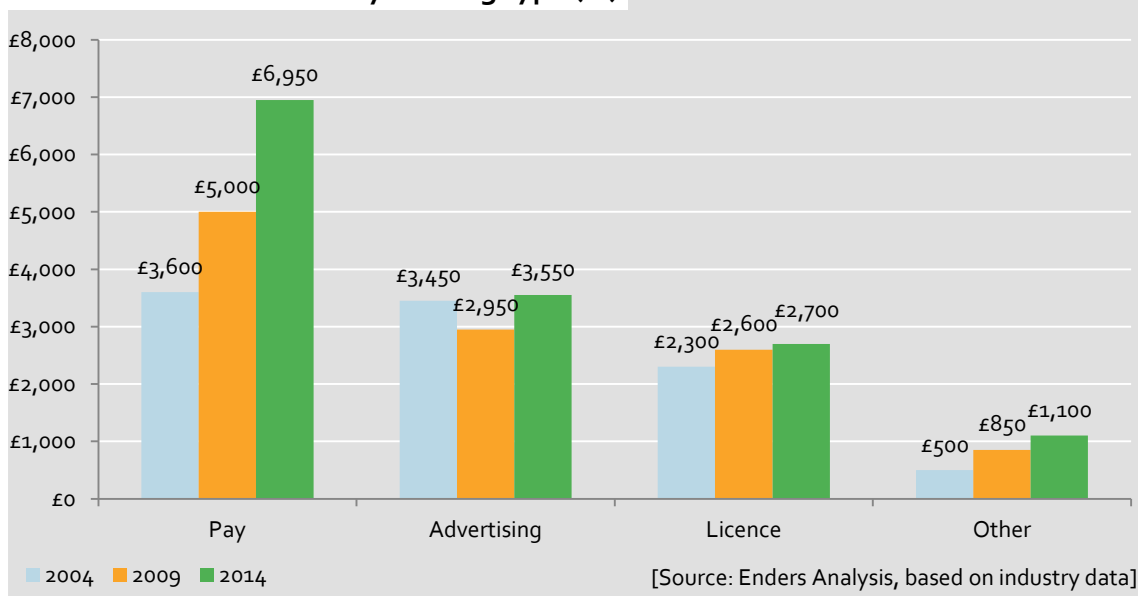
ITV's revenues came from the sale of programming via ITV Studios; this contributed 17.8% of ITV's total revenue. Channel 4 generated revenue of £830 million, while Five is considerably smaller at £269 million.

Development to 2014

BSkyB has acquired growing economic significance in the UK TV market due to the surge in pay revenue in recent years (see next section), in contrast to the revenues from TV advertising that fund the commercial PSB operators and, to a lesser extent, the BBC's license fee. Between 2004 and 2009, the total revenue to pay-TV operators – of which BSKyB accounted for some 80% in 2009 - rose by approximately 39% in nominal terms, to account for 44% of the total TV market, while advertising revenues fell by 14.5% due to structural change and cyclical effects in 2008-09. As a result, the contribution of advertising to total TV revenue fell to 26% in 2009 from 35% in 2004. The licence fee settlement in force until March 2013 has increased the BBC's revenues, albeit at a much lower rate than pay revenues, resulting in licence fee revenues contributing an increasingly smaller portion of income to the total TV market (22.8% in 2009 down from 23.4% in 2004).

During the next five years to 2014, pay-TV revenue is expected to grow at the same relative rate, taking total revenues to £6.95 billion, 48.6% of the total UK TV market in 2014, according to our calculations (Chart 2). TV advertising is expected to recover from the historic low in 2009, but structural change and a continued weak economic environment will result in nominal TV advertising revenue again reaching a similar level in 2013 to that in 2004, a large decline in real terms. The government is closely examining the current funding of BBC TV channels and its other activities. After the current licence fee settlement expires in 2013, there could be a significant cut in the BBC's income, adversely affecting the position of the BBC relative to BSKyB in particular.³

Chart 2: UK TV revenues by funding type (m)



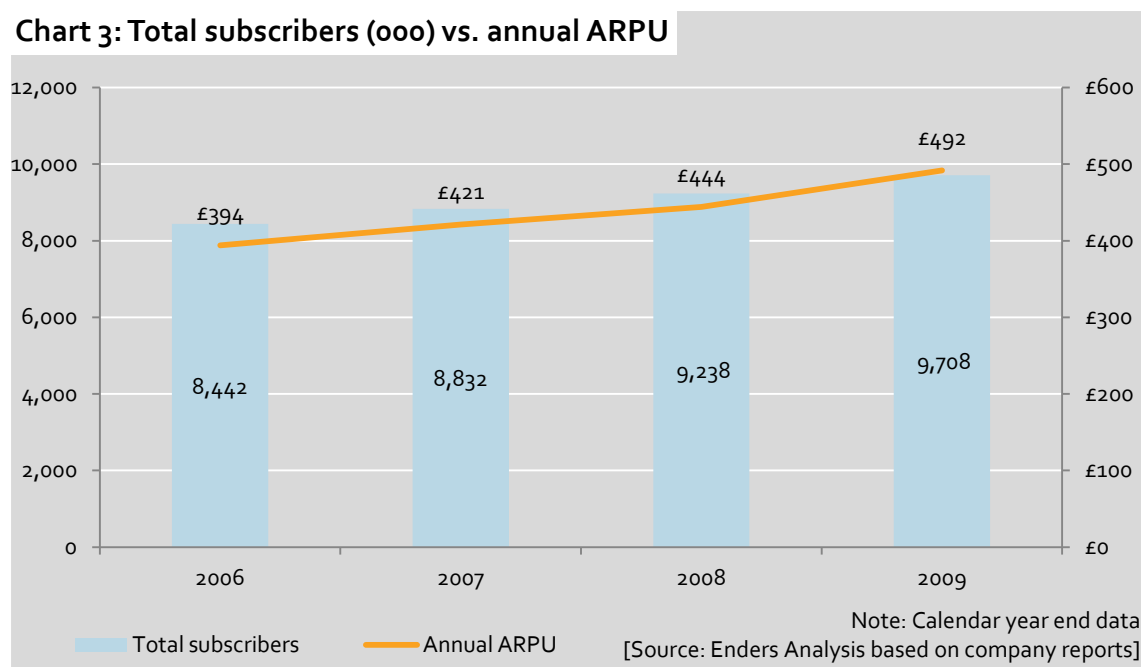
³ In an interview with *The Daily Telegraph*, Jeremy Hunt was questioned about the licence fee. Responding to a question over whether he could envisage people paying less for the BBC, he said: "Absolutely. I think that's the discussion that we need to have...The BBC should not interpret the fact that we haven't said anything about the way licence fee payer funds are used as an indication that we are happy about it."

<http://www.telegraph.co.uk/culture/tvandradio/bbc/7895750/Licence-fee-for-wasteful-BBC-will-be-cut.html>

BSkyB’s strategy for revenue growth

The surge in BSkyB’s pay revenues is mainly due to a two-pronged strategy of expanding the number of subscribers and selling more products and services to each subscriber, thus lifting annual revenue per user (ARPU). Between 2006 and 2009, total BSkyB subscribers (in the UK, Ireland and other countries) rose by 15% to reach 9.7 million and ARPU rose by 25% to reach £492(Chart 3).

Chart 3: Total subscribers (ooo) vs. annual ARPU



BSkyB pay-TV subscriber growth has been assisted by levels of promotional spend. According to Nielsen data, BSkyB was the fourth largest advertiser by spend in the UK in 2008, spending £127 million, double the level recorded for 2004 (Table 1). In contrast, neither BT nor Virgin Media (adjusting for the merger between NTL and Telewest that established the group) spend as much as BSkyB or have increased spend to the same degree.

Table 1: BSkyB and competitors advertising spend, 2003-2008

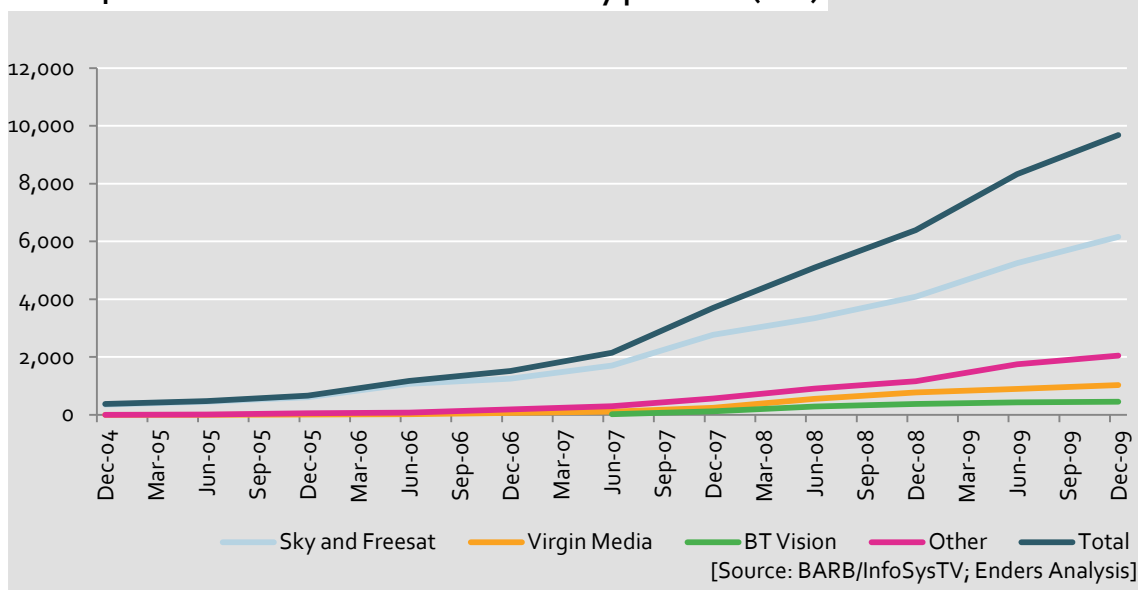
	2003	2004	2005	2006	2007	2008
BSkyB advertising spend (m)	£41.7	£65.5	£111.2	£117.2	£155.1	£127.0
Ranking of total advertising spend	21	10	4	4	3	4
BT advertising spend (m)	£96.4	£81.9	£80.4	£91.9	£92.1	£87.6
Ranking of total advertising spend	3	5	9	6	6	8
Virgin Media advertising spend (m)	-	-	£32.4*	£37.6*	£68.8	£60.5
Ranking of total advertising spend	-	-	45	36	13	16

*NTL spend

[Source: The Nielsen Company, The Advertising Association Year Book]

In addition, upfront costs to the BSkyB customer, chiefly installation and the Sky+ box, have been reduced and are nil for certain packages (if Sky TV plus either sports, films or broadband are taken). BSkyB’s costs of sourcing the set-top boxes were lowered by the purchase of supplier Amstrad in September 2007. Between 2006 and 2009, the penetration of personal video recorders (PVRs) among the BSkyB subscriber base rose from 23.3% to 66.5%. BSkyB does not charge a monthly fee for the PVR service and the box itself is provided at modest cost or free for certain packages, requiring BSkyB to subsidise in relation to its ‘normal’ cost. However, the device adds substantial value to the service, mainly by facilitating catch-up TV viewing, thus improving customer retention. Virgin Media instead charges customers a monthly fee of £5 for a PVR unless they opt for their top tier content package. By the end of 2009, Virgin Media had 862,000 customers taking a PVR, just 23.6% of their TV base. BT Vision is also an important supplier of set-top boxes due to its BT Vision service. Out of the approximately 9.5 million PVRs in the UK, we estimate that less than 20% were bought on a standalone basis, mainly either for use with Freesat or Freeview (Chart 4).

Chart 4: Total UK households with PVRs by platform (ooo)



To spur product adoption, BSkyB announced in January 2010 that it would provide HD capable boxes as standard equipment to new subscribers to enable an upgrade to HD without having to replace their set-top box. For BSkyB, this eliminates the incremental set-top box subsidy when a customer decides to upgrade.⁴ While the customer benefits from the subsidisation of set-top boxes, it is also true that BSkyB’s competitors for the pay-TV customer are also forced to subsidise their customer premises equipment to maintain a level playing field in relation to new customers. This makes it more difficult for new entrants relying on the sale of set-top boxes to engage the customer in paying for the service (e.g. Canvas). In order for new services to generate reasonable levels of adoption, they will likely have to follow one of two paths: incorporation into TV sets; or to be given away as part of a package. Operators that decide to give away or subsidise hardware as part of their package face higher upfront customer acquisition costs, a heavy burden on new entrants.

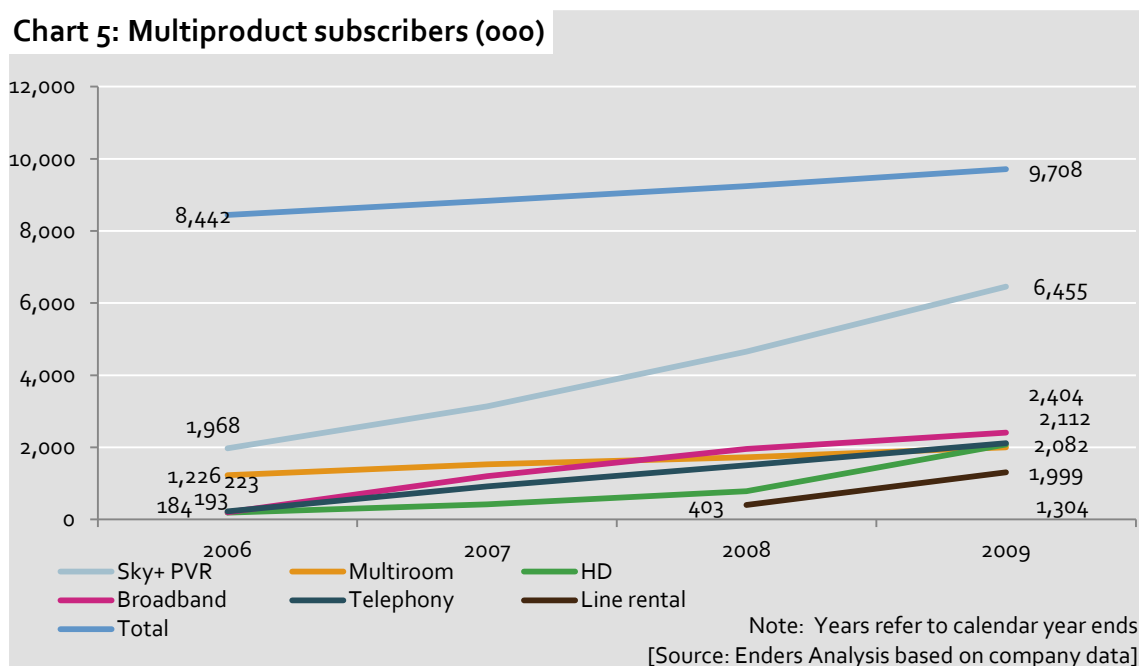
The second prong of BSkyB’s strategy has been to expand the number of charged for products taken by customers (Chart 5). In entertainment, BSkyB offers multiroom and HD, on top of pay-TV subscriptions. At the end of 2009, 2.1 million customers took either multiroom or HD respectively, each charged at a monthly fee of £10 (including VAT)).

Finally, BSkyB has been cross-selling telecoms services to pay-TV subscribers since July 2006, when Sky broadband launched. By the end of 2009, 24.8% of BSkyB customers took broadband while 21.8% took telephony and 13.4% purchased line rental. Residential telecoms contributed £514 million to BSkyB’s revenue

⁴ There will be a cost incurred when upgrading a customer. However it is likely to be small, covering any administration costs and the cost of a new viewing card to enable the HD channels. In contrast, the current cost of upgrading a customer to HD who does not have an HD box is stated as £200.

in calendar year 2009.⁵ BSkyB has been willing to invest in these additional products, despite residential telecoms recording total operating losses of £503 million to March 2010.

Chart 5: Multiproduct subscribers (ooo)



BSkyB’s broader TV activities

BSkyB’s activities and its ability to influence other players in the market extend well beyond its core pay-TV operations into other areas, where it has a prominent role both as content aggregator and channel supplier and purchaser of third party channel content. Its other activities of particular interest in the present context may be listed under the following headings.

- News provision
- Freeview presence
- Advertising sales
- Third party channel provision
- Premium sports and films

News provision: Sky News is one of three substantial providers of UK TV news, supplying its own channels and also Five. The other two UK TV news providers are the BBC and ITN. ITN is 40% owned by ITV and provides TV news to ITV and to Channel 4. Sky News and the BBC are the only two suppliers of news for UK national radio. In March 2009, Sky News increased the number of commercial radio stations it supplied with news content to over 300 (essentially the vast majority of all commercial radio stations) following an agreement with Independent Radio News).

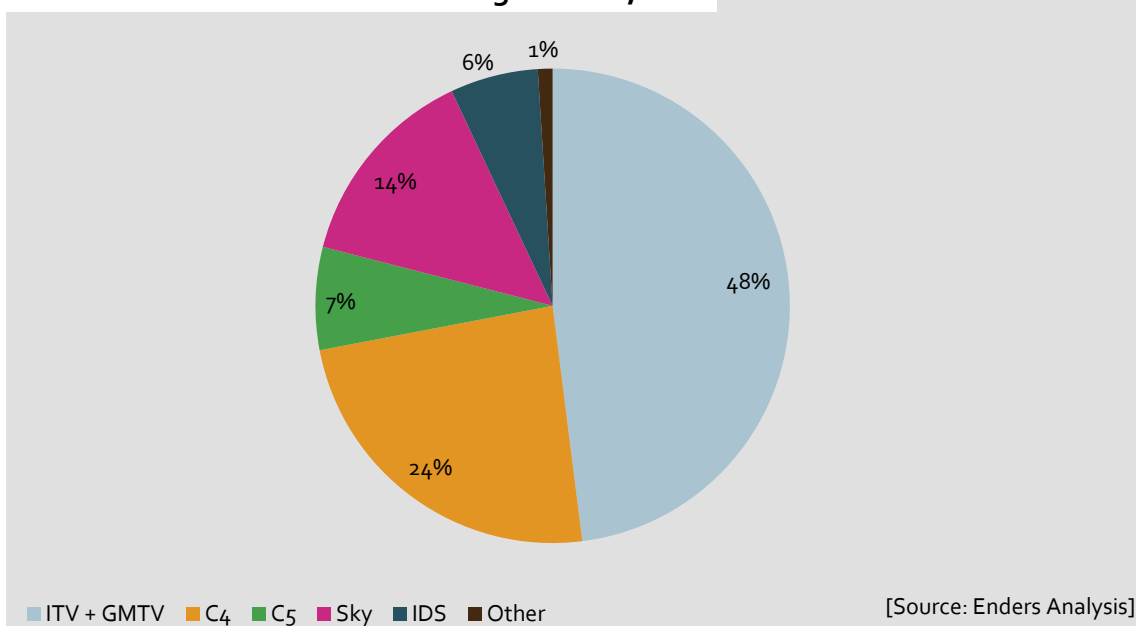
Freeview presence: BSkyB’s three channels on Freeview are Sky News, Sky 3 (general entertainment) and Sky Sports News (which BSkyB has announced will become a pay only channel and replaced by Sky 3+1 on Freeview). The number of fully owned BSkyB channels on Freeview will increase to four (out of a total of 47, excluding four HD channels) following an agreement to purchase the VMtv channels from Virgin Media on the 13th July 2010. The OFT is examining this transaction with a decision expected by the 14th September 2010.

Advertising sales: In 2010, we estimate that BSkyB will account for approximately 14% of UK TV advertising sales, the third largest group (Chart 6). Assuming the acquisition of VMtv is approved by the OFT, BSkyB’s share of advertising sales will rise to circa 16% in 2011 as the current agreement with IDS for handling advertising sales ends.⁶ Within the non-PSB commercial TV sector, its share of TV advertising will be over 50%.

⁵ BSkyB owned Easynet, a provider of business telecoms products. On the 21st July 2010, BSkyB announced that it had sold Easynet to Lloyds Development Capital. During calendar year 2009, Easynet contributed £204 million revenue to BSkyB.

⁶ IDS sells advertising for the VMtv channels and UKTV. UKTV will become the advertising sales company for Channel 4 from January 2011.

Chart 6: Share of TV new advertising revenue, 2010



Third party channel provision: Outside the public service broadcasting circle that comprises the BBC, ITV, Channel 4 and Five groups, the vast majority of channels rely on a mixed advertising/subscription model. Virgin Media previously had a range of TV channels comprised of VMtv, sit-up (three home shopping channels) and a 50% stake in UKTV, but has been slowly exiting full channel ownership. In April 2009 Virgin Media sold sit-up to AURELIUS of Germany while VMtv was sold to BSkyB in July 2010. Virgin Media retains a 50% stake in the UKTV joint venture with BBC Worldwide but this stake could also be sold.⁷

Virgin Media’s withdrawal from content ownership puts BSkyB in a commanding position over the market for pay channels, including third party basic channel carriage fees. As gatekeeper of the satellite platform, BSkyB is able to dictate terms that allow its third party channels to be viable, while it extracts most of the profits. At the same time, BSkyB is in the position to offer, if it chooses, other non-PSB channels incentives to stay exclusively on the pay-TV platform. Even the most powerful third party suppliers, such as Disney/ESPN, may be viewed as vassals of BSkyB, constrained by its commercial policies.

Premium sports and films: BSkyB occupies an uncontested position of dominance in the provision of televised sports in the UK, reflected in its budget of over £1 billion for this programming segment (out of an expected £1.9 billion total) in fiscal 2010, almost matching the total programme budget of BBC1. Sports is a major source of news and media attention, and no sport more than football, where there no longer exists any serious rival to BSkyB in terms of bidding for live televised Premier League (PL) matches. Moreover, BSkyB’s position is further strengthened by the poor financial state of many of the PL clubs, which make them increasingly dependent on its willingness to back them.

Ofcom’s pay-TV investigation was launched in March 2007 following the receipt of a preliminary submission from BT, Setanta, Top Up TV and Virgin Media in January 2007 requesting a market investigation reference to the Competition Commission under the Enterprise Act 2002. The investigation, which ran for three years, focused on the market power of Sky in the wholesale and retail markets for premium sports and movies in the pay-TV subscription window. Ultimately, the core issue was Sky’s market power in the wholesale of certain channels containing premium sports and movies content; in particular sports, and Sky’s control of the live broadcast rights for many of the most important sports. Ofcom concluded that Sky was exploiting its market power by limiting the wholesale distribution of its premium channels, with the effect of restricting competition from retailers on other platforms. To counter this, Ofcom has imposed a wholesale must offer (WMO) remedy intended to make Sky Sports 1 and 2 available in SD, HD and interactive versions on other platforms; Sky is appealing the WMO remedy to the Competition Appeals Tribunal.

⁷ "It is not a strategic investment [and] as with any investment we look at it from time to time... There are ways and means we could realise [value]. We could realise it through holding [the UKTV stake] as investment and if there are ways and means of realising it through divestment we would [look at it]." <http://www.guardian.co.uk/media/2010/jul/28/neil-berkett-virgin-media-uktv>

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While the appeals by Sky and other parties are being heard, the WMO remedy is restricted to Virgin Media on the cable platform and to BT Vision and Top Up TV on the digital terrestrial platform. Even assuming the WMO remedy is here to stay, Sky retains some flexibility to game the remedy through shifting certain content on to Sky Sports 3 and 4 and the use of cross-promotions. In addition, Sky has chosen to withdraw Sky Sports News – hitherto available as a free-to-air channel on the digital terrestrial platform - behind its paywall. Like Sky Sports 3 and 4, Sky Sports News is now to be offered as a bonus channel in SD and HD versions to existing Sky DTH premium dual sports (i.e. Sky Sports 1 and Sky Sports 2) subscribers.

Twenty years ago, when BSkyB (then Sky Television) launched, films were the major attraction and outlay of programme spend. That has changed considerably over the years. Although Sky prices its film channels almost as high as its sports channels, its current budgetary outlay on film content (£278 million in fiscal year 2009) is only about a quarter of its outlay on sports and has fallen substantially at current prices in recent years (e.g. It was £343 million in fiscal year 2005). Since the very beginning, Sky has held exclusive contracts with the six US studio majors for films within the subscription pay-TV window, and has contracts with other leading suppliers. It also enjoys a position of market power since the film contracts are staggered. This, along with its position of retail market power, has placed Sky in an unassailable position as wholesale purchaser, able over time to negotiate successively lower fees as the film contracts become due for renewal. For the film suppliers, there is no alternative place to go. Their position is made still more problematic by the bundling of subscription video on demand (SVOD) with broadcast rights. Until now, Sky has made barely any use of its exclusive SVOD film rights, opening itself to the charge of warehousing those rights, which might otherwise be better exploited on the interactive cable and broadband platforms. Indeed, following on from the pay-TV investigation, Ofcom has just consulted on whether to make a referral to the Competition Commission (CC) and is to announce its decision shortly. Whilst the film suppliers might welcome the prospect of becoming available on other platforms, their position is weak (hence a notable lack of expressed appetite for a CC investigation, with Time Warner coming out against it in its consultation response to Ofcom) and Sky is the party able to determine consumer choice. Most recently, BSkyB has announced an exclusive multi-year output deal with Time Warner Inc.'s HBO, giving it access to all new HBO-commissioned programmes and series, and the HBO library, which includes many outstanding hits, such as *The Wire* and *The Sopranos*.

Section II - UK newspaper market to 2014

UK newspaper market

The UK national press market was worth £4.1 billion in 2009 according to the Advertising Association (Chart 7), and comprised two significant sources of revenue: consumer purchases of newspapers (62%), and advertising (38%). It is well-known that structural change in the advertising market combined with cyclical pressures from a weak economic environment in 2008-09 to reduce newspaper industry revenues from advertising, forcing greater reliance on consumer purchases (Chart 8). A number of publishers have resorted to cover price increases to sustain revenues from consumer purchases in the face of circulation decline, a strategy that would likely be counter-productive if pursued further.

Chart 7: UK national press revenues (m)

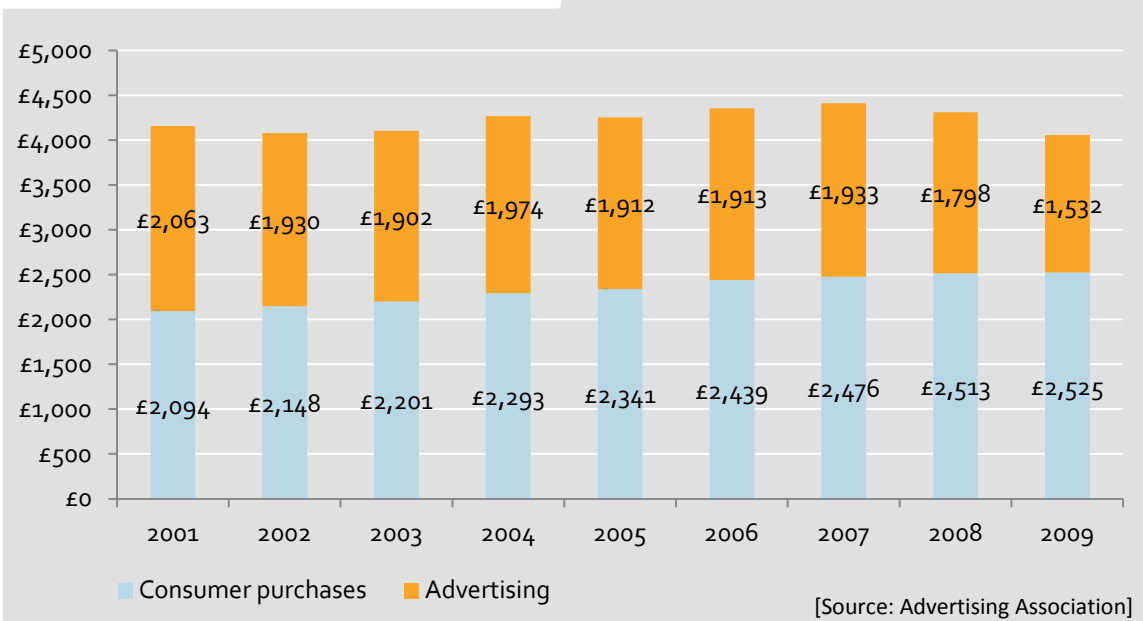


Chart 8a: Revenue breakdown, 2001

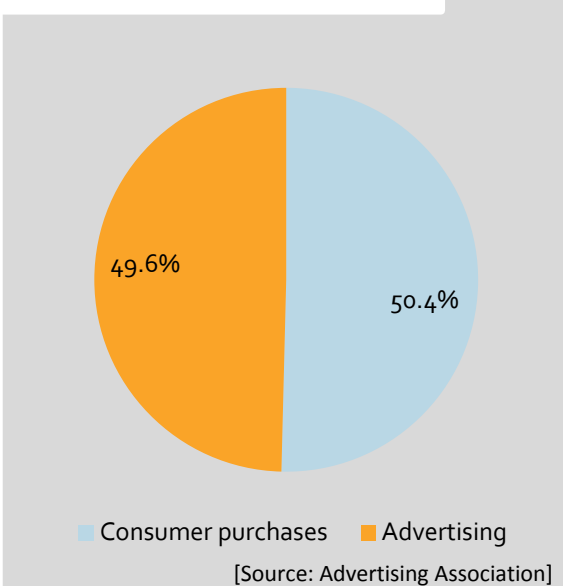
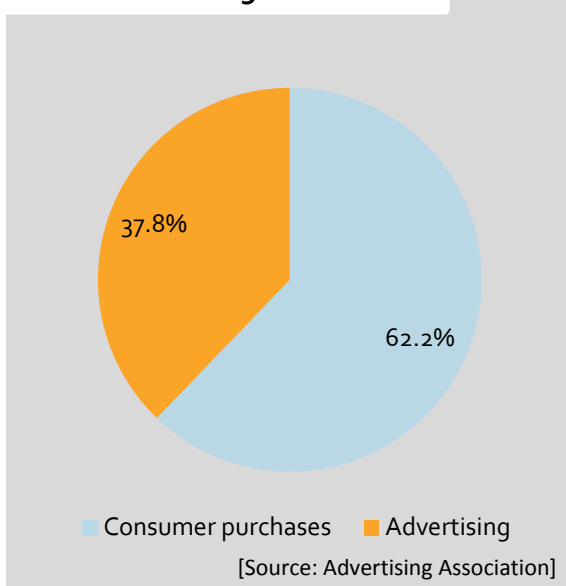


Chart 8b: Revenue breakdown, 2009



Industry structure

News Corp publishes four national papers in the UK: *The Times*, *The Sunday Times*, *The Sun* and the *News of the World*. The latest ABC data for June 2010 indicates that *The Sun* has the highest average daily circulation amongst UK papers at 2.98 million copies, while *The Times* has circulation of 504,000. In terms of the Sunday titles, the *News of the World* has circulation of 2.83 million, also the highest figure for any Sunday title, while *The Sunday Times* has circulation of 1.09 million, second behind the *Mail on Sunday* (1.91 million) in terms of quality titles.

In 2009, News Corp’s papers accounted for over 37% of national newspaper circulation in the UK, the same share as the two next competitors, Trinity Mirror and Daily Mail and General Trust (DMGT), combined. News Corp has been slowly gaining share in the UK national newspaper market as a result of: good consumer, advertiser and socio-political positioning; sustaining content quality; discounting; and product improvements, frequently adding pagination. Scale and efficiencies in printing and distribution have also helped.

In terms of quality titles (Table 2), *The Times* and *The Daily Telegraph* have similar levels of readership (a broader measure of reach than circulation) amongst adults at 3.6% and 3.7% respectively. When the Sunday titles are compared, *The Sunday Times* is read by 6.5% of adults and 9.9% of ABC1’s, while *The Sunday Telegraph* is read by 3.4% of adults and 5.2% of ABC1 adults.

Table 2: Selected UK newspaper readership

	Paper	Total share of readership	ABC1	C2DE
Quality daily	The Times	3.6%	5.5%	1.1%
	The Daily Telegraph	3.7%	5.8%	1.1%
Quality Sunday	The Sunday Times	6.5%	9.9%	2.2%
	The Sunday Telegraph	3.4%	5.2%	1.0%
Tabloid daily	The Sun	15.6%	10.5%	22.0%
	The Daily Mirror	8.6%	6.0%	11.9%
Tabloid Sunday	News of the World	15.4%	11.1%	20.8%
	Sunday Mirror	7.7%	5.8%	10.0%

[Source: NRS readership estimates, April 2009-March 2010]

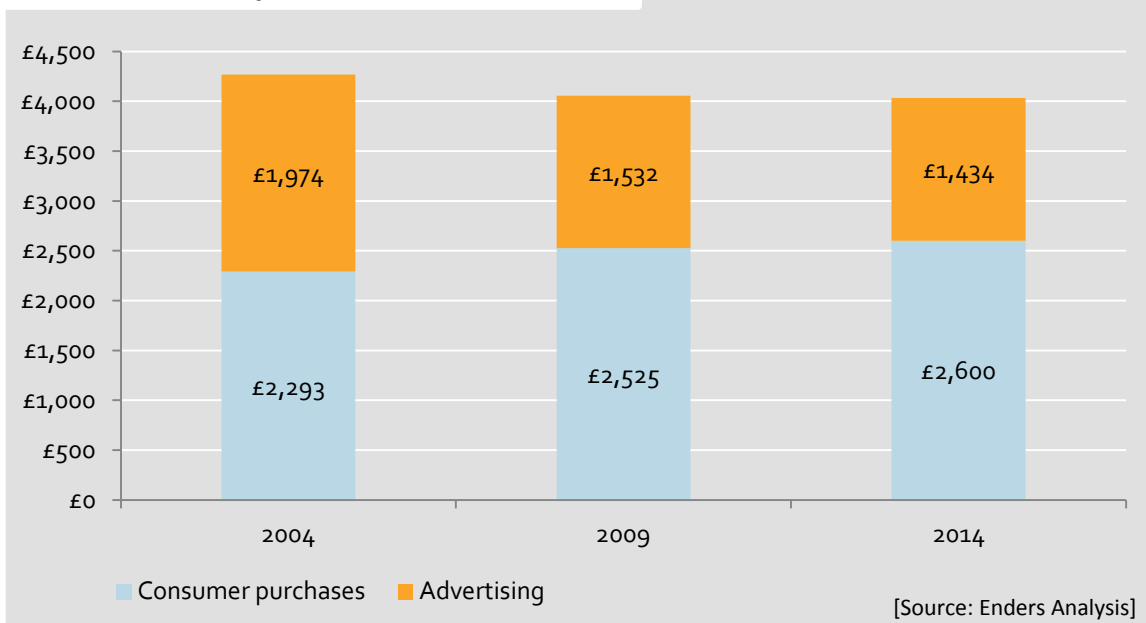
When the individual News Corp titles are analysed against some of their competition it can be seen that they command the majority of readership in certain demographics. *The Sun* is the most widely read newspaper in the UK, reaching 15.6% of UK adults. Although the *Daily Mail* (9.8%) is the second most read daily, *The Mirror* is closer in nature and reaches 8.6% of adults. When analysed by socio-economic segment, 22% of C2DE adults read *The Sun* while 11.9% read *The Mirror*. The situation is very similar with the Sunday edition, with 15.4% of adults reading *News of the World*, rising to 20.8% of C2DE’s reading the title.

Development to 2014

In common with other newspaper publishers, News International experienced a decline in advertising revenues from the onset of recession in H2 2008, until about Q3 2009. These declines were severe: in the region of 13% year-on-year in 2009. Our view is that, despite some strong growth in advertising in recent months, notably from retail advertisers, the long-term pattern for the newspaper industry in aggregate will continue to be a decline in advertising in real terms due to structural factors, exacerbated by over-supply. This over-supply in the newspaper market takes two forms: the large number of national titles, and the scale of the inventory on offer within each title. The latter category exploded in the late 1990s, with pagination increases related to supplements and pull-outs. Weekend editions in particular became unrecognisable from their equivalent editions 10 years earlier. In 2010, we believe aggregated advertising revenue will be roughly £1.3 billion, about 50% of the peak level and roughly in line with revenues achieved in 1995.

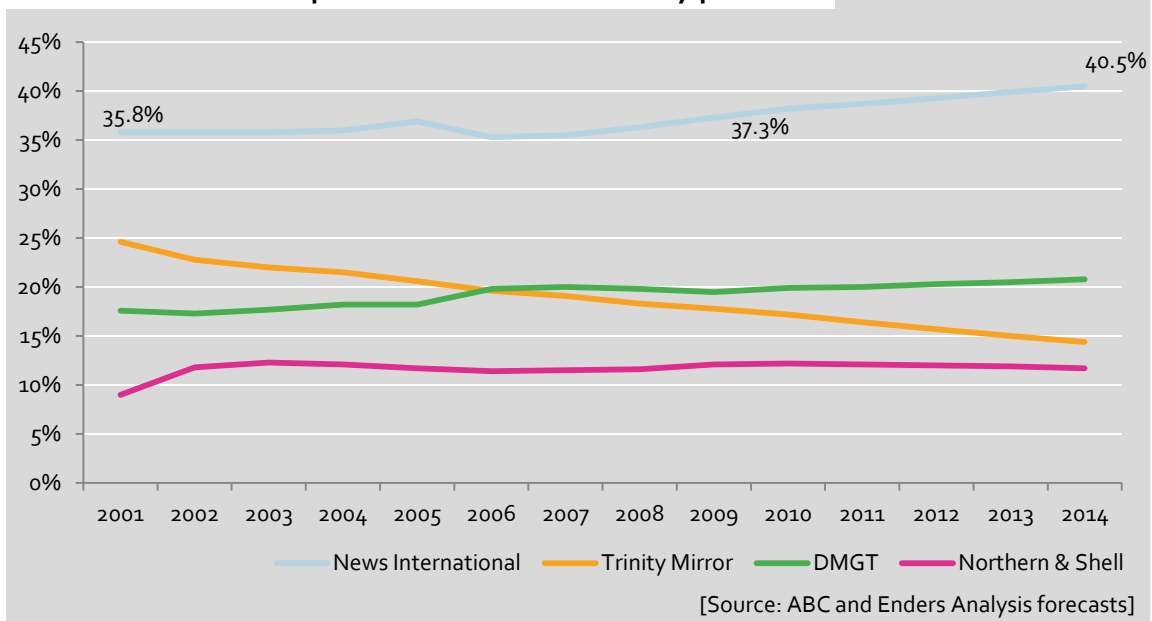
Looking further out, we project national newspaper industry revenues from advertising to compress by about 6% between 2009 and 2014 due to ongoing substitution of advertisers for new media, whilst circulation revenues could hold roughly steady in nominal terms (Chart 9).

Chart 9: National press revenue forecasts (m)



We predict News Corp’s share of national press circulation will steadily increase to more than 40% by 2014 (Chart 10), assuming there are no material supply changes to the market. Given the breadth and intensity of pressures that all newspapers are under, with rising costs and long-term downward pressure on key revenue streams, we consider it inevitable that organisations able to absorb losses will gain market share over those that are forced to make significant cost savings to sustain margin. In other words, the strongest companies will become stronger still, as has been the trend since 2005. However, if the industry starts to shed titles, the outcome could be more severe still. We return to this point in Section III when considering some of the strategic options that News Corp might conceivably initiate in the medium term.

Chart 10: UK national press share of circulation by publisher



News International strategy

News International has a history of resorting to discounting cover prices to grow market share and reduce circulation decline. *The Sun* is currently discounted to 20p (full price is 35p) in London, Birmingham and Oxford to ensure national daily circulation hovers around the 3 million mark, which the publisher seems to recognise as a critical indicator of scale for advertisers against competitors. Competitor *The Daily Star*, published by Northern & Shell, is currently discounted to 10p. *The Daily Mirror*, which Trinity Mirror declines to discount, is facing severe circulation decline (-7.0% in June 2010). In the past, *The Times* has likewise attempted to take quality press share (in particular from *The Daily Telegraph*) by discounting at the newsstand.

In theory, purchasing the outstanding BSkyB shares it does not already own provides News Corp with the financial resources to sustain its newspapers for the very long term. News Corp would also be able to experiment with media discounting and bundling in a much broader manner, for example offering print and digital editions of *The Sun* or *The Times* to Sky subscribers (see below, under Section III). Depending on its choice of strategy, this could severely upset the competitive landscape to the detriment of competitors.

Furthermore, the possibility of further ‘free’ print newspapers has not entirely vanished. News International stopped publishing its free London evening title, *The London Paper*, in 2009 at the same time as Rupert Murdoch announced his intention to switch the digital Times to a subscription strategy. *The London Paper*, which was distributing 400,000 free copies across the capital, was losing £1-2 million per month. We assume both these changes were part of a strategic initiative to underline the ‘value’ of news provision to consumers, and to promote audience quality to advertising partners over audience scale. However, a discounted *The Sun*, and free access to Sky News and *The Sun* online, remain anomalies in this strategic framework, implying tactical variations will always be mobilised to develop competitive advantage over weaker participants. This is not to suggest a free *The Sun* will hit the streets anytime soon; but that free editions and press and digital bundles for households could become critical developments for News Corp’s UK operations as a whole in the future.

There is also the question of newspaper distribution. The wholesaler Dawsons exited the newspaper industry in August 2009 after losing a series of contracts valued at more than £500 million, leaving just two distributors, Smiths News and John Menzies. The long-term decline in sales through news agents in favour of general and supermarket retailers is further reducing the funnel to consumers for newspaper publishers. Buying newspapers is becoming more difficult for consumers (and particularly older consumers who are so important to the sector) at exactly the wrong time for the industry. While these issues affect all newspapers to some degree, those publishers best able to absorb steep cost increases and overcome distribution challenges will clearly be better positioned to survive. For example, providing household deliveries is an onerously expensive enterprise outside high density areas such as London. Printing is becoming more concentrated too, with News International (which prints the Telegraph), Trinity Mirror and DMGT holding many crucial print contracts between them.⁸

As in the case of BSkyB, a core feature of News International’s strategy is to market its titles aggressively through advertising. Table 3 below outlines the level of spend by News International Newspapers between 2003 and 2008. None of the other major newspaper groups were among the top 50 advertisers by spend.

Table 3: News International Newspaper advertising spend (m)

	2003	2004	2005	2006	2007	2008
News International Newspapers	£39.4	£33.6	£37.0	£37.2	£36.7	£45.7
Ranking of total advertising spend	23	32	39	34	37	30

[Source: The Nielsen Company, April 2009, The Advertising Association Yearbook]

⁸ News International’s printing subsidiary, Newsprinters, started printing *The Daily Telegraph* in August 2008. <http://www.printweek.com/news/836881/First-editions-Telegraph-printed-Knowsley/>

Table 4 below presents the revenue and operating profits of *The Times* newspapers and of *The Sun/News of the World*. The data shows that the two paper groups have made operating losses in the last two financial years. In 2009, the total revenue from all three papers was £1.0 billion, with an operating loss of £87.4 million.

Table 4: The Times, The Sun and News of the World accounts

Year end June	The Times		The Sun/News of the World		Total	
	2008	2009	2008	2009	2008	2009
Revenue (m)	£444.9	£385.5	£626.3	£617.9	£1,071.2	£1,003.4
Gross profit (m)	£83.4	£79.5	£148.8	£153.5	£232.2	£233.0
Operating profit before exceptional items (m)	-£42.8	-£71.9	-£18.5	-£15.5	-£61.3	-£87.4

[Source: Company House filings for Times Newspapers and News Group Newspapers]

For classic display categories such as retail, newspapers continue to provide advertisers with a very beneficial media environment, both in terms of physical layout and the tactical advantages to brands and agencies gained from the format's daily frequency, as well as consumer volumes and greater consumer engagement with print than digital media. Unlike classified advertising categories, the main challenges to display advertising categories are not digital media substitution (though that certainly exists, too), but rather over-supply of titles and inventory. In this environment, the strongest titles (including *The Sun*, *The Daily Mail* and *The Times*) will gain further market share, as some lesser titles fall off the roster for an increasing volume of campaigns. However, a still greater threat for publishers of non-leading titles would be a longer-term option for News Corp's UK operations, assuming it owned BSkyB outright, to offer advertisers print, online and digital TV bundles. Such packages would be impossible for other newspaper publishers to emulate, risking a more rapid decline in the breadth of newspaper usage by consumers, and therefore agencies and marketers, than would otherwise be envisaged due to market dynamics alone.

Online news subscriptions, or 'paywalls', may play an important role in determining the pace and scale of business model development. The online Times shifted to a subscriber model in July 2010, making it the first UK general newspaper brand to do so. The *Financial Times* already operates a subscriber model for its digital services, as does *The Wall Street Journal*. Both these titles provide business and financial news into professional communities. Therefore, despite their print editions being categorised as newspapers, their online subscriptions are effectively in the business-to-business space rather than the business-to-consumer space. The key general news titles to have set up digital subscription services are *The New York Times*, which abandoned its Times Select model in 2007, generating approximately \$10 million per year (a new iteration of the subscription is to be launched in Q1 2011), and *Le Monde*, which we estimate generates €5.5 million from its online subscriptions. *The New York Times* abandoned Times Select both because the revenue generated was too small (advertising revenues are to a large degree correlated to traffic), but also because general news journalists considered themselves 'cut off' from the digital network, which is increasingly the environment that makes the news brand relevant for a large audience. News aggregation and key communication and social services (Google News, Facebook, Twitter, YouTube, blogs and so on) provide word-of-mouth distribution networks for news provision, comment and analysis, and are increasingly perceived to be critical elements of the news ecosystem by editors, writers and publishers.

However, early indications as to the scale of the traffic using the Times Online subscription are not good. Prior to implementing the paywall, Times Online was achieving traffic in the region of 6 million unique visitors per month, and in the early weeks of the subscription, estimates of paid-for consumer access have been as low as 15,000. Even if all these subscribers signed up for an entire year they would generate £1.5 million per year for the Times, a tiny fraction of the more than £200 million generated by consumer sales of the print editions.

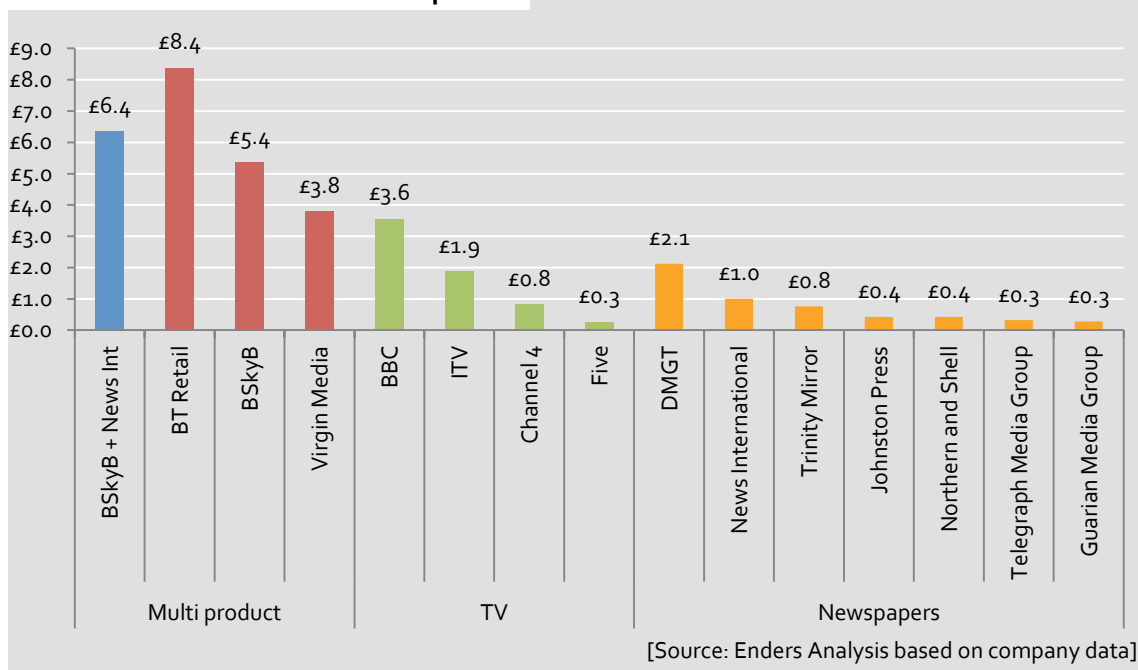
Furthermore, prior to the Paywall, we estimate Times Online was generating £25-30 million in advertising revenue. Even assuming that advertising volumes and revenues decline by substantially less than the traffic has (because the audience is self-selecting, highly targetable and very attractive to key product and service brands), it is difficult to see how the aggregated revenues of the subscription model will be in line with the free online model. This leads us to believe that *The Times* will inevitably consider further strategic developments as necessary and indeed an imperative in the near future.

One option available to *The Times* would be to switch back to a free model, and focus on developing a scale model as competitors such as the Mail Online are doing. However, we consider this an unlikely outcome, and believe News International and ultimately News Corp are much more likely to trial a variety of different approaches to subscription, particularly in ways where they can evidence competitive advantage over other press and media groups. Switching the nature of content provision by aggregating services sourced from a variety of different assets and media, and so offering bundles such as the Times/Sky, Sun/Sky, Times/WSJ, (branded) News Corp sport, (branded) News Corp business, (branded) News Corp celebrity, and so on, would not only have natural appeal for consumers, but would create screen-based content channels for advertisers that are a great deal more optimal than a destination news site. In such a scenario, the question of monetising Times online as a stand-alone destination service would no longer be an issue because consumers would be purchasing bundles. Furthermore, the concern that journalistic influence collapses as a result of the online subscription also vanishes, or at least diminishes, as the scale of access could be increased dramatically. Indeed, just as consumers could be accessing content through a variety of bundles, so journalists could be deployed more proactively across a variety of outlets. Such a strategy is not so different from that of the BBC, where Nick Robinson is the political editor, and provides expert comments on the BBC News at Ten, BBC News 24, Radio 4's Today programme, the BBC news site, his own BBC blog and so on.

The scale of UK media and telecoms companies

Chart 11 below outlines the relative size of major competitors to BSkyB and News International and separates the companies into three groups: multi-product, TV and newspapers. Each company's total revenues are stated with the exception of BT where BT Retail revenue only is stated.

Chart 11: UK based media companies



Notes:

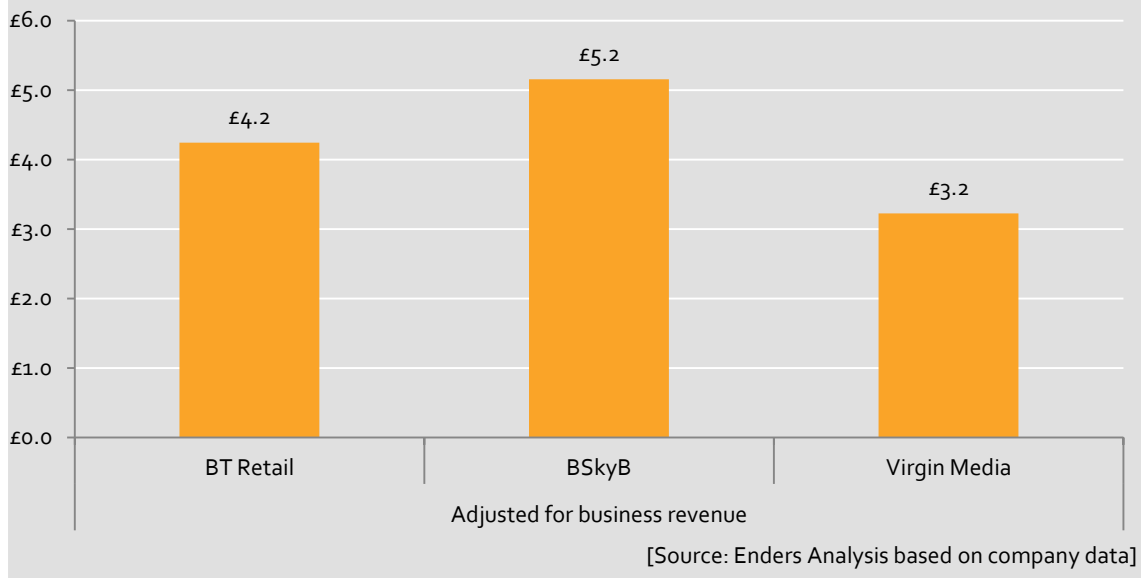
- BT Retail is for the calendar year 2009. BT group revenue was £21 billion in this period.
- BSkyB is total reported revenue for financial year ending June 2009.
- Virgin Media revenue is for the year ending December 2009.
- BBC is the total spend as stated in their 2009/10 annual report. Period runs from April 2009 to March 2010.
- ITV revenue is for the year end December 2009.
- Channel 4 revenue is for the year ending December 2009.
- Five revenue is for the year end is December 2009.
- DMGT year end September 2009 and includes revenue from non-consumer media. DMGT newspaper revenue totalled £876 million during the period.
- News International includes the revenue from the UK newspapers for the year ending June 2009.
- Trinity Mirror revenue is for the year end 3rd January 2010.
- Johnston Press revenue is for the year end 2nd January 2010.
- Northern and Shell revenue is for the year end December 2008.
- Telegraph Media Group revenue is for the year end December 2009.
- GMG revenue is for the year end March 2010.

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News International faces competition from a range of independent newspaper companies, who, with the exception of DMGT, focus solely on publishing newspapers and related websites. DMGT group revenue was £2.1 billion in 2009. Of this, £876 million, or 41.4%, was generated through newspaper activities. This places News International as the largest newspaper publisher by revenue. Of the companies shown, News International, Northern & Shell, Telegraph Media Group and Guardian Media Group publish national titles (Northern & Shell also publishes OK! and New! magazines). DMGT and Trinity Mirror publish national and local newspapers while Johnston Press only publishes local newspapers.

In Chart 11 above, multi-product companies' revenues include those from business products. Stripped out (Chart 12), BSKyB has the largest adjusted consumer revenue at £5.2 billion, while BT Retail revenue is £4.2 billion and Virgin Media revenue is £3.2 billion. In short, BSKyB and News International are already the largest companies in their respective sectors and following the merger, the combined group will have annual revenues in the region of £7 billion.

Chart 12: BT Retail, BSKyB and Virgin Media consumer revenue (billion)



Notes:

BT Retail adjusted revenue is taken from BT Retail business unit revenue reporting – ‘Consumer’.

BSkyB adjusted revenue is total group revenue minus Easynet, but includes channel wholesale revenue and revenue from pubs and clubs.

Virgin Media revenue is total group revenue (including content) minus total business revenues.

Section III – The potential impact on plurality

The goal of plurality

By moving from a position of material influence to one of complete control over BSkyB, News Corp will trigger the legal procedures for control of mergers under UK law. Over the last few decades, government has largely withdrawn from intervening in corporate takeovers, handing authority over to the Office of Fair Trading (OFT) and other regulators. However, partly as a result of the efforts of Lord Puttnam, the 2003 Communications Act gave back some authority to the Secretary of State over the buying and selling of TV, radio and newspaper companies. Lord Puttnam and others convinced the government of the day that the application of competition law did not provide adequate protection for plurality. Media was made a special case.

UK governments and regulators have consistently maintained that a healthy and informed democratic society requires media 'plurality'. Baroness Blackstone, introducing what became the 2003 Communications Act into the Lords, said that one of the main purposes of the legislation was 'to ensure the existence of a range of media voices, safeguarding the vibrancy of democratic debate'. Ofcom cited Parliament's concern that 'the underlying principle is that it would be dangerous for any person to control too much of the media because of his or her ability to influence opinions and set the political agenda'.⁹ Plurality requires a significant number of broadcasters (radio and TV) and newspapers designed to appeal to 'a wide variety of tastes and interests', as the legislation puts it. The Guidance Document of the Department of Trade and Industry (now BIS) from May 2004 provides some useful examples of proposed transactions that were denied consent by the Secretary of State or were granted his consent subject to remedies on plurality grounds.¹⁰

In merger situations involving newspapers, broadcast media or cross-media mergers, the Secretary of State has the authority to issue an intervention notice. Such a notice triggers an initial investigation by Ofcom into whether such public interest issues are relevant to a consideration of the transaction, which reports to the Secretary of State, providing advice and recommendations. The Secretary of State may then decide to refer the merger's plurality concerns, along with those regarding the conditions of competition, to the Competition Commission.

This authority was last used on 26 February 2007 when the Secretary of State for Trade and Industry issued an intervention notice with respect to the acquisition by BSkyB of a 17.9% shareholding in ITV. Ofcom's initial investigation, reported to the Secretary of State on 27 April 2007, advised that 'there may not be a sufficient plurality of persons with control of the media enterprises serving the UK cross-media audiences for national news and the UK TV audience for national news'.¹¹ The issue of plurality was then taken up by the Competition Commission in its examination of the transaction. However, they concluded that 'there is insufficient evidence to suggest that the acquisition of a stake of this nature would give BSkyB or its parent companies the ability or incentive to exert editorial influence over ITV's news output'.¹²

It should be noted that impartiality is distinct from plurality. Section 5 of Ofcom's Broadcasting Code establishes a requirement of due impartiality in stories of a political or industrial nature by broadcast media (noting that no such requirement applies to newspapers, which are permitted to adopt editorial positions). In its Report to the Secretary of State on BSkyB's acquisition of ITV shares, Ofcom stated: 'These regulatory provisions, while they represent important controls on impartiality and quality, they are not directly concerned with or a substitute for regulatory provisions aimed at ensuring sufficient plurality. They are not designed to remove the ability of broadcasters to set the agenda by selecting the issues and events that are covered in news broadcasting or by determining the relevant importance that are given to each of these'.¹³

⁹ Ofcom, 'Report for the Secretary of State pursuant to Section 44A of the Enterprise Act 2002 of British Sky Broadcasting plc's acquisition of 17.9% of shareholding in ITV plc, 27 April 2007, page 4. A redacted copy is available at: <http://www.bis.gov.uk/files/file39607.pdf>

¹⁰ DTI, 'Enterprise Act 2002: Public Interest Intervention in Media Mergers', Guidance Document, May 2004. A copy is available at: www.bis.gov.uk/files/file14331.pdf

¹¹ Ofcom, 'Report for the Secretary of State pursuant to Section 44A of the Enterprise Act 2002 of British Sky Broadcasting plc's acquisition of 17.9% of shareholding in ITV plc, 27 April 2007, page 3. A redacted copy is available at: <http://www.bis.gov.uk/files/file39607.pdf>

¹² Competition Commission, 'Acquisition by BSkyB of 17.9% of the shares in ITV', 14 December 2007, page 80. Available at: http://www.competition-commission.org.uk/rep_pub/reports/2007/535itv.htm

¹³ Ofcom, 'Report for the Secretary of State pursuant to Section 44A of the Enterprise Act 2002 of British Sky Broadcasting plc's acquisition of 17.9% of shareholding in ITV plc, 27 April 2007, page 19. A redacted copy is available at: <http://www.bis.gov.uk/files/file39607.pdf>

Implications on media plurality of the proposed News Corp transaction

Why does News Corp's purchase of the remaining 60.9% of BSkyB make the situation arguably 'worse' than it already is today? News Corp already owns more media in the UK than it is permitted to own in the US and Australia, the other two main markets for News Corp products, and the UK media market is often characterised as highly concentrated as a result. By moving from a minority shareholder interest to full ownership, News Corp will gain important financial advantages – the pooling of financial resources and tax obligations across the new entity – which will improve its ability to compete, notably in the newspaper market where we have noted the weak position of most newspaper publishing groups. In addition, the group will acquire several important new strategic opportunities.

First, products currently separately offered by BSkyB and News Corp titles may be combined in bundles, discounted or provided without charge. For instance, BSkyB could bundle News International titles with monthly entertainment to its millions of customers in the UK. If this happens, long-held reader loyalty to titles such as *The Mirror*, *The Daily Telegraph* and even *The Daily Mail* could be severely tested. In other words, reader loyalty would be measured by a new and entirely different yardstick than previous competitor options, such as temporary price discounts or a new supplement. Strategic initiatives of this nature could lead to a much more rapid decline in competitor newspaper circulations than we have assumed, boosting News Corp's newspaper market share above 40% by 2014. Magazine publishers already know something about this: Sky distributes 7.4 million copies every month of its magazine to subscribers of its TV services, making Sky the largest circulation magazine in the UK based on ABC data.

Second, the widespread availability of fast broadband is encouraging the rapid convergence of press and television. Today's newspaper websites contain increasing numbers of video clips and extended interviews. Once the News Corp purchase has been completed, stories from Sky News (especially video) will presumably be carried more and more frequently on News Corp websites. Links to newspaper stories could appear at the bottom of the Sky News screen. Progressively, News International papers and BSkyB channels, particularly Sky News, may merge into one stream of fact and opinion. If this occurred, plurality would decline, even if the combined organisation continued to maintain newsrooms that are nominally separate.

Third, the loss of the independent BSkyB shareholders will allow News Corp greater opportunity to influence, tacitly or otherwise, the editorial coverage of Sky News and other BSkyB channels. The 2006 investigation by the regulators of the BSkyB purchase of ITV shares found no evidence of proprietor intervention in Sky News under its current shareholding structure, but this could change under full ownership. Today, the presence of strong independent directors of the company, many of whom have substantial external reputations, helps protect the independence and diversity of what appears on screen, particularly on news programmes.

This concern is heightened by Mr Rupert Murdoch's position as a 'traditional proprietor' of certain media properties, exercising editorial control on key policy debates or political events. In particular, Mr Murdoch plays an active role in editorial policy at *The Sun*, as noted by the Competition Commission: 'in relation to *The Sun*, whilst the editor's decisions on news content and stance are generally independently taken, the editor also has regular discussions with other parties, including with Mr (Rupert) Murdoch and News International Executive Chairman, Les Hinton, on a range of editorial matters,' and also concluded that 'News International (the UK newspaper holding company) and News Corporation are heavily involved in decisions affecting the circulation and profitability of their newspaper titles'.¹⁴

One could be tempted to conclude that the widespread availability of other news outlets, especially online sites, protects the UK public and its political leaders against the excessive influence of media proprietors. This is not a strong argument. The press and TV are able to hold enterprises, government and politicians to account in a manner that bloggers cannot, lacking the resources, financial or otherwise, to engage in investigative reporting. Newspapers and TV news programmes still provide the bulk of news gathering operations in the UK.

The link between endorsement and voting intentions is subject to some controversy. While some studies have shown that newspaper endorsements have very limited influence, others suggest that they can increase the votes given to a party in general elections. This is not necessarily important. Newspapers and TV affect citizen perceptions of political and economic life by deciding which stories are most important and how information, analysis and personalities are portrayed to their readers and viewers.¹⁵ Peter Kelner, the president of the

¹⁴ Appendix I of the Competition Commission's 2007 report on BSkyB's acquisition of ITV shares, p. 16.

¹⁵ Shanto Iyengar and Donald Kinder, *News That Matters: Television and American Opinion*, University of Chicago Press, 1989.

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international polling company YouGov, commented that ‘the news of newspapers matters much more than endorsements’.¹⁶

Similar issues apply to coverage by Sky News and/or News Corp’s titles of product launches and pricing innovations from competitors. BSkyB controls all UK pay-TV rights for major sports events and for Hollywood movies, as well as recently adding exclusive access to HBO programming to its content on offer. An attempt by a competitor to launch an alternative offering, or to compete directly against its channels, could be impeded by the failure of the News Corps titles to publicise the availability or pricing of competing services; or any systematic slant against its competitors and in favour of entities in News Corp or entities that are known to be supportive of News Corp.

In this context, regulatory control of strong and increasingly powerful companies such as BSkyB is central to maintaining the conditions of competition on the relevant markets. However, the experience of the recent three-year Ofcom pay-TV investigation suggests that the process is challenging, expensive and time-consuming for BSkyB, its competitors and the regulator. Ofcom’s conclusions in its pay-TV consultation are being litigated by BSkyB, which reacts with hostility to all regulation affecting its operations, to which it is in principle opposed. It has consequently proved almost impossible to introduce effective regulation to maintain a fair and level TV marketplace for BSkyB’s competitors. The proposed BSkyB transaction is likely to make it more difficult for even highly skilled regulators such as Ofcom to achieve this goal. Should Ofcom’s powers be materially reduced in a new Communications Act, this concern would be exacerbated.

BSkyB has a position of strength in the UK TV market, which we expect to increase (see Section I). News Corp’s transaction is intended to further strengthen this position by reducing the company’s exposure to cyclical advertising revenues.¹⁷ Jeremy Darroch, the CEO of BSkyB, noted in last year’s Annual Report ‘By delivering on our plans and remaining focused on customers, we have the potential to build a larger, *more durable* [our italics] business and create significant value for shareholders’.¹⁸

One illustration of how BSkyB could increase its dominance yet further was provided by Sky Television’s 2001 bid to provide ITV’s national news services.¹⁹ The incumbent provider, ITN, battled successfully to retain the contract and still holds it today. But if Sky had won, ITN would have had to dramatically reduce its costs and reduce its news gathering operations around the world. Eventually its other main customer, Channel 4 News, would probably have been forced to obtain its material from elsewhere by using either Sky News or the BBC.²⁰ Five switched to Sky News as its news provider in 2005, meaning that the BBC and Sky News would have been the only two significant national news providers in the UK. When the contract comes up for renewal in future years, ITV could decide to switch to a consortium led by BSkyB at any time. Although ITV owns 40% of ITN, ITN’s most recent accounts were heavily qualified, in part due to its pension deficit.²¹ A duopoly of TV news providers in the UK is therefore a realistic future scenario. A duopoly of radio news provision already exists (the BBC and BSkyB, see earlier section on news provision).

Although it is theoretically possible that Internet-enabled television options will be to the detriment of traditional TV, there has been little evidence to date that such options are material. While about 72% of UK households are now on broadband, online video consumption accounted for 2% of all minutes viewed per day in December 2009 (Chart 13). We continue to anticipate no material challenge to BSkyB from the Internet space in the next five years.

¹⁶ Peter Kelner quoted in *The Times* of 30th September 2009

¹⁷ Press announcement by News Corp on the proposal to buy the remainder of BSkyB’s shares, 15 June 2010.

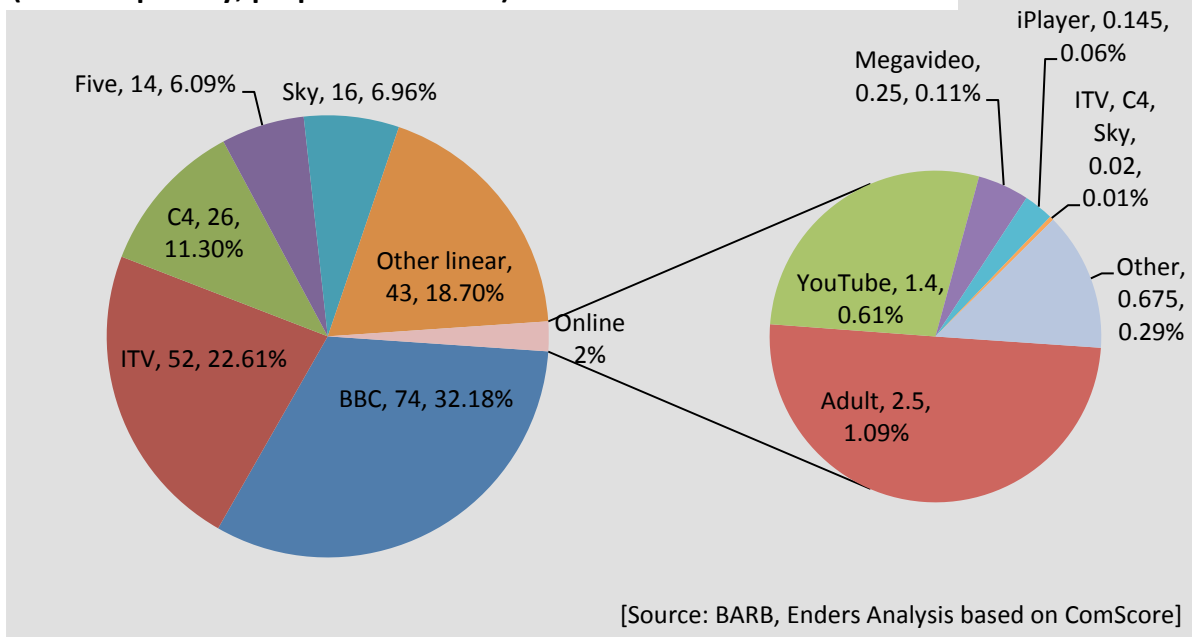
¹⁸ Jeremy Darroch’s letter to investors in the BSkyB Annual Report for the financial year 2008-2009.

¹⁹ BSkyB was a partner in the Channel 3 consortium that bid for the ITV news contract. The other partners were Chrysalis, Ulster Television, Bloomberg and CBS.

²⁰ Channel 4 confirmed this in a submission to the House of Lords Communications Committee in 2008.

²¹ The other shareholders are Daily Mail and General Trust (20%), Thomson Reuters (20%) and United Business Media (20%). ITN provides video content for the website of the Daily Mail.

**Chart 13: UK broadcast and online video consumption, December 2009
(minutes per day; proportion of total)**



Conclusions

When News Corp announced the proposal to buy the remainder of BSkyB on June 15th, Chase Carey, News Corp Chief Operating Officer, commented that the company did not ‘think that this deal warrants a plurality review’.²² We believe instead that there is a risk of a reduction in media plurality to an unacceptably low level. We therefore consider it appropriate for the Secretary of State to issue an intervention notice under the ‘media public interest considerations’ of The Enterprise Act 2002, as amended by the Communications Act 2003. Furthermore, we also consider that this intervention is particularly timely as the leading positions of BSkyB on the UK TV market and of News Corp on the UK newspaper market will strengthen in the period to 2014. We therefore encourage the Secretary of State to give urgent attention to the matter in the available window of opportunity.

Finally, this report has provided an exhaustive treatment of the BSkyB/News Corp proposed merger, but it should be clear that a similar reasoning in favour of intervention by the Secretary of State also applies to the transaction involving Northern Shell and Five.

²² Speaking on the conference call with analysts following the announcement of the bid proposal.

Appendix

Enders Analysis research subscribers

Advertising/Marketing

Publicis
WCRS
WPP

Film/Television/Music

Arqiva
BBC Audio & Music
BBC New Media & Technology
BBC Policy & Strategy
BBC Worldwide
BSkyB
Canal +
Channel 4
Digital UK
EMI
Five
Freesat
Freeview
ITV
LOVEFiLM.com
Ludorum
MTV Networks
NBC Universal International
PRS for Music
Red Bee Media
Sony Pictures Entertainment
stv Group
Turner Broadcasting
UKTV
Universal Music Group
Virgin Media
Vivendi
Walt Disney Company
Warner Bros Entertainment UK

Internet

AOL Europe
Google Europe
Microsoft
Sling Media
Yahoo! Europe

Investment Banks

Allen & Co
BNP Paribas
Citigroup
J P Morgan Cazenove
Jefferies International
N.M. Rothschild

Press/Radio

Archant
Bauer Media
D C Thomson
DMGT
Guardian Media Group
Hachette Filipacchi (UK) Ltd
Iliffe News & Media
Johnston Press
National Magazine Company
Newbury News
Pearson
RadioCentre
Telegraph Media Group
Trinity Mirror
Yell Group

Private Equity/Venture Capital

Apax Partners
Bain Capital
Cinven
Doughty Hanson
Exponent Private Equity
KKR
Permira Advisors
Providence Equity
Usaha Tegas
Warburg Pincus

Professional Services

Accenture
AlixPartners
Capgemini
Deloitte Consulting
Detica
KPMG
McKinsey & Co
OC&C Strategy Consultants
PricewaterhouseCoopers
Steria

Public Sector

BBC Trust
BIS (Department for Business, Innovation and Skills)
DCMS (Department for Culture, Media and Sport)
European Commission
Invest Northern Ireland
Ofcom

Retail

Carphone Warehouse
Comet Group
HMV
Post Office

Telecoms Equipment

Alcatel-Lucent
Cisco
Huawei
Nokia
Qualcomm

Telecoms Operators

BT
Eutel
FT-Orange
H3G UK
Iliad
O2
Orange
SFR
T-Mobile
TalkTalk Group
Tesco Telecoms
Virgin Mobile
Vodafone
Vonage UK

Funds

Aberdeen Asset Managers
Alliance Trust
Baillie Gifford
Capital Group
Cedar Rock Capital
F&C Asset Management
Fidelity
Loch Capital Management
Martin Currie Investment Management
Morgan Stanley Investment Management
Odey Asset Management
Standard Life
Tiger Europe
USS