The End of Public Media?
The UK: canary in the coal mine?
CPRF November 2010.

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3 media business models (a history lesson).

The Daily Universal Register to *The Times.*

- Pay for content.
- Advertising.
- Public funding.

The Daily Universal Register 1785.

Pay for content.

"kiss-and-tell" – an *Apology for the Life of George Anne Bellamy.* "Mrs. Bellamy had eloped from boarding school with Lord Tyrawley and subsequently been mistress to half the aristocracy of London" … her memoir "mentioned the names and characters of every well-known man about town" (Anonymous 1935: 7).

The Daily Universal Register 1785.

Advertising funding.

“administrations were jealously afraid of the Press; they taxed the journals and taxed the advertisements……. As the advertisements were increasingly taxed, the space cost more than it was worth… The bare sale of copies would not afford to pay the compositors and printers” (Anonymous 1935: 17)

The Daily Universal Register 1785.

Public funding.

"Emancipation of the daily journals from political dictation, and from the necessity to accept doles from the Treasury or from party funds in return for political support, waited upon the development of commercial advertising" (Anonymous 1935: 18)

Mixed funding now the norm. “Classic” media histories emphasise the importance of advertising.


FINANCIAL TIMES

California streaming

Hollywood finally learns to love the web. Analysis, Page 7

What the boys from Brazil can teach Greece

Alan Beattie, Page 9

Rush to government debt ● Commodities fall ● UK 10-year yield at low

Market jitters over growth

Speaker urged to hold up cuts bill

Afghan doubts

BHP faces hurdle of shareholder vote in hostile bid for PotashCorp

For insightful business intelligence, go to the Wire.

MANDATEWIRE

UK advertising market.

In 2009; the total UK advertising market was worth £14.5bn across all sectors in 2009, 12.5% lower than the £16.6bn spent in 2008

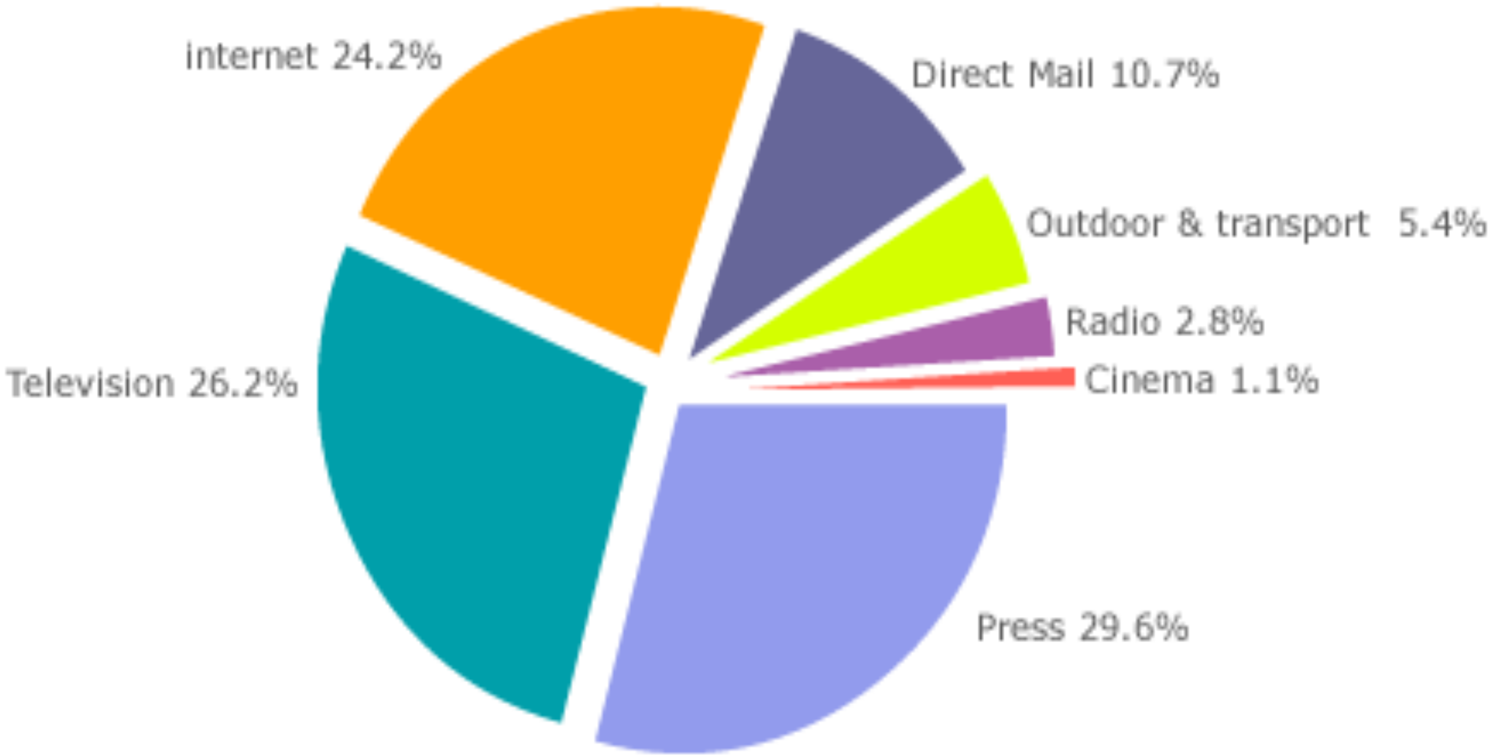
TV net advertising revenue (NAR) was the worst hit of all revenue streams, down by £335m (9.6%) in 2009 to £3.1bn.

Source: Ofcom 2010: 98.

Whereas:

- Online advertising grew through the downturn to reach £3.5bn in 2009. The 6% increase on 2008 was driven by growth in search (8%) and display (11%). Source: Ofcom 2010: 236.
- But nb impact of eBay etc on classifieds.

2009 UK Advertising Expenditure, % share



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

A continuing trend? Maybe.

2010 – some signs of recovery. Advertising Association predicts 5.4% overall market growth. Q2:

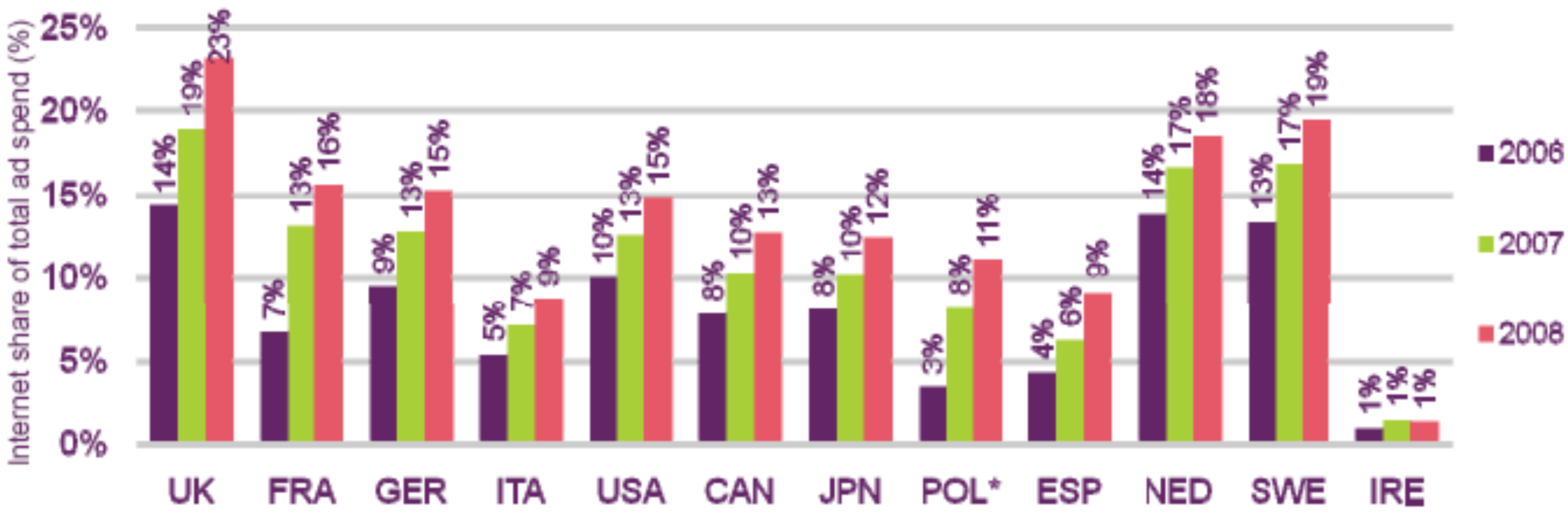
- TV ad revenue grew 24.2% (nb World Cup).
- Newspaper ad revenue grew 0.9%
- Internet ad revenue grew 16.3%.

Source: Advertising Association press release 14.10.2010.

A peculiarity of the UK?

Source: Ofcom 2009a

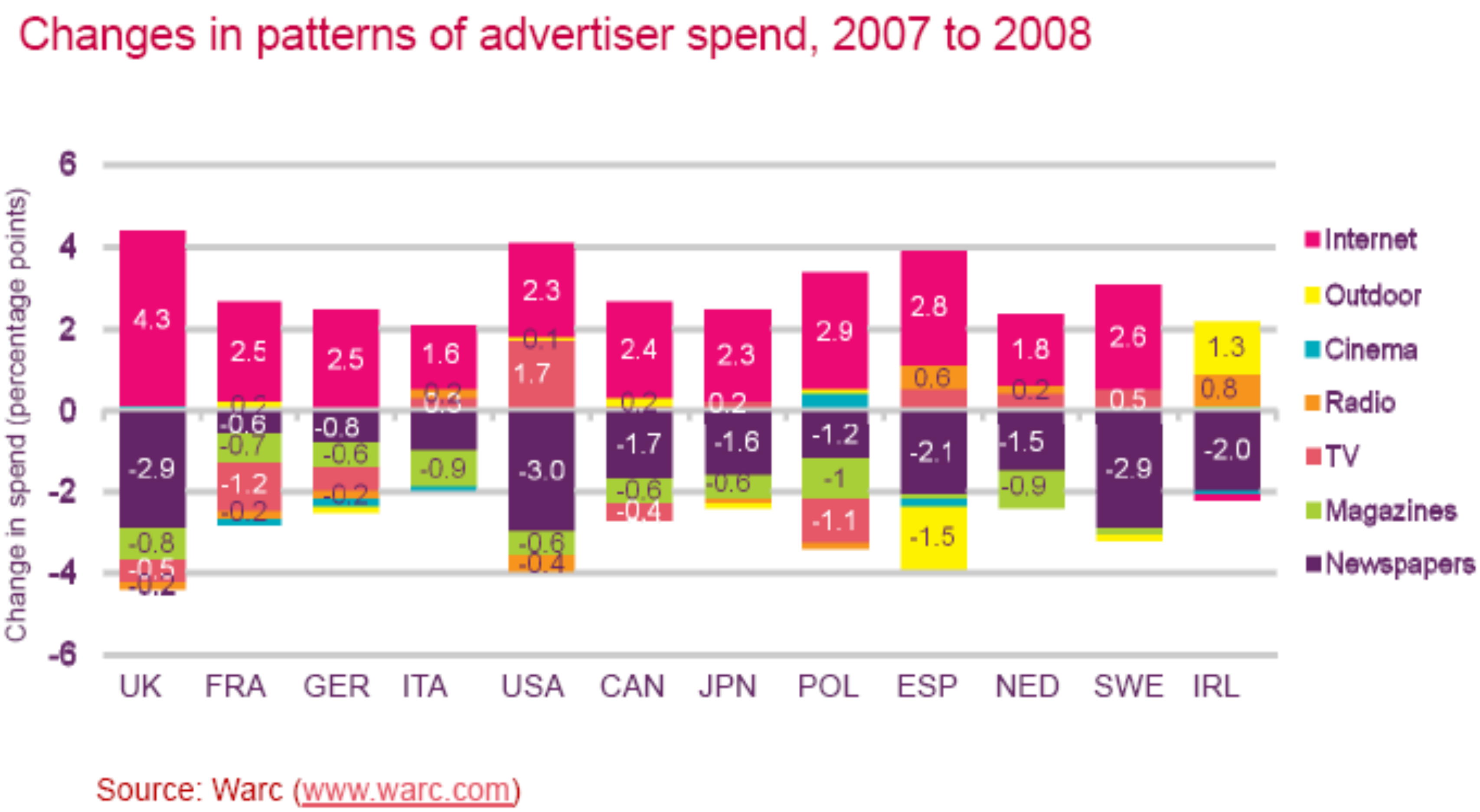
The internet's share of total advertising expenditure, 2006 to 2008



Source: Warc (www.warc.com)
Note: Total ad spend excludes Direct Mail. Data prior to 2006 not available due to comparability issues.
*2006 Poland data not directly comparable with 2007/08.

A peculiarity of the UK?

Source: Ofcom 2009a



ABN·AMRO

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Tuesday 1 July 2008

Change of recommendation

Trinity Mirror

Desperate times, desperate measures

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

Key forecasts

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

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

Hold (from Sell)

Absolute performance
n/a

Short term (0-60 days)
Neutral

Sector relative to market

United Kingdom
Media

Price
£1.07

Target price
£1.15 (from £2.85)

Market capitalisation
£312.13m (€395.22m)

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

Reuters	Bloomberg
TNI.L	TNI LN

Asset allocation	
Equities	Overweight
Cash	Neutral
Bonds	Underweight

Rebalancing towards pay for content.

Source: Ofcom 2009a.

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

Rebalancing towards pay for content.

Source: Ofcom 2009a.

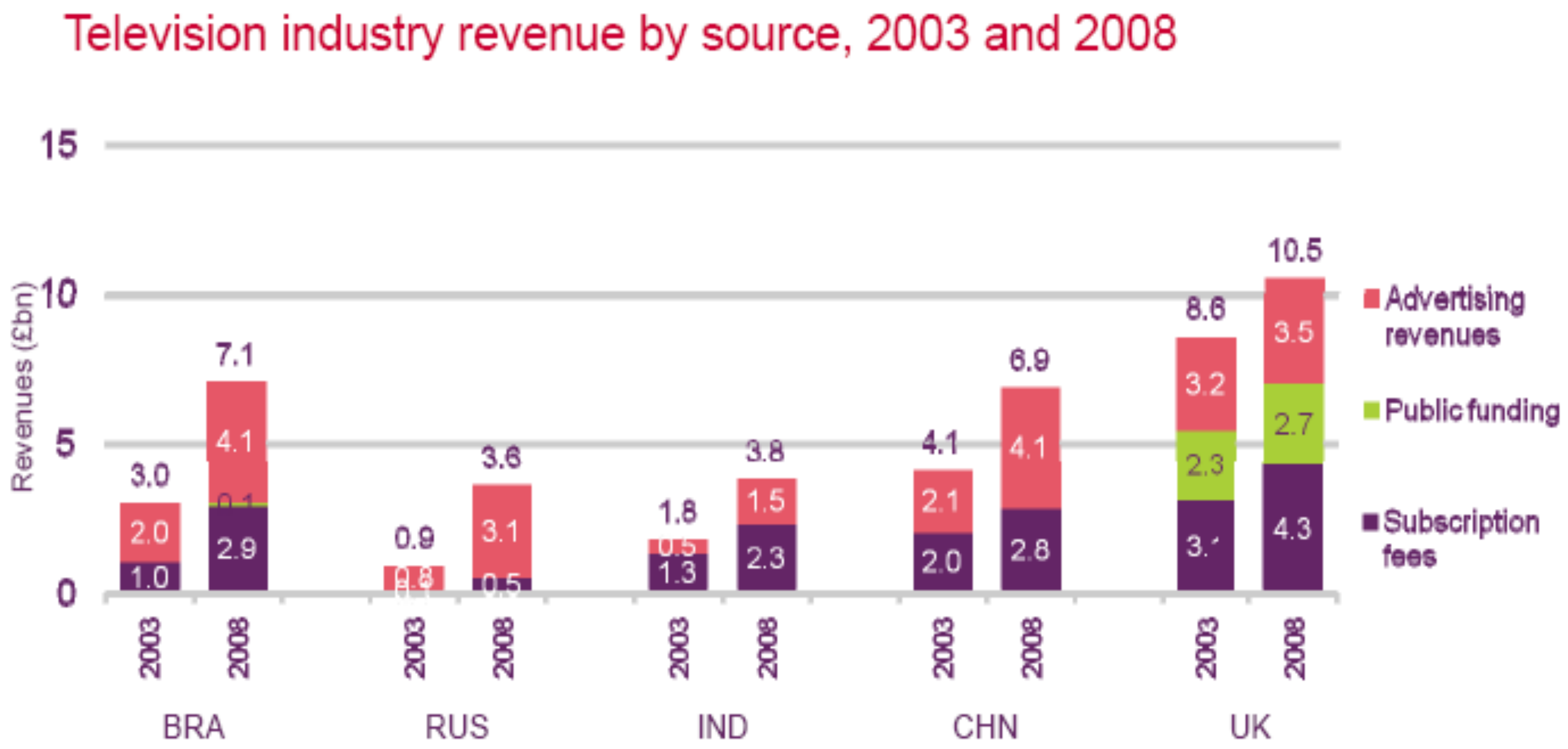
Key television metrics indicators

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

Source: IDATE, Ofcom

The BRICs.

Source: Ofcom 2009a.



Source: IDATE / industry data / Ofcom

So what?

- Public access to affordable content (most importantly, news) may decline.
- The quality of public content may decline.
- The plurality of sources of content (most importantly, news) may decline (mergers, control of bottleneck essential facilities).

Quality, quantity and affordability worsen.

- UK *Press Gazette* 13.8.2010, “The circulation of every national newspaper suffered a year-on-year decline in July, with quality titles faring worse than tabloid and mid-markets papers.
- In response, papers have reduced pagination (eg the *Financial Times*), closed free access to websites (*The Times*) and raised prices (the *Financial Times* price rose from £1 in mid 2007 to £2 in mid 2010).
- Channel 3 (generally known as ITV) has foreshadowed closure of its regional news services.

But…….

- In January 2010 *The Guardian* reported that its website (which includes content from *The Observer* and *MediaGuardian.co.uk*) attracted 36,980,637 unique users; up 3.32% from November and an increase of 62% year on year.
- Mail Online, the *Daily Mail* website, readership grew by 67% year on year, up 5.1% from November to 32,843,958 unique users.
- The most successful UK newspaper website, the *Daily Telegraph* site, fell slightly by 0.33% from November to 30,711,261 unique users. However, this represented a 46% year-on-year increase.

Source http://www.guardian.co.uk/media/2010/jan/28/guardian-website-attracts-record-users

Pay walls: hard to monetise.

The Times' July 2010 pay wall.

- Enders estimates that prior to the pay wall *The Times Online* had 6m unique visitors per month and secured c £25-30m in annual advertising revenues.
- After the pay wall, visitors fell to only 15,000 per month (generating a max annual revenue – assuming all sign up for a year) of £1.5m per annum with an unquantified, but surely significant, loss of advertising revenue (Enders 2010: 13).
- comScore suggest that in August 2010, the second month of *The Times'* pay wall business model, site use minutage fell by 16% and page views by 22%.

Public media in decline.

- Economic circumstances make it much less likely that commercial broadcasters would choose to carry news for the UK nations and regions at anything like its current level, in the absence of effective regulatory intervention (Ofcom 2007: 1) .
- Roy Greenslade - “media outlets will never generate the kind of income enjoyed by printed newspapers: circulation revenue will vanish and advertising revenue will be much smaller than today. There just won't be the money to afford a large staff” (see http://blogs.guardian.co.uk/greenslade/2007/10/why_im_saying_farewell_to_the.html).

The glass half full.

- Crowd sourcing.
- e-zines.
- Citizen journalism.

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" *People are generally benefiting from the changes. Change is good.* "— Zhang Xin (for Grace Davies)

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Best of luck to the Barclay

A return to public finance?

- The incumbents - BBC (and minnows).
- A Public Service Publisher?
- Independently Funded News Consortia?

The BBC 800 pound gorilla.

- c55% of radio listening
- 30% of TV viewing
- website is the most used web content sites in the UK (www.alexa.com/topsites/countries/GB
- 47th highest rated global site (third highest rated content site after Wikipedia and the IMDB (www.alexa.com/topsites/global;2).
- Annual income exceeds £4bn pa (£1 = $1.61).

The 800 pound gorilla dieting.

- After a 63% rise in revenues 1997-2010…
- Licence frozen for 6 years.
- Takes on funding of S4C, BBC External Services and monitoring.
- Broadband rollout support.
- Fund new local TV stations.

And liking it……

- The Director General: “This is a realistic deal in exceptional circumstances securing a strong independent BBC for the next six years”.
- The Chairman of the BBC Trust: “better than we might have expected”.

Another C18th analogy?

The Director General: “strengthens BBC independence”. Is this a “timely compliance” like Fireblood’s encounter with Laetitia in Fielding’s *Jonathan Wild ?*

“He in a few minutes ravished this fair creature, or at least would have ravished her, if she had not, by a timely compliance, prevented him” (Fielding 1964 [1754]: 101-2).

Ofcom.

- 19% staff cuts.
- 28% operating budget cut.
- Ofcom will no longer have a duty to review regularly public service broadcasting and media ownership (the scope and frequency of such reviews will be determined by the Secretary of State).
- To return “the policy-setting role to the Secretary of State” and to “reduce unnecessary expense and to avoid duplication” (DCMS 2010).
- But – News Corporation’s bid for 61% of BSkyB referred to Ofcom!

The canary in the UK media coal mine.

- We are likely to see:
- Growing pay-for-content media (already a striking feature of the television sector).
- An increasingly embattled and less generously funded BBC.
- A severely diminished advertising funded/ advertising supported sector.
- Mergers and closures.
- Less great documentation from Ofcom?

Adding up to…..

- Fewer high quality, affordable sources of media content.
- Equals – a decline in public media.
- Already a serious effect on UK local/regional media.