

Response to DCMS/BERR interim Digital Britain report

March 11th 2009

1. Executive summary

- 1.1. Guardian Media Group plc ('GMG') welcomes the Government's interim Digital Britain report, which has brought much-needed focus and increased urgency to a number of the industry debates of recent months. There are several very positive recommendations within the report which recognise and will support the contribution made to Digital Britain by the commercial media sector. However, there are also some notable and worrying omissions. The report does not, for example, recognise the negative effects of the BBC and search engines/aggregators on the ability of UK commercial players to invest in quality content.
- 1.2. We also have serious concerns about the proposed 'second public service content company' or 'PSB2', which we believe will a) not be a sustainable solution to the problem of Channel 4's funding gap; b) have a damaging effect on the commercial market; and c) thereby undermine – not support – plurality in the provision of public service content. We believe that the market should be given the opportunity to deliver public service content before public intervention is applied. We support public intervention only where it can be targeted to address specific gaps in public service content provision. Our submission outlines our preferred approach and concerns in detail.
- 1.3. We welcome the Government's invitation to the OFT to conduct a review of the merger regime in relation to the local media sector, and will contribute to this piece of work along with our industry peers. We will also work with the industry to examine the potential of the consortium model for news in the nations and regions proposed in Ofcom's final PSB statement.
- 1.4. We are also pleased that the Government has acknowledged the urgent need to re-examine aspects of commercial radio regulation, in particular localness legislation.
- 1.5. GMG would like to see recognition in the final draft of the Digital Britain report of the need for improved oversight of the BBC's commercial activities and those areas where its public service activities impact unduly on the commercial sector. Defining appropriate limits to the BBC's activity and preventing scope creep will be critical to the success or otherwise of the UK's creative economy.
- 1.6. The other significant omission from the interim report is any examination or even acknowledgement of the negative impact of search engines and aggregators on UK content providers. We are seeing a substantial drain of value away from the UK creative economy due to the growth and dominance of search players. A successful Digital Britain will need successful UK content providers, and fair recognition from all players of the value our content creates.

Guardian Media Group plc:
Response to DCMS/BERR interim Digital Britain report
March 11th 2009

2. Introduction

- 2.1. Guardian Media Group plc ('GMG') welcomes the Government's interim Digital Britain report, which has brought much-needed focus and increased urgency to a number of the industry debates of recent months.
- 2.2. There are several very positive recommendations within the report which recognise and will support the contribution made to Digital Britain by the commercial media sector. However, there are also some notable and worrying omissions. The report does not, for example, recognise the negative effects of the BBC and search engines/aggregators on the ability of UK commercial players to invest in quality content.
- 2.3. We also have serious concerns about the proposed 'second public service content company' or 'PSB2', which we believe will a) not be a sustainable solution to the problem of Channel 4's funding gap; b) have a damaging effect on the commercial market; and c) thereby undermine – not support – plurality in the provision of public service content.

3. Second Public Service Content Company / PSB2

Summary

- 3.1. Both Ofcom and the DCMS have historically argued that sustaining plurality in public service content is their key policy objective, and GMG supports this goal. However, we are concerned that, by focusing solely on maintaining Channel 4 as the primary counterbalance to the BBC, the Government may be jeopardising the ability of the commercial sector to develop its own public service content: this is particularly relevant in a converged media market. Such commercial development would allow for greater innovation, reduce reliance on public funding, and ultimately safeguard the future prospects of the commercial sector as an important supplier of plurality in the market.
- 3.2. We are particularly concerned that the entity envisaged in the Digital Britain interim report – based on a joint venture between BBC Worldwide and Channel 4 – will inevitably seek to expand aggressively online in the UK, exploiting both BBC and Channel 4 brands. We believe this would have the deeply undesirable effect of attempting to sustain plurality of public service content delivered by the public sector at the expense of the commercial market – and would have the further undesirable consequence of concentrating all production in public ownership. Furthermore, we do not believe this entity will solve the problem of Channel 4's funding gap.

- 3.3. We agree with the analysis that there are gaps in the provision of certain key public service genres, and propose that public intervention be employed intelligently to address these. In particular, we welcome the Government's recognition that the continued provision of local and regional news – an area of interest to GMG given our own local and regional presence in both radio and press – may require significant public intervention, in terms of the competition rules applied to mergers, and possibly other forms of support such as contestable funding models. However, in general terms we argue strongly that public intervention should only be contemplated when the market shortfall is clear (for example in the case of local and regional news).
- 3.4. Put simply, we believe that the market should be given the opportunity to deliver public service content before public intervention is applied. This is particularly important given the unfolding effects of convergence on the nature and shape of the content market. The online market in particular needs time to adapt so that it can determine precisely what it can and cannot provide in terms of public service content. In our view, public intervention in the form of a 'PSB2' at this early stage would unnecessarily inhibit this settling process.

The argument for market-led development of PSB plurality, supplemented by targeted intervention

- 3.5. In a converging media world, the commercial sector is well placed to develop a wide diversity of public service content to complement publicly funded provision, characterised by a strong but focused BBC and targeted intervention to support specific, non-commercial areas of vital public service content.

The commercial sector is well placed to deliver public service content and is already doing so

- 3.6. In an environment where the lines between different distribution platforms are blurring, public service content can be, and is already being, delivered by a variety of providers that collectively form a credible substitute to traditional PSBs. The Guardian, for example, is already a major provider of content that creates public value – in the form of text, video and audio across a range of platforms. Similarly, other players such as Discovery Networks and BSkyB have argued that the multichannel market is already delivering public service content.
- 3.7. Moreover, the supply of commercially provided public service content could increase in the absence of intervention: open platform IPTV, for example, will allow content providers direct access to audiences via the television, thereby creating enhanced distribution opportunities for the provision of public service content by non-broadcast providers. This in turn is likely to precipitate the expansion of non-traditional PSB players' provision of audio visual public service content.

- 3.8. By allowing the commercial sector to act as a counterbalance to the BBC, the market delivers content that would otherwise require public funding and tax payer money. In this market-led approach, commercial operators would be able to provide public service content that is consistent with their commercial positioning and market opportunities, while publicly funded providers would deliver content in areas where a serious market failing has occurred or is about to. This would represent an efficient outcome.
- 3.9. In addition to the efficiency arguments, we consider that the commercial sector will create a more plural content market than would otherwise be created by any mandated broadcasting duopoly arrangement. Rather than depending on a market with two players competing across all genres, a market comprising many specialist players could unfold with each competing against the BBC in their specialist field and according to their own public service perspective.
- 3.10. Newspaper publishers and other journalism-based organisations would be incentivised to compete with the BBC in the provision of online news and comment, providing a wider range of voices and views. Other providers could compete to deliver, for example, strong cultural content, history programming, or natural history: with online provision, the opportunities are boundless.

The solution should rely on a balance between commercial enterprise and public sector intervention

- 3.11. However, we recognise that the market may not provide content to satisfy each of the PSB genres: it may not be commercially viable to do so and public sector intervention may be necessary to achieve this.
- 3.12. Local and regional news provides a useful example of a genre that the commercial sector has tried to provide but which, under the current regulatory regime, is becoming less commercially attractive. Under these circumstances, we consider that some form of public sector intervention could be employed to safeguard future provision.
- 3.13. There is a range of public sector interventions which could address the gaps left vacant, from direct and indirect public subsidy to other non-subsidy based interventions such as the relaxation of regulatory rules and/or the introduction of legislative measures. The choice of remedy is likely to depend on the nature of the market failure.
- 3.14. In the case of local and regional news, the relaxation of the existing merger regime (and, in radio, of co-location rules) could potentially improve the financial position of media organisations, allowing them to continue to provide local news. With greater scope for mergers, acquisitions and disposals the local media sector could access benefits of scale and thereby improve profitability.

3.15. Ofcom’s proposed intervention of creating local news consortia could also potentially help to achieve plurality in the local news market. While Ofcom’s solution is a form of public subsidy, it relies on the principle of contestable funding in order to guarantee provision of high-quality plural local news content: local media organisations ‘would enter a tendering process in order to create non-BBC coverage and to produce the output utilising both BBC and non-BBC coverage’.¹ The principle of contestable funding is one that could be relied on to guarantee provision of other genres of content that are likely to be under-served in the market, such as programming for older children.

Reasons for opposition to PSB2

The PSB solution (as it is currently understood) is inherently unsound

3.16. We consider that the PSB solution as currently set out – i.e. a new organisation based on a joint venture between BBCW and Channel 4 – will not achieve the desired aim as it is flawed on a number of levels: it is an inadequate solution for a converging media environment unless it is given significant commercial freedom or additional public funding; and it is likely to have negative effects on the commercial sector, thereby undermining the potential for a genuinely plural public service content market.

The PSB solution is unsustainable unless it is given commercial freedom or additional public funding

3.17. The proposed joint venture between Channel 4 and some of BBCW’s UK operation will not generate sufficient margin uplift² to address Channel 4’s funding gap of c. £150 million.³ The further danger is that a publicly funded PSB2 will be encouraged to risk those public funds through aggressive expansion online. This in turn is likely to cause considerable disruption to the existing providers of content with a public service value, such as newspaper websites. The problem would be exacerbated still further through the addition of other media organisations.

¹ Ofcom Second PSB Review: Putting Viewers First, January 2009, p. 89

² BBCW returned profits in 2007/2008 of £118 million – even if all of these profits were transferred to Channel 4, it would still need to address a shortfall of £32 million. However, recent reports suggest that the shortfall is likely to be even greater than this as profits generated by BBC Magazines and the International Distribution division will not be included in a BBCW/Channel 4 merger. Given that these component businesses return approximately 42% of BBCW’s revenues, the profits available to Channel 4 will be closer to £72 million. Furthermore, Channel 4’s figure of £150 million appeared in the public domain before the severe downturn in advertising revenues, which suggests the gap would now be even greater.

³ Channel 4 Response to Ofcom’s Second PSB Review: The Digital Opportunity, June 2008. In its response, Channel 4 sets out that it will require £100m to maintain its current output of PSB plus a further £50m to meet its “Next on 4” plans to strengthen its children’s and regional programming.

- 3.18. In addition, governing this new body is likely to be extremely challenging as it will be incentivised to act as aggressively as possible in order to reduce its reliance on public subsidy or to justify its existence – the threat of scope creep will be inevitable. The BBC Trust’s limitations in regulating BBCW demonstrate the difficulties that any body is likely to face in the governance of a second public service broadcaster. BBCW’s expansion into areas wholly unrelated to BBC programming, most notably its acquisition of Lonely Planet and the launch of a host of BBC ‘passion sites’, is evidence of a need for and challenges in greater regulatory oversight (see also later section on the BBC).
- 3.19. Both the DCMS Select Committee and the BBC Trust are currently investigating BBCW’s activity in response to commercial criticism. The BBC’s recent withdrawal of its BBC Green website may therefore be interpreted as a pre-emptive attempt by BBCW to reduce the appearance of it having moved beyond its original scope.
- 3.20. The only other option for sustainability would be the addition of direct public subsidy. This option carries with it serious disadvantages in addition to the governance problem as, arguably, receipt of public money would undermine Channel 4’s ability to act as an effective counterbalance to the BBC. If the BBC and the PSB2 both receive funding from the same source, the distinction between the two organisations may become less apparent, undermining the purpose and existence of the PSB2 as a unique, independent counterbalance to the BBC. Put simply, independent funding is an important element in promoting genuine plurality in the provision of public service content.
- The PSB2 solution will have negative effects on the commercial sector**
- 3.21. The second PSB’s ability to access both BBC and Channel 4 assets, and its ability to bundle its online and TV advertising sales, pose a serious threat to commercial rivals.
- 3.22. The arrival of any substantial new online service, especially one endorsed by the strong brands of the BBC and Channel 4, is likely to attract significant audience and by extension advertiser interest. As a result, advertising revenues generated by existing online services are likely to be significantly reduced. This effect is likely to be particularly acute for services that overlap with those offered by the second PSB.
- 3.23. A joint venture between Channel 4 and BBCW will also create fundamental distortions in the advertising sales market. The organisation would represent a major new presence in an online market for premium content that is already relatively small. It would create a cross-promotional powerhouse that would divert ad revenues away from commercial players.
- 3.24. The new entity would also result in a significant increase in overall online ad inventory in the market, depressing market rates. Furthermore, the merging of Channel 4 and UKTV’s ad sales houses is likely to confer greater bargaining

power upon the merged entity, placing competing sales houses at a considerable disadvantage.

- 3.25. It is likely that commercial operators will try to avoid direct competition with the PSB2 in the online world. The potential revenues available to commercial players will be reduced, as will their ability to invest in online development. Paradoxically, the creation of a second public service broadcaster may therefore actually deliver less, rather than more, plurality in the public service content market as commercial operators vacate areas in which the second PSB is seen as likely to compete; these may even be markets in which commercial players are already present.
- 3.26. Evidence suggests that commercial players already try to avoid direct competition with the BBC in the online world and elsewhere. For example, while it did not halt it entirely, the creation of a BBC Green website influenced the Guardian's strategy to enter this area through an environment website of its own.⁴ The presence of a publicly subsidised body in this instance was not only unnecessary (as the commercial market was due to serve this need); it had the potential to cause commercial harm. Looking forward, it is highly likely that commercial players would have similar concerns if a second PSB organisation were to exist in the online world.
- 3.27. In addition to creating competition issues and precipitating exit from overlapping markets, the arrival of a second PSB would also increase uncertainty even in markets that do not overlap with those ordinarily associated with the PSBs. Commercial players would be constantly wary of possible scope creep by the PSB2 into adjacent markets and would therefore be less willing to invest in new products and services. The commercial sector's long experience of dealing with an aggressively expansionist BBCW will make them mistrustful of the PSB2 from the outset.

There is likely to be a distorting impact on the content acquisition/distribution market

- 3.28. Although Channel 4, as a non-producing broadcaster, does not automatically own any programme rights for secondary distribution, and so will not be able to offer a preferred partnership arrangement for the distribution of content similar to that which BBCW enjoys with the BBC, its merging with BBCW will still have the effect of distorting the content acquisition and distribution markets.
- 3.29. The merging of Channel 4 with BBCW will create an enhanced multi-channel offer with cross-promotional capabilities being delivered through the merging of UKTV and Channel 4's suite of channels. This improved offer is likely to be

⁴ GMG has previously highlighted the potential for BBC passion sites, including BBC Green, to cause commercial harm in its submission to the Select Committee investigation of Worldwide's commercial activity (October 2008).

attractive to content owners who would be keen to distribute their content as widely as possible. Content owners may be reluctant to sell their content to competing channel operators in a bid to improve their terms with the PSB2. As a result, competing channel owners will find it increasingly difficult to gain access to content.

- 3.30. Even where third parties have the opportunity to purchase this content, they are likely to face higher prices than they would if the PSB2 did not exist. Their offers will have to be considerably increased to attract content owners given the appeal of the multi-channel offer available from PSB2.
- 3.31. This 'unfair competition' in the content acquisition market and, as a consequence, the distribution market, will have an effect on competitors' ability to invest in and develop their services, with inevitable knock-on effects for consumers.
- 3.32. Given the inherent unsustainability of the second PSB2 and the negative effects that it is likely to create for the commercial provision of public service content, we consider that a commercially led solution is preferable and that intervention should be relied on only as a last resort to address the gaps in PSB content provision left vacant by the commercial sector. Public sector intervention should not be the default solution.

4. Local and regional press

- 4.1. We are pleased that the Government has recognised the importance of local and regional newspapers to the UK's democratic process, the threat they are facing to their viability as businesses, and the need for Government to play its part in addressing this problem.
- 4.2. Specifically, we welcome the Government's invitation to the OFT to conduct a review of the merger regime in relation to the local media sector. We will contribute to this work along with our industry peers.
- 4.3. We note that the OFT has already begun its consultation by seeking initial views on the scope of its review, and hope the process will continue to move quickly. Analysts' forecasts suggest that a substantial proportion of the UK's local and regional newspapers face closure in the coming year. A regulatory environment that offers more encouragement to owners to consider mergers, disposals and acquisitions will be a positive step for the sector, and for the future viability of local and regional journalism.
- 4.4. The Government has also made it clear that it expects industry players to speak with a more united voice, to engage fully with Government and regulators, and to play their full part in finding solutions to the issues facing Digital Britain. In our view the regional newspaper industry has responded to this call. As

requested by Government, all players are now devoting considerable time and effort to the collective exploration – including with organisations beyond the regional press – of the challenges and opportunities around local and regional news provision.

- 4.5. This includes further examination of the consortium model for news in the nations and regions proposed in Ofcom's final PSB statement.
- 4.6. The OFT review and competition discussions are a necessary first step towards a more consolidated local and regional news sector. The solution to the challenges facing the sector, however, may need to be more radical than those previously considered. Potential routes could include, for example, a new model under which all commercial local and regional news services – across all platforms – would be provided by a single, consolidated local and regional media organisation.
- 4.7. Regardless of the route chosen, if there is not some form of significant action, the result could be the development of a patchwork effect for local and regional news coverage, in which many parts of the UK would simply no longer be served by local/regional commercial media. This is clearly a very undesirable outcome in terms of its impact on local democracy.

5. Regulation of commercial radio

- 5.1. We are pleased that the Government has acknowledged the urgent need to re-examine aspects of commercial radio regulation, in particular localness legislation.
- 5.2. Commercial radio plays an important role in the provision of public service content, despite the huge discrepancies in funding between the commercial sector and the BBC's increasingly dominant radio presence – a presence that consistently creeps beyond the boundaries of its intended remit.
- 5.3. Commercial radio faces very serious challenges. Ofcom estimated last summer that some 40% of commercial radio stations were loss-making, and conditions have of course worsened considerably since then. Relaxing outdated rules will go some way to easing the pressure on players in the sector, for example by allowing greater co-location and networking.
- 5.4. This is important if the UK is to continue to have a genuine counterweight to the BBC in radio – in the form of viable commercial competition. We look forward to the conclusions of the independent review of local radio announced in the interim report.
- 5.5. We will also continue to play our part, with other commercial radio groups, the RadioCentre and the BBC, in helping to deliver a migration plan for DAB as

members of the new Digital Radio Delivery Group. However, we believe the Digital Britain report should set a date for analogue switch-off. This would galvanise the DAB set supply chain, speed up the resolution of DAB cover build and signal strength, and provide the commitment the motor industry needs to ensure that all new vehicles come line-fitted with DAB radios at the appropriate time.

- 5.6. The current costs of dual transmission, coupled with the lack of a clear migration timetable for analogue switch-off, is actively preventing the creation of new content services vital for the consumer uptake of DAB and stronger competition for the BBC. We agree that local and regional DAB coverage is currently inadequate for switchover and would support a re-plan in this area.

6. The BBC

- 6.1. One extremely important issue the interim report does not address is the effect of certain expansionary activities by the BBC on the commercial sector. Particular aspects of the BBC's recent corporate behaviour have dismayed even traditional friends and allies – including GMG. This comes at a time of massive financial uncertainty and structural challenges for the commercial media sector – while the BBC continues to be funded by a predictably increased cashflow.
- 6.2. The BBC's plans to invest heavily in local online video, its failure to appreciate the damaging market impact of such activity, and the aggressive expansion of BBCW into new areas unrelated to existing BBC content (including the acquisition of Lonely Planet and the launch of 'passion sites'), have caused widespread alarm across the commercial media sector. Scope creep in radio is also a serious cause for concern.
- 6.3. The validity of these concerns has been recognised across the political spectrum. It was also reflected in the decision of the BBC Trust to halt the local video plans, and in BBCW's decision to close BBC Green, one of its controversial new advertising-funded 'passion sites'.
- 6.4. We regard the BBC's recent partnership proposals as a positive, encouraging step, and we are actively engaging with BBC management to explore their potential. We would welcome an opening-up of the BBC, both as a platform and as a potential content provider. We would also like to hear more about the possibility of sharing technical information and meta data, which would help our media businesses to make better use of the BBC's resources for the wider public good.
- 6.5. However, this is not the first time that the BBC has raised the possibility of partnerships with external organisations in response to criticism. Our experience of attempting to partner with the BBC is that despite encouraging conversations and positive intentions on both sides, the culture of the BBC acts

as an inherent, institutional barrier to effective partnership. For all the admirable public service values of the BBC, at root it is set up to compete – and to win. Very few of our past efforts to build partnerships with the BBC have resulted in concrete benefits for our businesses.

- 6.6. Despite this, we hope that the BBC's latest proposals will deliver advantages to commercial players, and we will continue to work with the BBC to take this forward.
- 6.7. Although the BBC Trust made the correct decision in rejecting BBC management's plans for local video, we – along with many others in the media industry – have reservations about the effectiveness of the Trust in overseeing the BBC's activity and minimising its impact on the commercial sector.
- 6.8. This is particularly evident in the case of BBCW. The Trust's relaxation of the rules governing BBCW's behaviour and its reduced regulatory oversight have allowed the BBC's commercial arm to become considerably more aggressive in its expansion strategy and to enter previously unconsidered areas unrelated to existing BBC content.
- 6.9. The result is that public funds are increasingly being put at risk, BBCW's market effects have been amplified, private investment is crowded out, and a plural media sector is being jeopardised.
- 6.10. The relationship between BBCW, the BBC and the Trust is opaque and needs to be more transparent. There also needs to be an improved oversight framework governing BBCW's behaviour. While the BBC must be able to benefit from its assets, how it is allowed to do this needs to be more tightly defined: restrictions need to be placed on BBCW's activities returning them to previously established limits.
- 6.11. As we have argued before the DCMS select committee, the BBC's commercial activity should be brought back under proper control. All commercial activity should be linked directly to core BBC programming to restore certainty to the market and a sense of proportion to the use of the BBC brand. In addition, the monetary threshold for referring activities for Trust oversight should be lowered from the current minimum of £50 million – a ludicrously high figure in the context of general media investment levels.
- 6.12. We note Sir Michael Lyons's encouraging recent comments about introducing 'a tighter set of guidelines' for BBCW, and the Trust's initial findings of its investigation into the Corporation's commercial arm. We await details of the Trust's final proposals with interest.
- 6.13. In more general terms, the BBC Trust must be shown to be impartial, transparent and independent. The Trust, more than ever, needs to be a truly credible regulator of the BBC. It must bring much more openness to its

decisions and processes; it must provide clear separation between its roles as BBC champion and regulator; and it must build industry confidence of its impartiality.

- 6.14. Establishing reasonable parameters for the BBC's activity and ensuring proper oversight by the BBC Trust will be essential to the success of the UK's creative economy, because such actions will allow the commercial sector to invest with greater confidence in the future of their own businesses.
- 6.15. We strongly urge the Government to reflect these issues in the final draft of the Digital Britain report.

7. Search engines/aggregators

- 7.1. We welcome the interim report's focus on respect for IP and copyright, but believe there is a glaring omission from its examination of such issues: the negative effects of aggregators and search engines on the ability of and incentives for UK content providers to invest in quality content.
- 7.2. To be clear, we believe search and aggregation are vital parts of both the present and future online content landscapes. They provide real value for consumers, and we partner with players in the sector in a variety of ways. They are not going to disappear, nor do we want them to.
- 7.3. However, we think the current market dynamic between content creators and search engines/aggregators is skewed heavily in the latter's favour. This is not conducive to a healthy environment for content creation in the online world.
- 7.4. Search engines and aggregators benefit from content creators, in the sense that they generate revenue by acting as gateways to content other people produce. They do not invest in the creation of content (such as journalism, in the case of guardian.co.uk).
- 7.5. Furthermore, the most successful online business models (and the lion's share of revenues) effectively involve searching and aggregating content, rather than creating content. This results in a disincentive to create quality content, and undermines the viability of its provision.
- 7.6. The argument has traditionally been that search engines and aggregators provide players like guardian.co.uk with traffic in return for the use of our content, and this is enough to make the relationship symbiotic and equal. However, there is a vast over-supply in the market of advertising inventory, and yields have come under severe downward pressure. As a result, the value of the traffic generated by search engines and aggregators has reduced significantly.

- 7.7. This is happening at a time of broader concerns about the viability of the business model for quality online content. We estimate that the total premium display market – online advertising sold by media owners on their own sites – is worth less than £200m; and has been the most dramatically hit in the current downturn. As it stands, it is hard to believe that display advertising alone will be able to fund a healthy plurality of quality online content.
- 7.8. Furthermore, there remains no viable model for players such as guardian.co.uk to take revenue directly from consumers in return for content – not least because of the presence of the BBC and the vast quantities of free content it publishes on bbc.co.uk.
- 7.9. It is not realistically open to content providers simply to exit the search market and remove their content as a way of objecting to the presence of a single, dominant player in the market. Even if content providers decided to object to the nature of the relationship, they have no effective sanction because there is no alternative route to market. Content creators cannot simply remove their content from the dominant player because the damage to their business would be significant. As such, this increasingly appears to be an issue that requires examination from the point of view of competition law principles.
- 7.10. We raise these concerns not because we are trying to protect a legacy business or an old business model, but because we are trying to create new models for a new world – models that will support investment in the quality content it is our mission to produce. These new models will require fair acknowledgement of the value that our content creates, both on our own site (through advertising) and 'at the edges' – in the world of search and aggregation.
- 7.11. A successful Digital Britain will need successful UK content providers. At present, we are seeing a substantial drain of value away from the UK creative economy, as an ever greater proportion of online revenues and profits go to non-UK-based search and aggregation businesses.
- 7.12. We strongly encourage the Government to use the final Digital Britain report to acknowledge the importance of this issue and the need to examine it further.

Further information:

Chris Wade
Director of Communications
Guardian Media Group
020 3353 4041
chris.j.wade@gmgplc.co.uk

About GMG

Guardian Media Group plc ('GMG') is one of the UK's leading multimedia businesses. Our portfolio includes national, regional and local newspapers, a range of websites, radio stations, magazines and business-to-business media.

GMG divisions and joint venture companies:

- **Guardian News & Media** publishes the Guardian and Observer, two of the UK's most respected and successful newspapers, and guardian.co.uk, the internationally successful website.
- **GMG Regional Media** publishes the Manchester Evening News and its website, and a number of weekly newspapers and websites in the north-west and south of England. It also includes Channel M, a TV station for Greater Manchester.
- **GMG Radio** operates regional stations across the UK, predominantly under the Real Radio and Smooth Radio brands.
- **GMG Property Services** operates software providers to independent estate agents.
- **Trader Media Group** publishes Auto Trader, the leading motors classified website and magazine, along with a number of other titles and websites. Trader Media Group is jointly owned by GMG and Apex Partners.
- **Emap** is a leading international business-to-business publishing, events and information company. It is also jointly owned by GMG and Apex Partners.

GMG is wholly owned by the Scott Trust, which was created in 1936 to secure the financial and editorial independence of the Guardian in perpetuity.