

Archant/INM London Regionals Merger Inquiry

Summary of other points made by third parties

Market definition

1. [On the question of whether papers like *Metro* and *The Standard* compete with local newspapers] Not really, no. That is a different advertising area. We [a local newspaper] do not really compete. No actually, in job pages they do and central London and large employers automatically go in to *The Standard*. We have tried to persuade them well what is the point of going in to *The Standard*, we can provide, say, 100,000 readers who live locally...We see the market as a local market within the boroughs that we actually serve. (Camden New Journal).
2. [On the Internet as a competitor] The Internet is very much finding its way. At the moment, sales have a broad sweep and it is really possible that, in the future, it will be the local news outlet that produces the local newspaper. There is a local Camden website...As far as I can gather at the moment, there is very little money in the Internet. You have to have a web presence because people expect it and at the moment it sort of helps your profile which helps feed the hard copy product....From a news point of view you are looking at people who live in Camden accessing the Internet to read news about Camden. Now, if they can get a local paper from around the corner, then often it is less hassle to get the local paper. (Camden New Journal).
3. Analysis by BJM Research has shown that people spend about as much time reading the free Camden New Journal as the Hampstead and Highgate Express, a paid weekly newspaper. (Camden New Journal).
4. In its previous ten reports on newspaper transfers the Commission has accepted that most transfers may be expected not to operate against the public interest where, as a result of the transfer, there would remain two newspaper publishers present in any one locality. This would be the case if a transfer of all INM's titles to Archant were allowed, with either Trinity Mirror or Newsquest formidable competitors in all the major regions. There might still be micro pockets where this would not be so, but that is a problem of definition of the market rather than of competition. Now, given that this is a newspaper transaction under the normal regime and no longer one under the old newspaper regime, we are urging the Commission to take this opportunity to reconsider, from first principles, the definition of the market and let some fresh air into what has become a very sterile debate. (INM).
5. If you look at the level of profitability within that regional business [the London Regionals division of INM], it has been fairly constant. ... for the last three or four years and had not changed significantly in the last two years when we have had a material advertising downturn within the industry. In the main, regional local newspapers are less hit by advertising downturns as, for example, national newspapers. (INM).
6. We [INM] have just been through three years of probably the worst recession in newspapers for 30 years. Those regional newspapers...have actually done

remarkably well and are continuing to do well...If you look back at the three-year trend, turnover has come down quite significantly. We [INM] have maintained the profit base line by reducing costs and that is how we have done it, despite losing revenue... The frees are growing in terms of distribution versus paid circulation simply because it is easier to control the distribution of the title. ...One of the problems [last year] was the fact that we [INM] had extended distribution areas into areas that were competitive with Newsquest, but it was always in the free distribution areas where it was under our control to add an extra 20,000 copies and distribute them. It is not that easy to sell an extra 200 copies let alone 20,000. The growth is coming, really, through frees. (INM).

7. Newspaper Society data..shows..that there was a good pool of advertising to be drawn from these titles. Documents that we give to potential advertisers... show.. charts referring to distances that people will travel to the cinema or how far they will go to buy a car. (INM).
8. Prior to the change in legislation the Archant/INM transaction would have been referred to the CC and therefore have been subject to the same review process as the proposed 2003 Newsquest/INM transaction. Whilst there are jurisdictional issues regarding the Archant/INM transaction, the OFT was right to refer it to the CC. If the CC chooses to approach this issue of market definition as narrowly as in the case of its own referred proposals (which consistency would suggest it might), certain of the local transfers will be problematic. (Newsquest).
9. [On markets in the London area as compared with the situation in 2003] There are no fundamental differences. There has been some new entry into various markets. For example there has been a major launch in Kent within the past two or three weeks by a major publisher. (Newsquest).
10. JICREG is a useful tool but is flawed because it is based on postal sectors and data compiled about delivery or readership within those postal sectors. Overall JICREG is useful but it is only a measure of distribution. Distribution, while it is very important for newspapers, as for any business of that type, is not the sole or main criterion in assessing market strength. (Newsquest).
11. [On the relevance of local postcode areas] Postal sectors are relevant only to the Post Office or in some contexts as indicative of lifestyle or some other social demographic issues. Newsquest tends to work more according to local authority boundaries, or indeed where customers view their catchment area as being. For instance, the boroughs of Kingston and Richmond are adjacent but there is a river between them. Since the nature of Richmond has changed and Kingston has become the major shopping centre for the mainstream, it makes sense for Newsquest to forget about postcodes and where the borough boundaries or local authority boundaries are, and to look at where advertising customers expect to draw their custom from.(Newsquest).
12. [On overlaps that might give concern should the transaction go ahead] All of them. Newsquest would be concerned at the missed opportunity . Looking at market as defined by the Commission in a local newspaper context, the levels of local concentration are higher in some localities between archant and INM than they were in any of the cases between INM and Newsquest. If there were concerns about the Newsquest overlaps, then there should be similar concerns about the Archant overlaps if the CC approaches the issues consistently. (Newsquest).

Competition

1. A monopoly or control by a local newspaper company would make it more difficult for a competitor, such as the Camden New Journal, to generate further advertising. (Camden New Journal).
2. Competition for local authority advertising has intensified in the Camden area since Archant took over the Ham and High in 1998. (Camden New Journal).
3. The market for advertising in local newspapers may diminish in future. One local authority has plans to put its public notices on the web rather than in local newspapers; this is currently being considered by the House of Lords. (Camden New Journal).
4. A monopoly or control by a few [local newspaper] companies is injurious to readership (Camden New Journal).
5. [With regard to taking a broad view of competition in the market], it is not just the whole London area [that may need to be considered] but even reasonably large tracts of London, substantial parts of London, or Essex or Kent as opposed to breaking it down into Tufnell Park... I do not think anyone knows where the border of Tufnell Park begins or ends. ..Tufnell Park happens to be defined in this incredibly narrow, micro way which does not bear any connection to the way any of us do business. (INM).
6. An awful lot of the definition that came out in the Competition Commission's [Newsquest/INM] report related to a definition of an industry that we actually do not recognise. Some of us have operated in this industry all our lives and there is a section there saying what the other newspaper groups found. They do not actually recognise the definition of the industry in which we are supposed to be operating/ That is not the way we operate. That is, in a sense, the competition from other sources; I am talking about Metro and all the rest of it. But even within the narrower definition that we are looking at, if we take areas like North London we can say there is very vigorous competition and will continue to be very vigorous competition in North London but there might not be in Tufnell Park. And you care about Tufnell Park; do the residents in Tufnell Park really worry that there is a monopoly newspaper group operating in their area, when most of them actually live, work, drink, eat, buy their cars, buy their houses, do all their various activities outside that area or in a much wider general area? (INM).
7. I think the bigger point, and I do strongly urge you to look at the bigger point, which is that – and I think the bigger points still did come through in the Commission's [Newsquest/INM] report last time round – there is concentration going on in North London. There are two big competitors in here; one is called Newsquest and the other is Trinity Mirror. I think the fear last time which coloured very much the tone of the report...was that by selling to Newsquest we [INM] were actually strengthening that duopoly. By selling to Archant, you are introducing a third force of sufficient size and significance and ambition to challenge the other two. I think the previous [Newsquest/INM] inquiry made a great deal about the belief of a whole clustering concept that big groups got themselves into situations where they did not actually go into each other's territories on the "live and let live" basis...And therefore there was not actually [believed to be] any competition and this was against the public interest. (INM).

8. I think the entry of a third party, and as I say, a very ambitious third party which is well-financed, which is now big enough to challenge that duopoly is actually a very good thing. I am talking about North London and Essex there. In Kent I think it is unarguably a good thing....Archant have a huge vested interest in making them [the INM titles] thrive. (INM).
9. [With regard to elements of local competition] I think we agree that they [local newspapers] also do compete...with free sheets and other products. I think we would again invite the Commission to re-look at that point in that it is not just local newspapers because there is a plethora of additional products coming on to the market in pick-up form and for leaflet distribution etc which is directly being removed from the local newspaper markets. I do not think that [a local newspaper only market definition] is right and I think that needs to be considered. If you started to take some of those figures in, then it starts to distort quite significantly the sort of market share figures, if you like, that the OFT came through with in their report. (INM)
10. I personally believe that it [local newspapers] is still a very good business and will go on being a very good business for some time to come...Some of the titles we are talking about, a lot of them have been around for more than a hundred years and I suspect will probably be there in, maybe not another hundred but certainly another fifty...Margins in regional newspapers are still reasonably good ... and with good management I think they will run for quite a long time. (INM).
11. [With regard to competition for advertising] Looking at either lapsed advertisers or advertising in other vehicles is important...or somehow to look at taking advertising as a sector and taking property and taking motors and taking recruitment and just seeing how they advertise their products, what vehicles they use and geographically how they advertise because I think that is changing. I think the geographic spread is tending to grow for quite a lot of advertisers. There is more planning by advertisers. I think the actual sort of sectors are being sliced more, so you are having a more sliced approach to the advertising. (INM).
12. [On advertising] "Classified" does not mean anything any more. People are more interested in what are the categories: is it property, motors? Is it gardening, DIY, retail? So it is becoming much more segmental. You will see that in the local newspapers they will now do special gardening pull-outs at the weekends to try and cover off garden centres and DIY shops etc. So segmenting more but pushing out more geographically, that is our view. (INM).
13. This is clearly a concern for Newsquest in the competitive sense because Archant is extending its reach into London and is coming into many of the territories that Newsquest is either in or adjacent to. Its acquisition of the *Kentish Times* in South London has been a major concern. (Newsquest).
14. [On the suggestion that the acquisition would create a fourth player at the national level] The London issue is separate from the national one. The acquisition does not change anything on a national perspective. In fact, it does not particularly change anything from a London perspective because, instead of INM as a competitive publisher, there is Archant as a competitive publisher. (Newsquest).
15. [On whether Archant is different from INM in its competitive behaviour] Only time would tell. ...INM made the strategic decision to exit from the regional local Press. It

is not clear what Archant might do; however, it has recently bought property papers in France and has been buying magazines around the country. Like any business, it will have to make decisions about which sector it wants to invest in. (Newsquest).

16. [On whether Archant as an additional player in London would create a more competitive environment] That depends...In the area of the *Ham & High*, *Islington Gazette*, *Hornsey Journal* it is quite difficult to see how that would increase competition in the area if one looks at markets defined as being local newspapers. (Newsquest).

Entry

1. Entry into the local newspaper market is quite difficult as an entrant has to cover printing and production costs and get enough advertising. Entry was easier some years ago. In the 1970s, entry was really only possible with a free newspaper. The circulation of the paid-for titles is declining. (Camden New Journal).

Share of supply test

- 1.[With regard to the question of whether Archant now supplies more than 25 per cent free and paid-for local newspapers in a substantial part of the UK] the phrase “substantial part”, if it has a meaning, is at some point going to be clarified further by yourselves the Commission, or the courts...As a result of the facts of this matter, there can be questions whether the transaction is actually falling within the jurisdiction because of the “substantial part”. The focus for us [INM] at the moment is that the OFT appeared to pick up one criterion, which was population, and that our interpretation is that no single criterion identified or indicated by the House of Lords is determinative but, rather, one should look at a whole series of relevant and no doubt perhaps non-exhaustive factors. I note that the OFT sought to bring in one or two other factors other than population, but we think that a fuller consideration than perhaps the OFT had the time and resources to devote, could be given to all the relevant factors other than population in those three areas [(Havering, Barking and Dagenham, and Redbridge), assuming that they are indeed only the three areas that you should be considering...Those areas are obviously neighbouring so you could draw a line on a map which constitutes a single area, but whether that single area does meet all the criteria and constitutes a substantial part we think can be questioned. (INM).
2. [With regard to the meaning of “criteria” for identifying a substantial part of the UK] , that consideration of the House of Lords’ decision [Regina v MMC and another ex-parte South Yorkshire Transport Limited, 1993, 1 WLR 23] just identified a number of factors or criteria to consider: population, geographic size, economic importance and each of these, on our interpretation, is not determinative... I do not think we would say any one or several are more significant. I think you do have to literally do the balancing exercise, looking at all of those criteria that one wishes to point to. I do not think we can be saying that three are going to be more significant than others. (INM).