

CHAPTER 5

Reed International plc

5.1. Reed International plc (Reed), a public listed company, is a holding company. It was originally registered in England in 1903 under the name Albert E Reed and Company Ltd.

5.2. Its present name dates from 1970 when it acquired the ordinary share capital of International Publishing Corporation Ltd (subsequently renamed Reed Publishing Holdings Ltd). At that date Reed Publishing Holdings had as subsidiaries—and still has—the companies which publish the *Daily Mirror*, *Sunday Mirror* and other national newspapers and also various companies which publish magazines, books and business directories (see paragraph 5.4).

5.3. No shareholding in Reed is as large as 5 per cent of the issued share capital.

5.4. Reed's main subsidiaries operate in the United Kingdom, Canada, the United States of America and the continent of Europe. It has three principal activities: the manufacture of paper, including newsprint, and packaging, the printing and publishing of newspapers, magazines, books and business directories, and the manufacture of building and home improvement products. Printing and publishing are organised in two separate main divisions, one owned and controlled by International Publishing Corporation Ltd (IPC), the other by Mirror Group Newspapers Ltd (MGN). (IPC is not the same company as that mentioned in paragraph 5.2. It assumed its present name when the original International Publishing Corporation Ltd was renamed Reed Publishing Holdings Ltd.) At 31 March 1981 Reed and its subsidiary had about 58,200 employees, of whom about 46,900 were employed in the United Kingdom.

5.5. IPC and MGN are separately managed but the chairman and chief executive of IPC is also an executive director of Reed, with a seat on its main board, and responsible to the board for all Reed's printing and publishing interests. Both the executive chairman and the chief executive of MGN report to him.

5.6. Until December 1981 the only local newspapers owned by Reed were those published in the South West of England by West of England Newspapers Ltd (WEN), a wholly-owned subsidiary of MGN. WEN publishes one local Sunday newspaper, nine local weekly newspapers and two local weekly free sheets. The predecessor of WEN was acquired by MGN in 1965 as a basis for a newly established editorial training scheme. That company was subsequently enlarged when WEN was formed by the acquisition of further newspapers from Devonshire Press Ltd in 1967 and of Mid-Devon Newspaper Company Ltd from Beaverbrook Newspapers Ltd in 1975.

5.7. In 1981 the Commission reported¹ on the proposed transfer to Reed of 45 newspapers owned by The Berrow's Organisation Ltd (Berrow's) (a wholly-owned subsidiary of News International Ltd). The Commission concluded that the proposed transfer might be expected to operate against the public interest. However, they added that if Reed had not been the owner of WEN or if the proposed transfer had not included Berrow's Taunton-based newspapers, they would not have taken the view that they had as to the public interest. In December 1981 it was announced in the House of Commons by the Minister for Consumer Affairs that the Secretary of State for Trade had been given assurances by Reed which met the substance of the concern expressed by the Commission over the proposed transfer. Accordingly the Secretary of State had consented to the transfer to Reed of the 45 newspapers owned by Berrow's. Reed told us that it acquired the share capital of Berrow's from News International Ltd in December 1981. Reed also told us that it had reached agreement with a consortium of individuals for the sale of WEN to them and the sale was concluded in April 1982. Consequently Berrow's is now the only interest in local newspapers owned by Reed.

5.8. Berrow's owns one local evening newspaper, 38 local weekly newspapers and six local free sheets. They circulate in parts of Staffordshire, South Shropshire, and the county of Hereford and Worcester and also in South Wiltshire and parts of Hampshire, Dorset, Avon, Somerset and Devon. Berrow's newspapers are printed at Worcester, Stourbridge and Taunton. The company also owns a general printing works at Evesham. It has about 950 employees. There is no closed shop for journalists in Berrow's.

5.9. Berrow's operates as a self-contained company under its management in Worcester. Unlike WEN which operated as a part of MGN, Berrow's is a direct subsidiary of Reed and its managing director reports to the executive director of Reed, responsible for printing and publishing (see paragraph 5.5).

5.10. The trading results for the last five years of Reed International and the contributions of publishing in the United Kingdom and of newspapers (all of which are in the United Kingdom) on the historical cost basis are given below:

	<i>Year ended 31 March</i>				<i>£ million 1981</i>
	<i>1977</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>	
Reed International					
Turnover	1,488	1,623	1,611	1,516	1,480
Trading profit before interest of which attributable to:	95.6	106.6	106.8	106.7	55
Publishing (UK)					
Turnover	201	238	270	321	343
Trading profit	16.8	23.8	24.1	23.5	18.5*
Newspapers (UK)					
Turnover	127	146	165	186	220
Trading profit	7.0	9.0	10.0	6.3	12.1*

* The trading profits for this year exclude a central head office charge (net of property sales).

¹ The Monopolies and Mergers Commission, The Berrow's Organisation Ltd and Reed International Ltd, Cmnd 8337.

5.11. These figures show that the newspaper activities of the subsidiary MGN are profitable overall. However, WEN which was a wholly-owned subsidiary of MGN until April 1982 made losses as its trading results for the last five years show:

	<i>Years ended 31 March</i>				<i>£'000</i>
	<i>1977</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>
West of England Newspapers Ltd					
Total revenue	925	1,290	1,515	2,065	2,373
Net loss	(279)	(53)	(113)	(140)	(356)

The net loss for 1981 included exceptional costs of £79,000 arising from a management reorganisation.