4 Newspaper markets and the effects of the proposed transfer

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Introduction

4.1. In this chapter we first describe briefly the press in the UK as a whole, including circulation trends and advertising revenues. We then look at the ranking of publishers of regional and local newspapers and, lastly, consider the effect of the proposed transfer on competition.

4.2. The Fair Trading Act 1973 says that a `newspaper' is `a daily, Sunday or local (other than daily or Sunday) newspaper circulating wholly or mainly in the United Kingdom or in a part of the United Kingdom'. We use the same meaning in this report. The range and variety of newspapers published in the UK is considerable. There are very significant differences in the contents of different types of newspaper, in the size and location of their readerships (for example, between those aimed at a national daily readership and local weekly newspapers), in the frequency of publication (see paragraph 4.6) and in their cover prices (including a large number of free newspapers).

4.3. The terms `local newspaper' and `regional newspaper' as used in the newspaper industry have no precise, agreed definition. Sometimes they are used interchangeably. Where a distinction is drawn, it is usually by reference to the area of circulation or distribution, with local newspapers being those covering a single town or a few small towns and regional newspapers being those with a wider geographic coverage.

4.4. In common with the industry, for measurement purposes we distinguish between paid-for newspapers, for which `circulation' data are published, and free newspapers, for which `distribution' data are used. The circulation figures for daily newspapers can be shown either on the basis of the number sold each day or by their average five- or six-day weekly sales. The combined circulation for daily and weekly newspapers in particular areas is best calculated by adding the average weekly circulation of the daily newspapers to the circulation or distribution data for the weekly newspapers; this gives an average weekly total. The expression `series' is used to describe a number of either regional or local newspapers, often with similar titles, published by a single publisher but with variations in editorial and advertisement content in order better to suit particular towns or localities within the series' overall circulation or distribution area.

4.5. The industry refers to estimates of the percentage of households in a given area which purchase copies of a paid-for newspaper or to which a free newspaper is delivered during a particular period as `penetration' rates (for example, the newspaper's 10 per cent penetration area). Advertisers are particularly interested in the number of people who may see their advertisements, and newspaper publishers attach importance to their titles' multiple readership data. For example, while MIN's *The Birmingham Post*'s average circulation was 28,089 (based on January to June 1997 data), Joint Industry Committee for Regional Press Research (JICREG) data show that each copy is read on average by 2.77 people, implying an estimated average readership of about 77,800.

The press in the UK

4.6. Data collected and monitored by the Audit Bureau of Circulations Ltd (ABC) and The Newspaper Society's Market Intelligence Unit (MIU) show that 1,229 newspapers were in publication in the UK at the end of 1996 (this number excludes titles published less frequently than weekly). These consisted of 10 national daily newspapers, 9 national Sunday newspapers, 91 regional and local daily newspapers, 11 regional and local Sunday newspapers, 478 regional and local paid-for and 630 free weekly newspapers.

4.7. There are about 150 or so publishers of regional and local newspapers, though the largest nine of these account for about two-thirds of copies sold or distributed. The ownership of most national newspapers in the UK is concentrated in the hands of a small number of large publishing groups, namely News International plc (News International) (33.6 million copies a week, based on the average circulation in the UK of its national newspapers during the period January to June 1997), Mirror Group (24.4 million, including the *Daily Record*), Associated Newspapers Ltd (Associated Newspapers) (15.0 million), United News & Media plc (United News) (12.5 million), Telegraph Group Ltd (Telegraph Group) (7.6 million) and Guardian Media Group plc (Guardian Media) (2.9 million).

4.8. Total net revenue from the sale of newspapers and the advertising space in them (including advertising space in the colour supplements) in the UK in 1996 is estimated to have amounted to £5 billion (see Table 4.1). Just over 50 per cent (£2.5 billion) of this total was accounted for by national newspapers' revenues, over 34 per cent (£1.7 billion) by the revenues of paid-for regional and local newspapers and just over 15 per cent (£0.8 billion) by the advertising revenues of weekly free newspapers.

TABLE 4.1 **Newspaper publishers' total net revenue* in the UK by type of newspaper, 1996**

	Newspaper sales		*Advertising revenue*		*Total revenue*	
	£m	*%*	*£m*	*%*	*£m*	*%*
National						
Daily	899	52.5	836	25.4	1,735	34.7
Sunday	331	19.3	448	13.6	779	15.6
Subtotal	1,230	71.9	1,284	39.1	2,514	50.3
Regional and local						
Daily and Sunday	406	23.7	849	25.8	1,255	25.1
Weekly paid-for	75	4.4	393	12.0	468	9.4
Weekly free	-	-	762	23.2	762	15.2
Subtotal	481	28.1	2,004	60.9	2,485	49.7
Total: all newspapers#	1,711	100.0	3,288	100.0	4,999	100.0

Source: MMC, based on data published in the *Advertising Statistics Yearbook, 1997*.

*Net revenue is publishers' net revenue from advertising after deducting agency commissions, and net receipts from copy sales after deducting distributors' margins.

#Totals may not add up exactly due to rounding.

Note: All the data in Tables 4.1 to 4.5 and in Figures 4.1 and 4.2 are taken from the *Advertising Statistics Yearbook, 1997* published in June 1997 by NTC Publications Ltd for The Advertising Association. The *Advertising Statistics Yearbook* states that because Mirror Group's *Daily Record* had a small circulation outside Scotland while its sister title *The Mirror* had a small circulation in Scotland, it was `customary to regard the two together as national dailies'; accordingly, all data relating to the *Daily Record* is included under the `national' rather than the `regional and local' heading. Because of limited information, `national' excludes the *Daily Sport*. `Regional and local' newspapers include the London *Evening Standard*, the Scottish *Sunday Post* and *Sunday Mail* (but not the *Daily Record*) and the Northern Ireland edition of the Dublin *Sunday World* (but not the *News and Echo*).

4.9. About two-thirds of net newspaper revenue, ie publishers' net revenue from advertising (after deducting agency commissions) and net receipts from copy sales (after deducting distributors' margins), comes from the sale of advertising space, with cover prices of the newspapers accounting for the remaining 34 per cent (see Table 4.2). The significance of advertising revenues is much greater for regional and local newspapers, at around 81 per cent of total revenue, than it is for national newspapers, at around 51 per cent. Among the regional and local newspapers, all the revenue of weekly free newspapers comes from the sale of advertising space compared with about 68 per cent for daily and Sunday newspapers and 84 per cent for weekly paid-for newspapers. Table 4.2 also shows that display advertising accounts for a much greater proportion of total revenue than classified advertising in national newspapers (the proportions being around 39 per cent and 12 per cent respectively). In regional and local newspapers the balance is reversed, with classified advertising accounting for about 44 per cent of the total revenue of daily and Sunday newspapers, 56 per cent for weekly free newspapers and about 60 per cent for weekly paid-for newspapers.

TABLE 4.2 **Sources of newspaper publishers' net revenue* in the UK for each type of newspaper, 1996**

	Percentage of total net revenue				
	Sales of newspapers %	*Advertising revenue*			*Total net revenue* £m
		Display %#	*Classified* %#	*Total* %	
National					
Daily	51.8	37.3	10.9	48.2	1,735
Sunday	42.5	44.0	13.5	57.5	779
Subtotal	48.9	39.4	11.7	51.1	2,514
Regional and local					
Daily and Sunday	32.4	24.1	43.5	67.6	1,255
Weekly paid-for	16.0	24.3	59.7	84.0	468
Weekly free	-	43.7	56.4	100.0	762
Subtotal	19.4	30.1	50.5	80.6	2,485
All newspapers ~	34.2	35.6	30.2	65.8	4,999

Source: MMC, based on data published in the *Advertising Statistics Yearbook, 1997*.

*Net revenue is the publishers' net revenue from advertising, after deducting agency commissions, and net receipts from copy sales, after deducting distributors' margins.

#The split between display and classified advertising is based on advertisers' expenditure data, not on publishers' net revenue data.

~ Totals may not add up exactly due to rounding.

Note: See note to Table 4.1.

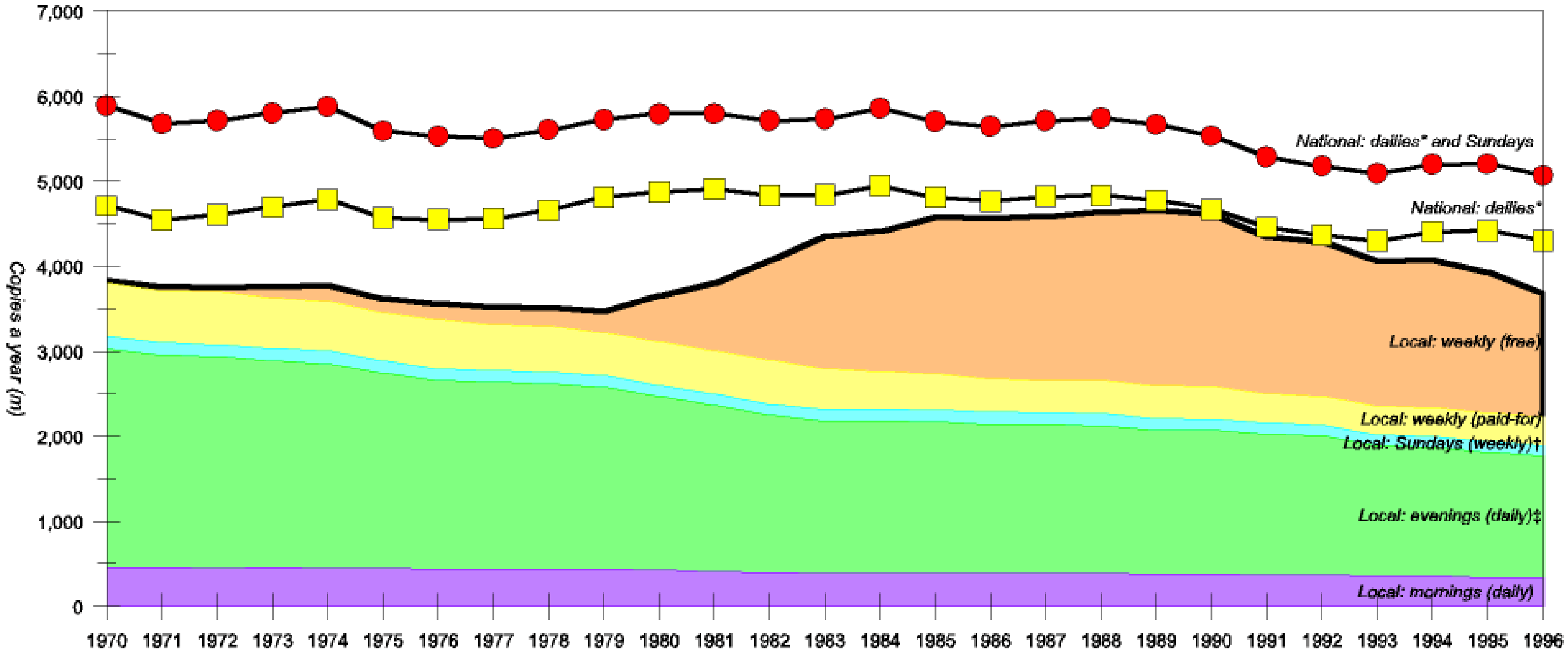
Circulation trends

4.10. Trends in national and local newspaper circulation/distribution over the last 26 years are summarized in Figure 4.1 (in Figure 4.1 the term `local' encompasses regional and local newspapers). The total circulation of national newspapers has shown a slow decline and, within the total, the circulation of Sunday newspapers has declined more rapidly than that of daily newspapers.

4.11. The position for regional and local newspapers is more complex. The annual circulation/distribution figures for all regional and local newspapers peaked in 1989 as a result of the rapid growth of weekly free newspapers in the mid-1980s. The circulation of regional and local daily newspapers has declined substantially since then: aggregate circulation was down by just over 14 per cent by 1996 compared with the 1989 figure, and by about 41 per cent compared with 1970. However, the circulation of regional and local morning newspapers has tended to decline less quickly than that of the evening newspapers: the circulation of morning newspapers declined by about 25 per cent between 1970 and 1996, but the decline in the circulation of regional and local evening newspapers over the same period was greater, at about 44 per cent. The decline in the circulation of weekly paid-for newspapers over the same period was even greater, at about 46 per cent.

FIGURE 4.1

Annual circulation or distribution of national and local newspapers, 1970 to 1996



Source: MMC, based on data in the *Advertising Statistics Yearbook, 1997*.

*Includes the *Daily Record*. Excludes the *Daily Sport*.
†Includes the *Sunday Post*, the *Sunday Mail* and the Northern Ireland edition of the *Sunday World*.
‡Includes the *Evening Standard* (London).

4.12. While the circulation of the paid-for regional and local newspapers has declined every year since 1970, weekly free newspapers, which developed slowly during the 1970s, grew very quickly during the early 1980s reaching a peak distribution in 1989. Until 1989 this growth more than counterbalanced the declining circulation of the paid-for regional and local newspapers. The distribution of free newspapers has fallen each year since 1989 except 1994; as Table 4.3 shows, over the period 1989 to 1996 the distribution of weekly free newspapers has declined by almost 30 per cent. By 1996 the circulation/distribution of regional and local newspapers had fallen back to 1970s levels.

TABLE 4.3 **Trends in the number and circulation/distribution (per issue) of newspapers in the UK, 1984 to 1996**

	1984		*1989*		*1996*		*Change 1984-1996*	*Change 1989-1996*
	No of titles	*m copies*	*No of titles*	*m copies*	*No of titles*	*m copies*	*%*	*%*
National								
Weekday	9	16.0	12	15.4	11	13.9	-13.1	-10.0
Sunday	8	18.3	10	17.9	10	15.4	-15.6	-13.7
Subtotal*	17	34.2	22	33.3	21	29.3	-14.4	-12.0
Regional and local:								
Daily and Sunday								
Morning	18	1.3	17	1.2	17	1.1	-12.5	-9.5
Evening	75	5.8	73	5.5	72	4.6	-20.0	-15.6
Sunday	7	2.8	10	2.7	9	2.3	-14.9	-14.7
Subtotal*	100	9.8	100	9.4	98	8.1	-17.6	-14.5
Weekly								
Paid-for	812	8.6	492	7.4	465	6.5	-24.3	-12.0
Free	731	31.5	821	39.5	630	28.0	-11.1	-29.1
Subtotal*	1,543	40.1	1,313	46.9	1,095	34.5	-13.9	-26.4
Total*	1,660	84.1	1,435	89.6	1,214	71.9	-14.6	-19.8

Source: MMC, based on data published in the *Advertising Statistics Yearbook, 1997*.

*Totals may not add up exactly due to rounding.
Note: See note to Table 4.1.

4.13. As we show in Table 4.3, during the period 1984 to 1996 the greatest decline (24 per cent) in the circulation of regional and local newspapers was for weekly paid-for newspapers; one reason for this was the conversion of many weekly paid-for into weekly free newspapers. Very occasionally, however, free newspapers have reverted back to being paid-for (for example, the *Denbighshire Free Press* series became a weekly paid-for again in October 1994 after some six years as a weekly free).

Advertising expenditure

4.14. Newspapers are an important advertising medium; nearly 30 per cent of all advertising expenditure in 1996 was on advertisements in newspapers (see Table 4.4, which gives a breakdown of UK advertising expenditure by medium, at constant 1990 prices, during each of the peak advertising years 1973, 1979 and 1989 together with the data for 1996). National newspapers accounted for almost 13 per cent of the total and regional and local newspapers for just over 17 per cent; aggregate advertising expenditure on regional and local newspapers exceeds that on national newspapers, and has done so throughout the period since 1970. The extent of the difference has varied over time, being proportionately largest between 1973 and 1979.

TABLE 4.4 **Total advertising expenditure* in the UK (at constant 1990 prices)**

	1973		*1979*		*1989*			*1996*		
	£m	*%#*	*£m*	*%#*	*£m*	*%#*	*%*	*£m*	*%#*	*%*
National newspapers	850	18.2	772	15.9	1,337	15.5	14.1	1,247	14.3	12.6
Regional and local newspapers	1,360	29.1	1,320	27.1	1,869	21.7	19.8	1,702	19.5	17.2
Total newspapers ~	2,210	47.3	2,092	43.0	3,206	37.1	33.9	2,949	33.7	29.8
Consumer magazines	398	8.5	443	9.1	587	6.8	6.2	481	5.5	4.9
Business magazines	404	8.6	521	10.7	917	10.6	9.7	841	9.6	8.5
Directories	90	1.9	138	2.8	481	5.6	5.1	572	6.5	5.8
Press production costsÐ	244	5.2	265	5.4	426	4.9	4.5	454	5.2	4.6
Total pressð	3,347	71.6	3,459	71.1	5,617	65.1	59.4	5,297	60.6	53.5
Television	1,116	23.9	1,048	21.5	2,504	29.0	26.5	2,753	31.5	27.8
Radio	11	0.2	116	2.4	174	2.0	1.8	284	3.2	2.9
Total television and radioð	1,127	24.1	1,164	23.9	2,678	31.0	28.3	3,037	34.7	30.7
Outdoor and transport	165	3.5	207	4.3	297	3.4	3.1	352	4.0	3.6
Cinema	37	0.8	38	0.8	38	0.4	0.4	60	0.7	0.6
Total (excluding direct mail)ð	4,675	100.0	4,868	100.0	8,630	100.0	91.2	8,746	100.0	88.3
Direct mailß	N/A	N/A	N/A	N/A	830	-	8.8	1,160	-	11.7
Total all advertisingð	N/A	N/A	N/A	N/A	9,460	-	100.0	9,906	-	100.0

Source: Advertising Statistics Yearbook, 1997.

*After deducting series and other discounts on published rate card rates. Includes agency commission.
#Percentage of total advertising expenditure excluding direct mail.
~ Excluding press production costs. Totals may not add up exactly due to rounding.
ÐThat is, production charges incurred in the preparation of advertisements, but not covered by advertising agency commission. These production costs are shown separately for the press but are included in the figures for the other media.
ðTotals may not add up exactly due to rounding.
ßAbout one-third of direct mail expenditure is accounted for by postage expenditure.
Note: See note to Table 4.1.

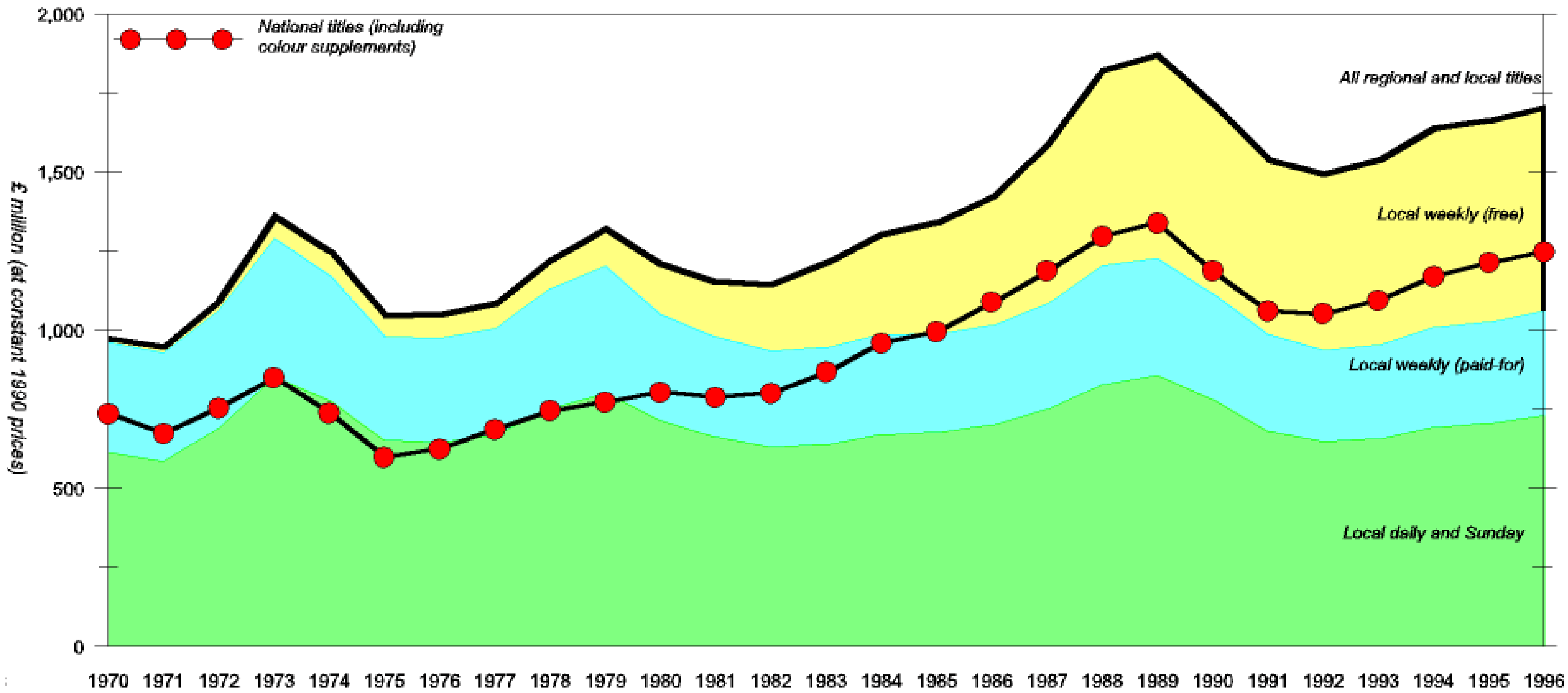
4.15. The principal changes in advertising expenditure over the last 20 years have been the increase in the relative importance of television (particularly during the early 1980s), the increased use of direct mail and directories, and the decline in the relative share of regional and local newspapers. The introduction of commercial radio in the 1970s is also noteworthy. There has been a decline in the share of consumer, business and professional magazines in aggregate, though there has been considerable variation between these sectors.

4.16. Advertising expenditure is particularly vulnerable to fluctuations in economic activity. But, while real advertising expenditure (at constant 1990 prices) on newspapers is very cyclical, it has tended to rise over the last 26 years (see Figure 4.2, where the term `local' encompasses regional and local newspapers). Advertising expenditure in paid-for regional and local daily newspapers has been broadly constant over time, with cyclical variations, despite the large drop in circulation. By 1996 advertising expenditure on national and regional and local paid-for newspapers remained below the 1989 peak, though advertising expenditure on free titles had recovered to its previous 1989 peak despite a drop of almost 30 per cent in the total number of copies distributed (see Table 4.3). The overall impact was that newspaper advertising expenditure (in real terms) rose to a peak in 1989 at £3.2 billion, declined by about 21 per cent (to £2.5 billion) by 1992, but then rose again by 16 per cent (to almost £3.0 billion) by 1996.

4.17. In most years over the period 1971 to 1989 advertising expenditure in regional and local newspapers rose in real terms, especially in the case of the free newspapers. Between 1989, the peak year in expenditure terms, and 1992 the real value of advertising expenditure fell by about 20 per cent; it has risen each year since (see Table 4.5). In 1996 total advertising expenditure in regional and local newspapers was just over £1.7 billion at 1990 prices (£2.1 billion in current prices). Of this, £728 million (43 per cent) was spent on advertising in daily and Sunday newspapers, £331 million (19 per cent) in weekly paid-for newspapers and £643 million (38 per cent) in weekly free newspapers.

FIGURE 4.2

Newspaper advertising expenditure, 1970 to 1996*



Source: MMC, based on data in the *Advertising Statistics Yearbook, 1997*.

*Excludes press production costs, but includes agency commission.

TABLE 4.5 **Annual advertising expenditure according to type of regional and local newspaper, 1986 to 1996 (at constant 1990 prices)**

	Daily and Sunday		*Weekly paid-for*		*Weekly free*		*Total*	
Year	*£m*	*% change on previous year*	*£m*	*% change on previous year*	*£m*	*% change on previous year*	*£m*	*% change on previous year*
1986	701	+3.7	313	0.0	405	+15.7	1,419	+6.0
1987	749	+6.8	334	+6.9	501	+23.9	1,585	+11.7
1988	827	+10.4	378	+13.2	616	+22.9	1,822	+14.9
1989	855	+3.4	371	-1.9	643	+4.3	1,869	+2.6
1990	781	-8.7	334	-10.0	601	-6.6	1,715	-8.2
1991	680	-12.9	307	-8.2	552	-8.1	1,538	-10.3
1992	648	-4.7	289	-5.7	556	+0.8	1,493	-2.9
1993	656	+1.2	295	+2.0	586	+5.5	1,537	+3.0
1994	693	+5.7	317	+7.5	627	+6.9	1,637	+6.5
1995	706	+1.9	319	+0.6	635	+1.4	1,661	+1.4
1996	728	+3.2	331	+3.7	643	+1.1	1,702	+2.5

Source: MMC, based on data published in the *Advertising Statistics Yearbook, 1997*.

Note: Totals may not add up exactly due to rounding. See also the note to Table 4.1.

Ranking of publishers of regional and local newspapers

4.18. A number of recent MMC reports on newspaper mergers have included a table showing the ranking of the top 20 publishers of regional and local newspapers in the UK, measured in terms of the total number of copies of newspapers they each sold or distributed on average every week. The picture presented by these tables has changed markedly over the years; many changes in ownership of regional and local newspapers have meant that some publishers have moved down or out of the list, and others have moved up or into the list for the first time.

4.19. The relative positions of individual publishers in the top 20 table also depends on which of their newspapers are classified as `national' and which as `regional or local' for this purpose. Most newspapers published in the UK are clearly either national (ie their editorial contents are national and international and they are sold extensively throughout the UK) or regional or local (ie their editorial contents may include national and international but are primarily regional and local, and they are sold or distributed entirely or mainly in well-defined areas or localities within the UK). Some national newspapers are published in regional editions, with copy changes to allow for items of regional interest (for example, local sport and entertainment and some advertising) which vary from region to region.

4.20. Four newspapers in particular, three of which are published in Scotland (the *Daily Record*, the *Sunday Mail* and the *Sunday Post*) and the other in London (the *Evening Standard*), each with at least twice the circulation of the next largest clearly regional or local daily newspaper published in the UK, have proved very difficult to classify. We considered the effects of two different presentations of the circulation/distribution data on the ranking of the top 20 publishers of regional and local newspapers: first, with the inclusion of the *Daily Record*, the *Sunday Mail* and the *Sunday Post* and the exclusion of the *Evening Standard* (which we refer to as Ranking 1); and second, with the exclusion of all four of these newspapers (which we refer to as Ranking 2) (see also paragraph 4.24).

Ranking 1

4.21. In Ranking 1, ie with the *Daily Record*, the *Sunday Mail* and the *Sunday Post* included as regional newspapers (but excluding the *Evening Standard*), the top 20 publishers of regional and local newspapers account for almost 90 per cent of the total market (as measured by the total weekly circulation of paid-for newspapers and distribution of free newspapers) (see Table 4.6). The top 20 account for about 96 per cent of sales of daily titles. Within the top 20, three leading publishers of regional and local newspapers have emerged in the UK over the last ten years or so; between them, they now account for about 33 per cent of the total market, and for about 39 per cent of daily newspaper sales (see Table 4.6). A further four publishers each have between 5 and 8 per cent of the total: between them, these four publishers account for about 26 per cent of the total market.

TABLE 4.6 **Top 20 publishers of regional and local newspapers in the UK, May 1997**

	All newspapers *Sales or distribution per week*		*Daily newspapers* *Circulation (x6)*		*Weekly paid-for newspapers* *Circulation*		*Weekly free newspapers* *Distribution*	
	'000	*%*	*'000*	*%*	*'000*	*%*	*'000*	*%*
Trinity	8,389	11.7	4,659	13.4	1,006	12.1	2,725	9.5
Northcliffe*	7,892	11.0	5,885	16.9	334	4.0	1,673	5.8
Newsquest	7,698	10.7	2,872	8.3	615	7.4	4,211	14.6
Mirror Group#	**5,876**	**8.2**	**4,773**	**13.7**	**841**	**10.1**	**261**	**0.9**
UPN	4,788	6.7	2,242	6.4	250	3.0	2,296	8.0
Johnston	4,385	6.1	835	2.4	1,025	12.3	2,526	8.8
MIN	**3,682**	**5.1**	**1,797**	**5.2**	**194**	**2.3**	**1,691**	**5.9**
Guardian Media	2,783	3.9	1,167	3.4	281	3.4	1,335	4.6
Eastern Counties Newspapers Group Ltd	2,350	3.3	959	2.8	199	2.4	1,192	4.1
MNA	2,345	3.3	1,732	5.0	42	0.5	571	2.0
Southern Newspapers plc	2,338	3.3	950	2.7	177	2.1	1,210	4.2
Portsmouth & Sunderland Newspapers plc	1,991	2.8	1,073	3.1	91	1.1	827	2.9
D C Thomson & Company Ltd ~	1,653	2.3	809	2.3	844	10.2	0	0.0
The Adscene Group plc	1,488	2.1	0	0.0	171	2.1	1,317	4.6
Caledonian Publishing plcÐ	1,424	2.0	1,424	4.1	0	0.0	0	0.0
The Scotsman Publications Ltd	1,357	1.9	976	2.8	104	1.2	277	1.0
Bristol United Press plc*	1,238	1.7	857	2.5	43	0.5	339	1.2
Southnews plc	1,099	1.5	0	0.0	173	2.1	927	3.2
Yattendon Investment Trust plc	804	1.1	368	1.1	86	1.0	351	1.2
Kent Messenger Limited	724	1.0	114	0.3	101	1.2	509	1.8
Subtotal: top 20 publishersð	64,304	89.5	33,491	96.3	6,576	79.3	24,237	84.3
Other publishers	7,538	10.5	1,294	3.7	1,720	20.7	4,524	15.7
Total: all publishersð	71,842	100.0	34,785	100.0	8,296	100.0	28,761	100.0
Mirror Group before the proposed acquisition	**5,876**	**8.2**	**4,773**	**13.7**	**841**	**10.1**	**261**	**0.9**
Mirror Group after the proposed acquisitionð	**9,557**	**13.3**	**6,570**	**18.9**	**1,035**	**12.5**	**1,952**	**6.8**

Source: MMC, based on data from Mirror Group and from The Newspaper Society's MIU, ABC and VFD data (average rates of circulation or distri-bu-tion, July to December 1996, adjusted for takeovers up to May 1997).

*Northcliffe is wholly owned by Daily Mail and General Trust plc (DMGT), as is Associated Newspapers, publisher of the London *Evening Standard*, the sales of which are excluded from this table. Bristol United Press plc (Bristol United) is an associate company of DMGT.

#Mirror Group's data include the *Daily Record* and the *Sunday Mail*.

~ The data for D C Thomson & Company Ltd (D C Thomson) include the *Sunday Post*.

ÐCaledonian Publishing is owned by Scottish Media, in which Mirror Group has a shareholding of 20 per cent (expected to be diluted to 18.7 per cent by November 1997).

ðTotals may not add up exactly due to rounding. All paid-for Sunday titles are included in the data shown in the `Weekly paid-for' column.

4.22. The seven largest publishers, which between them account for almost 60 per cent of the total market, are: Trinity with 11.7 per cent; Northcliffe with 11.0 per cent; Newsquest Media Group (Newsquest) with 10.7 per cent; Mirror Group with 8.2 per cent; United Provincial Newspapers Ltd (UPN) with 6.7 per cent; Johnston Press plc (Johnston) with 6.1 per cent; and MIN with 5.1 per cent. On the basis of these data, the effect of the proposed merger is that Mirror Group would become the leading regional and local newspaper publisher, with a market share of 13.3 per cent.

4.23. It should be noted that in compiling Table 4.6 the two DMGT subsidiaries or associated companies have been treated, based on past practice, as separate entities; if they were treated as one publisher, DMGT would currently have the single largest share at 12.7 per cent. If Associated Newspapers' *Evening Standard* was also included in the table and all three DMGT subsidiaries or associated companies were all treated as one, DMGT's current share would be 15.3 per cent (on the same basis, the combined market share of Mirror Group and MIN would be 12.9 per cent).

4.24. Mirror Group's fourth position in the ranking shown in Table 4.6 arises from the newspapers it publishes in Scotland and Northern Ireland; it publishes no regional or local newspapers in England or Wales. In Mirror Group's view, its Scottish daily and Sunday newspapers, the *Daily Record* and the *Sunday Mail*, should be regarded as `Scottish national' rather than `regional' titles. It gave several reasons for this: Scotland was increasingly seen as a separate country; journalists on the *Daily Record* and the *Sunday Mail* regarded themselves as being part of a national newspaper organization; the *Daily Record* was printed in Oldham and Watford as well as in Glasgow, and circulated throughout the UK (indeed, about 8 per cent of the *Daily Record*'s and 9 per cent of the *Sunday Mail*'s UK circulations were outside Scotland); and advertisers saw *The Mirror*/*Daily Record* as a package, the latter providing the main penetration into the Scottish market. Mirror Group regarded the *Daily Record* as essentially a national newspaper for Scottish people rather than a Scottish regional newspaper (see paragraph 5.20). Mirror Group's view was argued mainly by reference to the *Daily Record* rather than the *Sunday Mail*.

Ranking 2

4.25. In Ranking 2, ie excluding the *Daily Record*, the *Sunday Mail* and the *Sunday Post* as well as the London *Evening Standard*, the top 20 publishers of regional and local newspapers account for almost 89 per cent of the total market and for about 96 per cent of sales of daily titles (see Table 4.6A). Within the top 20, the three leading publishers of regional and local newspapers between them now account for about 36 per cent of the total market, including about 44 per cent of sales of daily titles. A further four publishers each have between 4 and 8 per cent of the total: between them, these four publishers account for about 24 per cent of the total market.

4.26. Compared with Ranking 1, the seven largest publishers, which between them account for almost 60 per cent of the total market, are the same except that Guardian Media has displaced Mirror Group (which has dropped from fourth to nineteenth place (see Table 4.6A)). On the basis of the data in Table 4.6A, the effect of the proposed transfer is that Mirror Group's position would move up from nineteenth to fifth, with a share of 6.7 per cent. It should be noted that in compiling Table 4.6A (as with Table 4.6) we have treated two DMGT subsidiaries or associated companies as separate entities; if they were treated as one, it would have the single largest share at 13.9 per cent. If Associated Newspapers' *Evening Standard* was also included in the table and all three DMGT subsidiaries or associated companies were all treated as one, DMGT's current share would be 16.6 per cent (on the same basis, the combined market share of Mirror Group and MIN would be 6.5 per cent).

4.27. The two leading publishers of regional and local newspapers, Trinity and Northcliffe, each publish a number of daily newspapers which between them account for almost 35 per cent (Ranking 2 basis) or just over 30 per cent (Ranking 1 basis) of all regional and local daily newspaper sales. Similarly, Trinity and Johnston each publish a number of weekly paid-for newspapers which between them account for almost 31 per cent of total sales of such newspapers, or a little over 24 per cent (Ranking 1 basis). All the leading publishers own free newspapers, often in conjunction with a paid-for title in the same locality; Newsquest, however, has placed most emphasis on weekly free newspapers, and it alone publishes about 15 per cent of all copies distributed.

TABLE 4.6A **The top 20 publishers of regional and local newspapers in the UK, May 1997**

	All newspapers		*Daily newspapers*		*Weekly paid-for newspapers*		*Weekly free newspapers*	
	Sales or distribution per week		*Circulation (x6)*		*Circulation*		*Distribution*	
	'000	*%*	*'000*	*%*	*'000*	*%*	*'000*	*%*
Trinity	8,389	12.7	4,659	15.3	1,006	15.2	2,725	9.5
Northcliffe*	7,892	12.0	5,885	19.3	334	5.1	1,673	5.8
Newsquest	7,698	11.7	2,872	9.4	615	9.3	4,211	14.6
UPN	4,788	7.3	2,242	7.4	250	3.8	2,296	8.0
Johnston	4,385	6.7	835	2.7	1,025	15.5	2,526	8.8
MIN	**3,682**	**5.6**	**1,797**	**5.9**	**194**	**2.9**	**1,691**	**5.9**
Guardian Media	2,783	4.2	1,167	3.8	281	4.3	1,335	4.6
Eastern Counties Newspapers Group Ltd	2,350	3.6	959	3.1	199	3.0	1,192	4.1
MNA	2,345	3.6	1,732	5.7	42	0.6	571	2.0
Southern Newspapers plc	2,338	3.5	950	3.1	177	2.7	1,210	4.2
Portsmouth & Sunderland Newspapers plc	1,991	3.0	1,073	3.5	91	1.4	827	2.9
The Adscene Group plc	1,488	2.3	0	0.0	171	2.6	1,317	4.6
Caledonian Publishing plc#	1,424	2.2	1,424	4.7	0	0.0	0	0.0
The Scotsman Publications Ltd	1,357	2.1	976	3.2	104	1.6	277	1.0
Bristol United*	1,238	1.9	857	2.8	43	0.6	339	1.2
Southnews plc	1,099	1.7	0	0.0	173	2.6	927	3.2
D C Thomson ~	809	1.2	809	2.7	0	0.0	0	0.0
Yattendon Investment Trust plc	804	1.2	368	1.2	86	1.3	351	1.2
Mirror GroupÐ	**733**	**1.1**	**472**	**1.5**	**0**	**0.0**	**261**	**0.9**
Kent Messenger Limited	724	1.1	114	0.4	101	1.5	509	1.8
Subtotal: top 20 publishersð	58,317	88.6	29,189	95.8	4,891	74.0	24,237	84.3
Other publishers	7,538	11.4	1,294	4.2	1,720	26.0	4,524	15.7
Total: all publishersð	65,855	100.0	30,483	100.0	6,610	100.0	28,761	100.0
Mirror Group before the proposed acquisition	**733**	**1.1**	**472**	**1.5**	**0**	**0.0**	**261**	**0.9**
Mirror Group after the proposed acquisitionð	**4,415**	**6.7**	**2,269**	**7.4**	**194**	**2.9**	**1,952**	**6.8**

Source: MMC, based on data from Mirror Group and from the Newspaper Society's MIU, ABC and VFD data (average rates of circulation or distri-bu-tion, July to December 1996, adjusted for takeovers up to May 1997).

*Northcliffe is wholly owned by DMGT, as is Associated Newspapers, publisher of the London *Evening Standard*, the sales of which are excluded from this table. Bristol United is an associate company of DMGT.

#Caledonian Publishing plc is owned by Scottish Media, in which Mirror Group has a shareholding of 20 per cent (expected to be diluted to 18.7 per cent by November 1997).

~ D C Thomson's data exclude the *Sunday Post*.

ÐMirror Group's data exclude the *Daily Record* and the *Sunday Mail*.

ðTotals may not add up exactly due to rounding. All paid-for Sunday titles are included in the data shown in the `Weekly paid-for' column.

4.28. Figure 4.3 shows the location and ownership of regional and local daily newspapers (where appropriate, morning and evening newspapers are shown separately, but Sunday newspapers are excluded). The relevant circulation areas of the largest three publishers, Trinity, Northcliffe and Newsquest, are also shown, together with the circulation area of MIN's three daily newspapers.

4.29. Taking all local, regional and national newspapers together, the proposed transfer would increase Mirror Group's overall share of the UK newspaper market from 15.8 to 17.9 per cent (see Table 4.7). Mirror Group would remain the second largest newspaper publisher, behind News International at 20.4 per cent. If DMGT's three newspaper publishing subsidiaries or associated companies were treated as one publisher, DMGT's share would be about 15.4 per cent. The competition facing Mirror Group's main national titles apparently remains fierce (see, for example, paragraph 3.16). Looking just at daily newspapers (excluding Sundays), the proposed transfer would increase Mirror Group's overall share of the UK daily newspaper market from 17.9 to 19.4 per cent. Mirror Group's existing share of the Sunday market is larger; the proposed transfer would increase its overall share of the UK Sunday newspaper market from 31.7 to 32.5 per cent.

TABLE 4.7 **Summary data for all national, regional and local newspapers published in the UK, July to December 1996**

Category	*Weekly circulation/ distribution*	*Percentage share* Mirror Group	*MIN*	*Mirror Group and MIN*
Daily*	116,556,224	17.9	1.5	19.4
Sunday#	17,700,856	31.7	0.8	32.5
Weekly	34,732,981	0.8	4.8	5.6
Total ~	168,990,061	15.8	2.1	17.9

Source: MMC, based on ABC/VFD circulation/distribution data.

*Weekly equivalent. Includes the London *Evening Standard*, Ulster *News Letter* (paid-for) and Belfast *News Letter* (free), but excludes the *Racing Post* and *The Sporting Life*.
#Includes the *Sunday Sport*.
~ Excludes all newspapers published less frequently than once a week.

4.30. Tables 4.6, 4.6A and 4.7 bring together newspapers of widely differing editorial and geographic coverage and frequencies of publication. It should be noted that they relate to figures of circulation and distribution only; these are the measures which are normally used in MMC reports on proposed newspaper mergers. Within the industry itself, particular attention is paid to circulation and distribution figures for individual titles, as well as the comparative performance of titles of similar types. Publishers' market shares and the order in which they appear in the rankings in Tables 4.6 to 4.7 may not necessarily coincide with market shares and the order derived from other rankings which might be used for this purpose; these include criteria such as readership, revenue, advertising sales or volume, or total newspapers printed (including copies returned unsold).

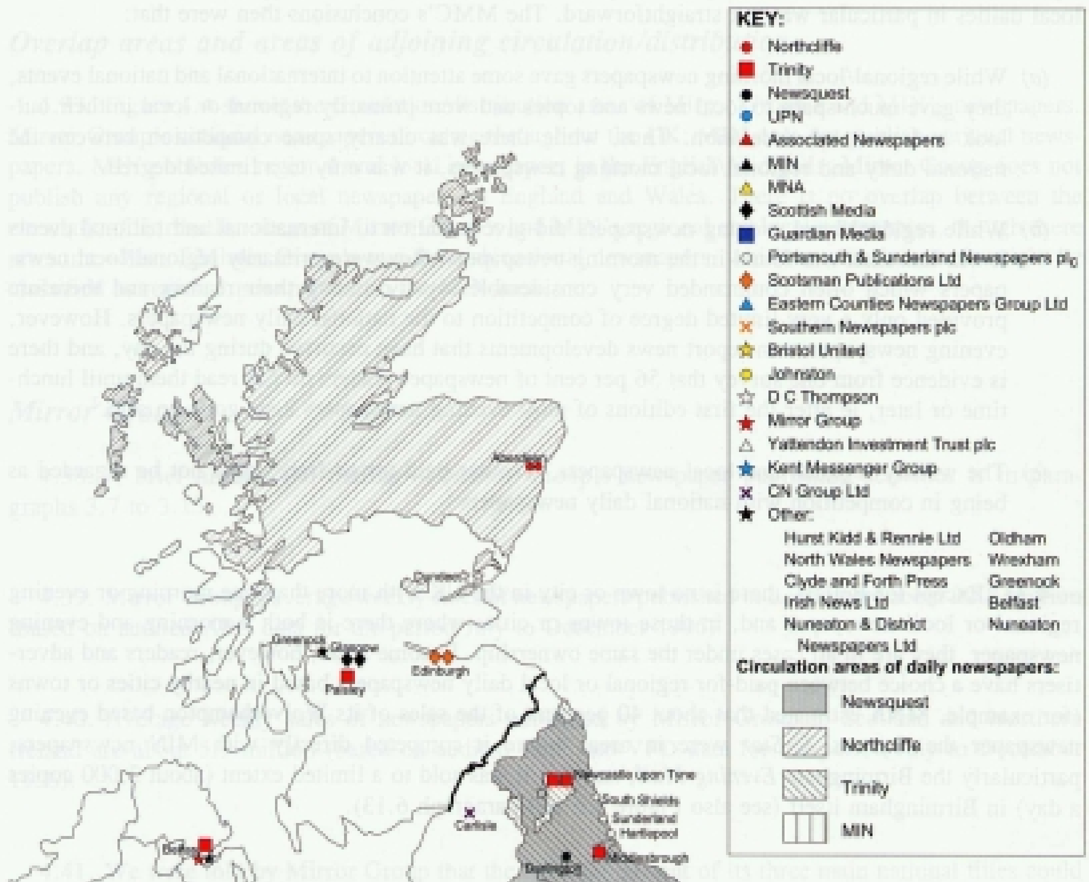
Effect of proposed transfer on competition

Competition between newspaper publishers

4.31. Newspaper publishers compete for readers and for advertising. The extent of competition for readers between national and local newspapers, between morning and evening newspapers, between daily and weekly newspapers and between weekly paid-for and free newspapers depends to a large degree on the editorial content of the newspapers, where editorial content is taken to be everything in the newspaper except advertisements. Usually, free newspapers have a much lower proportion of editorial content than paid-for newspapers. Advertisements are, however, read by many people as a source of information and interest and, to this extent, paid-for and free newspapers and advertising-only papers may compete directly for readers and advertisers. In assessing the effect of the proposed transfer in this case, we focused on competition between the national and regional/local newspapers as very few of Mirror Group's newspapers published outside London are sold in the MIN area. We also considered the effects of the proposed transfer of newspapers to Mirror Group on MIN's competitors.

FIGURE 4.3

Ownership of local and regional daily newspapers*



Source: MMC, based on information from The Newspaper Society's MIU.

*Morning and evening newspapers, but excluding Sunday newspapers. Excludes the *Daily Record* which, though published in Glasgow, is sold widely outside Scotland.

4.32. In their report on United and Fleet[1] the MMC considered the effects of bringing national and regional/local newspapers under common control. At that time, Fleet was the publisher of national newspapers such the *Daily Express*, the *Daily Star* and the *Sunday Express* as well as a number of regional and local newspapers (mostly weekly), whereas United was the publisher of a number of regional and local daily and weekly newspapers (including the *Yorkshire Post* and the *Yorkshire Evening Post*). In that report the MMC found that assessing the nature and extent of competition between national and regional/local dailies in particular was not straightforward. The MMC's conclusions then were that:

(a) While regional/local morning newspapers gave some attention to international and national events, they gave much space to local news and topics and were primarily regional or local in their outlook and areas of circulation. Thus, while there was clearly some competition between the national daily and regional/local morning newspapers, it was only to a limited degree.

(b) While regional/local evening newspapers did give attention to international and national events it was less than was found in the morning newspapers; they were primarily regional/local newspapers which often commanded very considerable loyalty among their readers and therefore provided only a very limited degree of competition to the national daily newspapers. However, evening newspapers can report news developments that have occurred during the day, and there is evidence from one survey that 56 per cent of newspaper readers do not read them until lunch-time or later, ie after the first editions of most evening newspapers have gone on sale.[2]

(c) The weekly regional and local newspapers, whether paid-for or free, could not be regarded as being in competition with national daily newspapers.

4.33. Except for Belfast, there is no town or city in the UK with more than one morning or evening regional or local newspaper and, in those towns or cities where there is both a morning and evening newspaper, they are in all cases under the same ownership. In some areas, however, readers and advertisers have a choice between paid-for regional or local daily newspapers based in nearby cities or towns (for example, MNA estimated that about 40 per cent of the sales of its Wolverhampton-based evening newspaper the *Express & Star* were in areas where it competed directly with MIN newspapers, particularly the Birmingham *Evening Mail*, and that it was sold to a limited extent (about 2,000 copies a day) in Birmingham itself (see also Figure 4.6 and paragraph 6.13).

4.34. In general terms, it appears that regional or local morning and Sunday newspapers may to some extent compete for readers with national newspapers. Evening newspapers may compete with weekly newspapers. Paid-for weekly newspapers may compete for readers with free weeklies, and free weeklies with each other (in some areas more than one free weekly is delivered). Although free newspapers are delivered unsolicited, a free title's readership as well as distribution is important to advertisers and hence to the title's revenue and profitability.

4.35. The extent of choice enjoyed by advertisers will depend on whether they wish to reach a purely local readership, a wider regional market or achieve national coverage. The IPA told us, in response to some questions we put to it, that advertisers' decisions about which newspaper(s) to use were determined by: *(a)* the cost per 1,000 circulation; *(b)* the target market; *(c)* the catchment area to be covered; and *(d)* the readership profile of the newspaper(s) (see paragraph 6.27). Advertising agencies kept a very close watch on the ABC circulation figures and the readership figures published by the National Readership Survey (NRS) for national newspapers and by JICREG for regional and local newspapers.

4.36. The IPA also said that advertising rates per 1,000 readers in regional and local newspapers were significantly higher (often by a factor of 3) than in national titles, but there was some evidence that advertising in regional and local newspapers produced a higher response (see paragraph 6.27). While the regional editions of national newspapers were sometimes used, for example for a big store launch or a special promotion, their usefulness for regional advertising generally was limited. The scope for cross-title packaging involving national and regional newspapers was therefore also limited.

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[1] See footnote to paragraph 2.31.

[2] See *Media Futures: Regional Press Report*, a special report written in 1993 by the Henley Centre for The Newspaper Society as part of its Media Futures project, page 7.

Overlap areas and areas of adjoining circulation/distribution

4.37. Figure 4.4 shows the circulation/distribution areas of Mirror Group's and MIN's newspapers. Mirror Group's national newspapers circulate throughout the UK; MIN does not publish national newspapers. MIN publishes regional and local newspapers in the English Midlands; Mirror Group does not publish any regional or local newspapers in England and Wales. There is no overlap between the circulation/distribution areas of Mirror Group's and MIN's regional and local newspapers, though there are some sales of Mirror Group's two Scottish national newspapers, which on certain criteria might be classified as regional newspapers, in the MIN area.

Mirror Group

4.38. A brief history and outline of Mirror Group's newspaper publishing activities is in paragraphs 3.7 to 3.13.

4.39. Mirror Group's average weekly sales of newspapers published in London are about 20.8 million (based on audited ABC data for the period July to December 1996).

4.40. Average weekly sales of newspapers published by Mirror Group in Scotland and Northern Ireland are about 5.9 million (based on audited ABC and VFD data for the period July to December 1996).

4.41. We were told by Mirror Group that the editorial content of its three main national titles could be varied across as many as 12 regional editions, each covering one or more ITV regions (see Figure 4.5). However, its current practice was to publish six regional editions of *The Mirror* (these six areas are outlined in red in Figure 4.5) and regional editions of the *Sunday Mirror* and *The People*. (Its `Midlands/Anglia' edition circulates in the Central and Anglia ITV areas. Most of MIN's newspapers are sold or distributed in the Central ITV area.) The various regional editions of each of its main national newspapers differed from one another in their television and radio listings (through a regional *TV Plus* supplement), sports reporting and display advertisements. Also, each Thursday *The Mirror* was sold with regional *Screen* and *Screen X"T"R"A* supplemental guides to cinema and theatre entertainment, etc (see also paragraph 5.27).

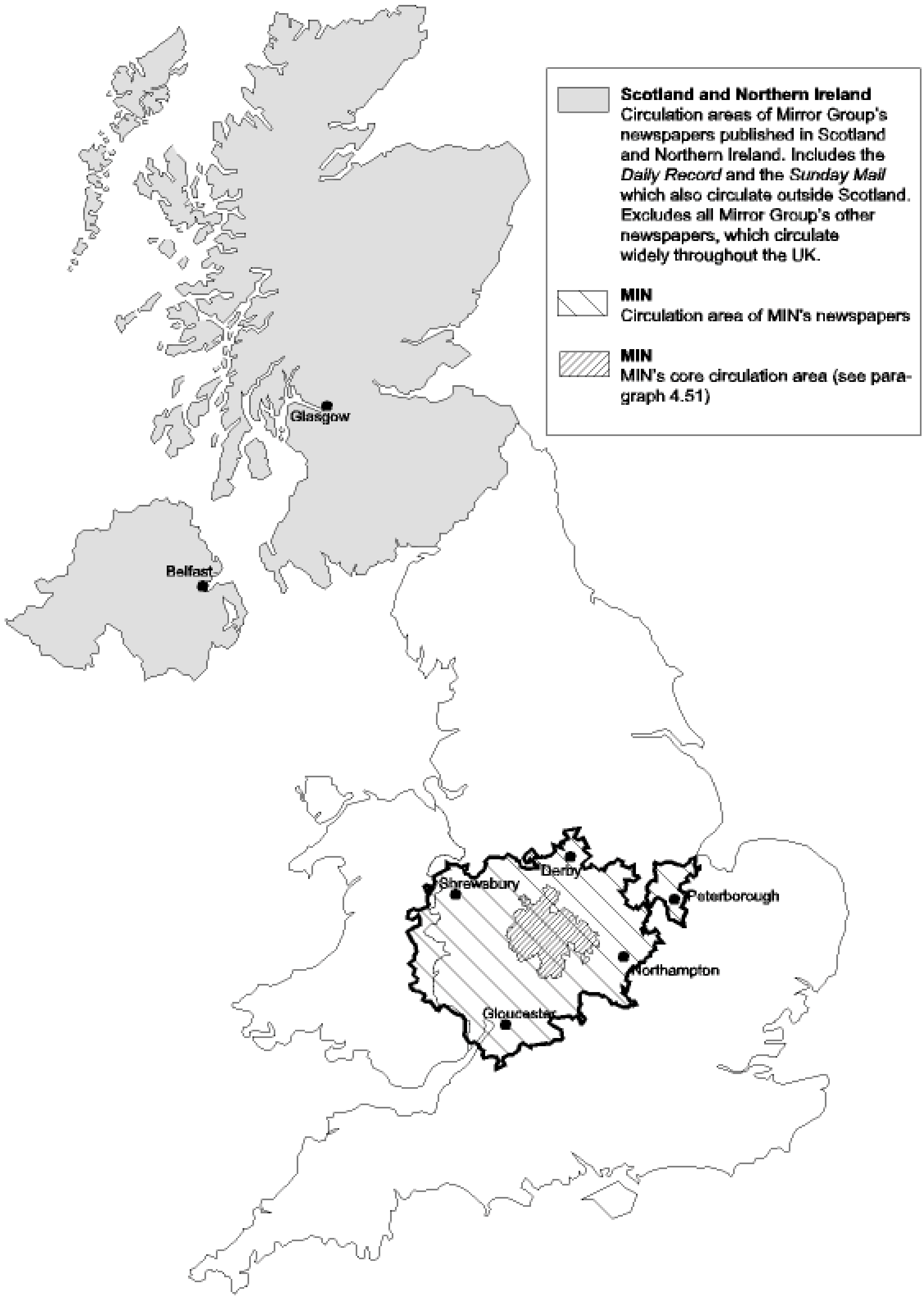
MIN

4.42. A brief history and outline of MIN's newspaper publishing activities is in paragraphs 3.21 to 3.25.

4.43. MIN's average weekly sales of daily and Sunday newspapers is almost 2.0 million and the circulation and distribution of its other newspapers is about 1.7 million, giving a total of about 3.7 million (based on audited ABC and VFD data for the period July to December 1996). As Ranking 1 (Table 4.6) and Ranking 2 (Table 4.6A) show, MIN is currently about the sixth or seventh largest publisher of regional and local newspapers in the UK.

FIGURE 4.4

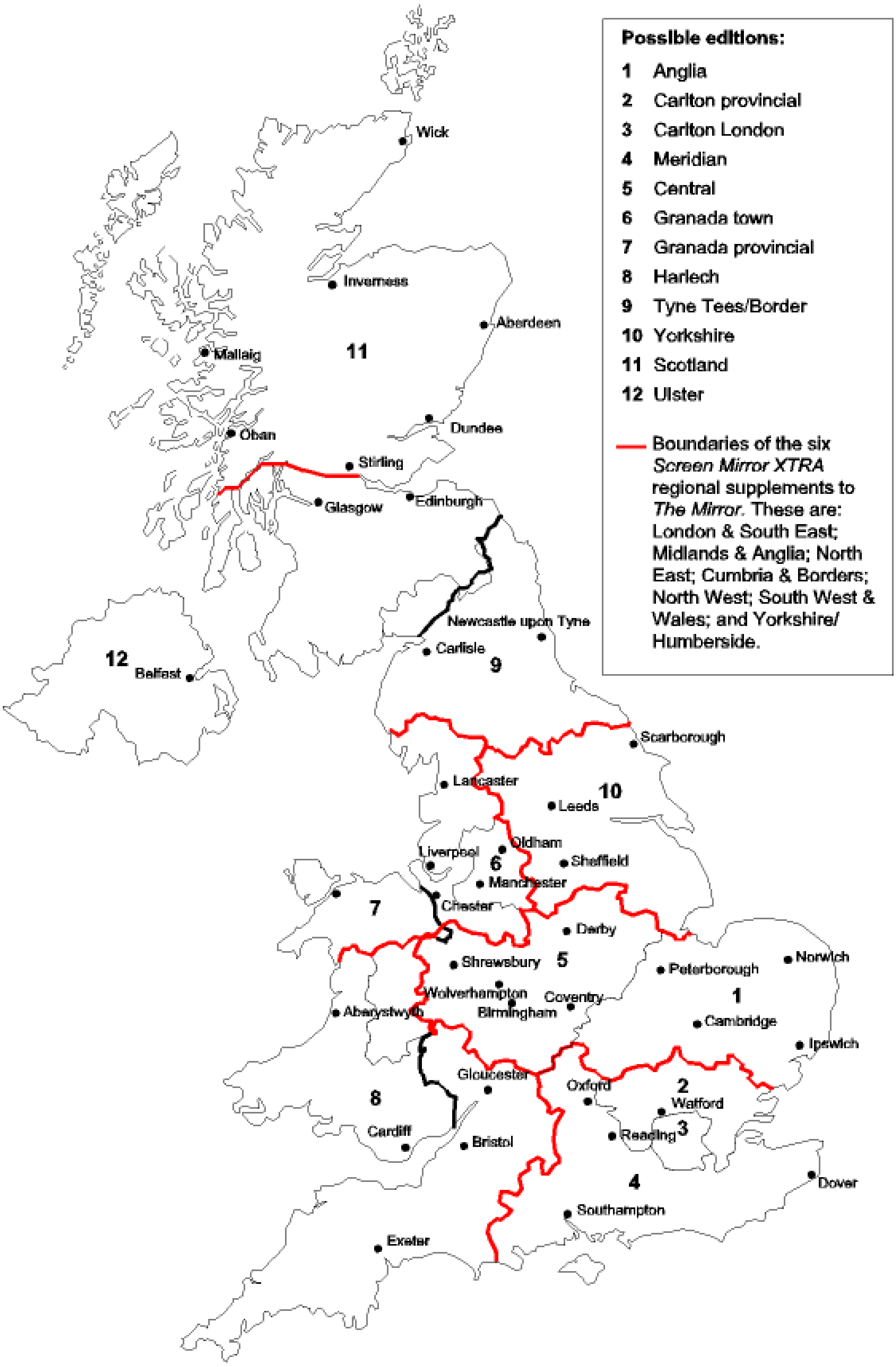
Circulation and distribution areas of Mirror Group and MIN newspapers



Source: MMC.

FIGURE 4.5

Circulation areas of regional editions of *The Mirror*



Source: MMC, based on maps provided by Mirror Group.

Effects of the proposed transfer on competition between newspapers in the MIN area

4.44. Given the complex national, regional and local structure of the newspaper market in the UK, the proposed transfer to Mirror Group of MIN's newspaper publishing activities will have different effects at different levels of the market. For example, while some advertisers want to reach a purely local readership, others may seek a wider regional or even national market. As already noted, Mirror Group's and MIN's circulation/distribution areas for their regional and local newspapers do not overlap. However, as Mirror Group's national newspapers are widely and readily available to readers and advertisers in MIN's circulation area, they are therefore, potentially at least, in competition with MIN's newspapers there.

4.45. All 30 publishers of the national, regional and local newspapers sold or distributed in the MIN area are listed in Table 4.8 opposite. MIN is the second largest and Mirror Group is the third largest publisher of newspapers sold in the MIN area after News International. Sales of Mirror Group's existing newspapers in the MIN area are estimated by The Newspaper Society to be about 2.5 million a week, which is 11.5 per cent of the estimated total. Sales and distribution of MIN's newspapers in the MIN area are about 3.7 million a week, which is 17.2 per cent of the estimated total. With a share of 20.4 per cent, News International is currently publisher of the largest number of newspapers sold or distributed in the MIN area, but when MIN's newspapers are added to those of Mirror Group their combined weekly sales, estimated to be about 6.2 million, would be 28.7 per cent of the total.

4.46. In terms of market shares, the impact of the proposed transfer is on sales of daily and Sunday newspapers (see Table 4.9). In the case of daily newspapers, MIN's share is just over 12 per cent and Mirror Group's is a little under 13 per cent, giving a combined share of almost 25 per cent (see Table 4.10); for Sunday newspapers, MIN's share is just over 7 per cent and Mirror Group's is almost 30 per cent, giving a combined share of 37 per cent (see Table 4.9).

TABLE 4.9 **Summary data for all national, regional and local newspapers sold or distributed in the MIN area, July to December 1996**

Category	*Estimated weekly circulation/ distribution*	*Percentage share* *Mirror Group*	*MIN*	*Mirror Group and MIN*
Daily*	14,775,696	12.6	12.2	24.8
Sunday#	2,043,580	29.9	7.1	37.0
Weekly	4,657,314	-	37.4	37.4
Total	21,476,590	11.5	17.2	28.7

Source: MMC, based on data from The Newspaper Society's MIU.

*Weekly equivalent. Excludes the *Racing Post* and *The Sporting Life*.
#Includes the *Sunday Mail* but excludes the *Sunday Sport* and the *Sunday Post*.

TABLE 4.10 **Summary data for all daily newspapers sold in the MIN area, July to December 1996**

Category	*Estimated weekly circulation**	*Percentage share* *Mirror Group*	*MIN*	*Mirror Group and MIN*
National#	9,043,812	20.7	-	20.7
Regional and local:				
Morning	224,154	-	69.9	69.9
Evening	5,507,730	-	29.8	29.8
Subtotal	5,731,884	-	31.4	31.4
Total	14,775,696	12.6	12.2	24.8

Source: MMC, based on data from The Newspaper Society's MIU.

*Weekly equivalent. Excludes the *Racing Post* and *The Sporting Life*.
#Includes the *Daily Record*.

TABLE 4.8 **Publishers of all national, regional and local newspapers sold or distributed in the MIN area, August 1997**

	All newspapers		*Daily newspapers*		*Weekly paid-for newspapers*		*Weekly free newspapers*	
	Sales or distribution per week		*Circulation (x6)*		*Circulation*		*Distribution*	
	'000	*%*	*'000*	*%*	*'000*	*%*	*'000*	*%*
News International	4,388	20.4	3,644	24.7	744	30.0	0	0.0
MIN	**3,682**	**17.2**	**1,797**	**12.2**	**194**	**7.8**	**1,691**	**40.0**
Mirror Group	**2,478**	**11.5**	**1,868**	**12.6**	**610**	**24.6**	**0**	**0.0**
MNA	2,217	10.3	1,612	10.9	36	1.5	569	13.5
Associated Newspapers*	1,585	7.4	1,336	9.0	248	10.0	0	0.0
Northcliffe*	1,808	8.4	1,408	9.5	0	0.0	401	9.5
United News	1,232	5.7	1,100	7.4	132	5.3	0	0.0
Johnston	1,081	5.0	524	3.5	165	6.7	392	9.3
Telegraph Group	913	4.2	800	5.4	112	4.5	0	0.0
Newsquest	571	2.7	152	1.0	64	2.6	355	8.4
The Adscene Group plc	438	2.0	0	0.0	30	1.2	409	9.7
Guardian Media	250	1.2	202	1.4	48	1.9	0	0.0
Yattendon Investment Trust plc	202	0.9	116	0.8	27	1.1	59	1.4
Standard Observer Newspapers Ltd	157	0.7	0	0.0	0	0.0	157	3.7
Bailey Newspaper Group Ltd	149	0.7	0	0.0	40	1.6	109	2.6
Financial Times Ltd	93	0.4	93	0.6	0	0.0	0	0.0
Bristol United*	72	0.3	70	0.5	0	0.0	1	…
George Boyden & Son Ltd	64	0.3	0	0.0	14	0.6	50	1.2
Nuneaton & District Newspapers Ltd	53	0.2	53	0.4	0	0.0	0	0.0
Tindle Newspapers Ltd	29	0.1	0	0.0	1	…	29	0.7
The Ross Gazette Ltd	6	…	0	0.0	6	0.2	0	0.0
Powys Newspapers Ltd	2	…	0	0.0	2	0.1	0	0.0
Trinity	1	…	1	…	…	…	0	0.0
North Wales Newspapers Ltd	1	…	0	0.0	1	…	0	0.0
Home Counties Newspapers (Holdings) plc	1	…	0	0.0	1	…	0	0.0
Local Sunday Newspapers Ltd	1	…	0	0.0	0	0.0	1	…
Eastern Counties Newspapers Group Ltd	1	…	0	0.0	1	…	0	0.0
Cheadle & Tean Times Ltd	1	…	0	0.0	1	…	0	0.0
Total#	21,477	100.0	14,777	100.0	2,477	100.0	4,224	100.0
of which: national	10,938	50.9	9,044	61.2	1,895	76.5	0	0.0
regional and local	10,538	49.1	5,732	38.8	582	23.5	4,224	100.0
Mirror Group before the proposed acquisition	**2,478**	**11.5**	**1,868**	**12.6**	**610**	**24.6**	**0**	**0.0**
Mirror Group after the proposed acquisition ~	**6,160**	**28.7**	**3,659**	**24.8**	**804**	**32.5**	**1,691**	**40.0**

Source: MMC, based on published ABC circulation data and data from The Newspaper Society's MIU (average volumes, July to December 1996, adjusted for takeovers up to 16 August 1997).

*Both Associated Newspapers and Northcliffe are wholly owned by DMGT. Bristol United is an associate company of DMGT.

#Totals may not add up exactly due to rounding. Mirror Group data include the *Daily Record* and the *Sunday Mail*. The table excludes the *Daily Sport* and the *Sunday Sport*. All paid-for Sunday titles are included in the data shown in the `Weekly paid-for' column. Two other publishers (Journal Publishing Company and Trident Midlands Newspapers Ltd) also distribute between them five weekly free newspapers in the MIN area, but the distribution figures for these titles are not audited.

~ Totals may not add up exactly due to rounding.

4.47. Estimated circulation data for national newspapers in the MIN area are shown in Table 4.11. The largest-selling national daily tabloid-format newspaper in the MIN area is *The Sun* (about 44 per cent of national daily tabloid-format sales), followed by *The Mirror* (about 23 per cent); the largest-selling national daily broadsheet newspapers are *The Daily Telegraph* (about 47 per cent of broadsheet sales) and *The Times* (about 26 per cent), followed by *The Guardian* (about 12 per cent) and *The Independent* (about 11 per cent). The largest-selling national Sunday newspaper in the MIN area is the *News of the World* (about 39 per cent of national Sunday tabloid-format sales), followed by the *Sunday Mirror* (about 20 per cent) and *The People* (about 17 per cent). The largest-selling national Sunday broadsheet newspaper is *The Sunday Times* (about 42 per cent of Sunday broadsheet sales), followed by *The Sunday Telegraph* (about 34 per cent), *The Observer* (about 14 per cent) and the *Independent on Sunday* (about 10 per cent).

TABLE 4.11 **Estimated average sales per issue of national newspapers in the MIN area, July 1996 to June 1997**

	*Estimated circulation**	*Percentage shares* *Tabloid format*	*Broadsheet format*
Daily newspapers			
The Sun	533,062	43.7	-
The Mirror	280,181#	23.0	-
Daily Mail	222,723	18.3	-
The Daily Telegraph	133,345	-	46.5
The Express	115,430	9.5	-
The Times	74,268	-	25.9
Daily Star	67,934	5.6	-
The Guardian	33,733	-	11.8
The Independent	30,163	-	10.5
Financial Times	15,537	-	5.4
		100.0	100.0
Sunday newspapers			
News of the World	604,090	38.9	-
Sunday Mirror	309,117 ~	19.9	-
The People	260,359	16.8	-
The Mail on Sunday	248,207	16.0	-
The Sunday Times	139,773	-	41.7
The Express on Sunday	131,904	8.5	-
The Sunday Telegraph	112,443	-	33.6
The Observer	47,892	-	14.3
Independent on Sunday	34,779	-	10.4
		100.0	100.0

Source: MMC, based on data from The Newspaper Society's MIU.

*Estimated circulation data are based on NRS data for the year July 1996 to June 1997.
#Excludes estimated sales of 926 for the *Daily Record*.
~ Excludes estimated sales of 5,986 for the *Sunday Mail*.

4.48. All 23 publishers of the regional and local newspapers sold or distributed in the MIN area are listed in Table 4.12. Excluding the publishers of national newspapers highlights the relative importance of MIN newspapers in the MIN area; MIN's sales and distribution data show it to account for about 35 per cent of all regional and local newspapers in its area (see Table 4.12). Three (MNA, Northcliffe and Johnston) of the other top 20 publishers of regional and local newspapers listed in Table 4.6 are also large publishers in the MIN area; between them, these three other large publishers account for about 49 per cent of all regional and local newspapers in the MIN area, and the top six (including MIN) account for about 93 per cent of all regional and local newspapers sold or distributed in the MIN area.

4.49. In addition to MIN, there are six other publishers of daily newspapers in and around Birmingham and Coventry: Northcliffe (in Derby, Nottingham and Leicester), Newsquest (in Worcester and Oxford), MNA (in Wolverhampton and Telford), Johnston (in Northampton and Peterborough), Yattendon Investment Trust plc (in Burton-upon-Trent) and Nuneaton & District Newspapers Limited (in Nuneaton). These seven publishers' circulation areas, based on 10 per cent or more penetration rates for their regional or local daily newspapers which overlap or are contiguous with the circulation areas of MIN's daily newspapers, are shown in Figure 4.6.

4.50. The MIN area shown in Figure 4.4 indicates the widest extent of the circulation or distribution of all of MIN's daily and weekly newspapers; it is in this broadly defined area, with a total population of about 6.2 million, that MIN's overall share is about 35 per cent of all regional and local newspapers

TABLE 4.12 **Publishers of regional and local newspapers sold or distributed in the MIN area, August 1997**

	All newspapers		*Daily newspapers*		*Weekly paid-for newspapers*		*Weekly free newspapers*	
	Sales or distribution per week		*Circulation (x6)*		*Circulation*		*Distribution*	
	'000	*%*	*'000*	*%*	*'000*	*%*	*'000*	*%*
MIN	**3,682**	**34.9**	**1,797**	**31.4**	**194**	**33.3**	**1,691**	**40.0**
MNA	2,217	21.0	1,612	28.1	36	6.2	569	13.5
Northcliffe*	1,808	17.2	1,408	24.6	0	0.0	401	9.5
Johnston	1,081	10.3	524	9.1	165	28.4	392	9.3
Newsquest	571	5.4	152	2.6	64	11.0	355	8.4
The Adscene Group plc	438	4.2	0	0.0	30	5.1	409	9.7
Yattendon Investment Trust plc	202	1.9	116	2.0	27	4.6	59	1.4
Standard Observer Newspapers Ltd	157	1.5	0	0.0	0	0.0	157	3.7
Bailey Newspaper Group Ltd	149	1.4	0	0.0	40	6.9	109	2.6
Bristol United*	72	0.7	70	1.2	0	0.0	1	…
George Boyden & Son Ltd	64	0.6	0	0.0	14	2.3	50	1.2
Nuneaton & District Newspapers Ltd	53	0.5	53	0.9	0	0.0	0	0.0
Tindle Newspapers Ltd	29	0.3	0	0.0	1	0.1	29	0.7
The Ross Gazette Ltd	6	0.1	0	0.0	6	1.0	0	0.0
Powys Newspapers Ltd	2	…	0	0.0	2	0.4	0	0.0
Trinity	1	…	1	…	…	…	0	0.0
North Wales Newspapers Ltd	1	…	0	0.0	1	0.2	0	0.0
Home Counties Newspapers (Holdings) plc	1	…	0	0.0	1	0.2	0	0.0
Local Sunday Newspapers Ltd	1	…	0	0.0	0	0.0	1	…
Eastern Counties Newspapers Group Ltd	1	…	0	0.0	1	0.1	0	0.0
Cheadle & Tean Times Ltd	1	…	0	0.0	1	0.1	0	0.0
Total#	10,538	100.0	5,732	100.0	582	100.0	4,224	100.0

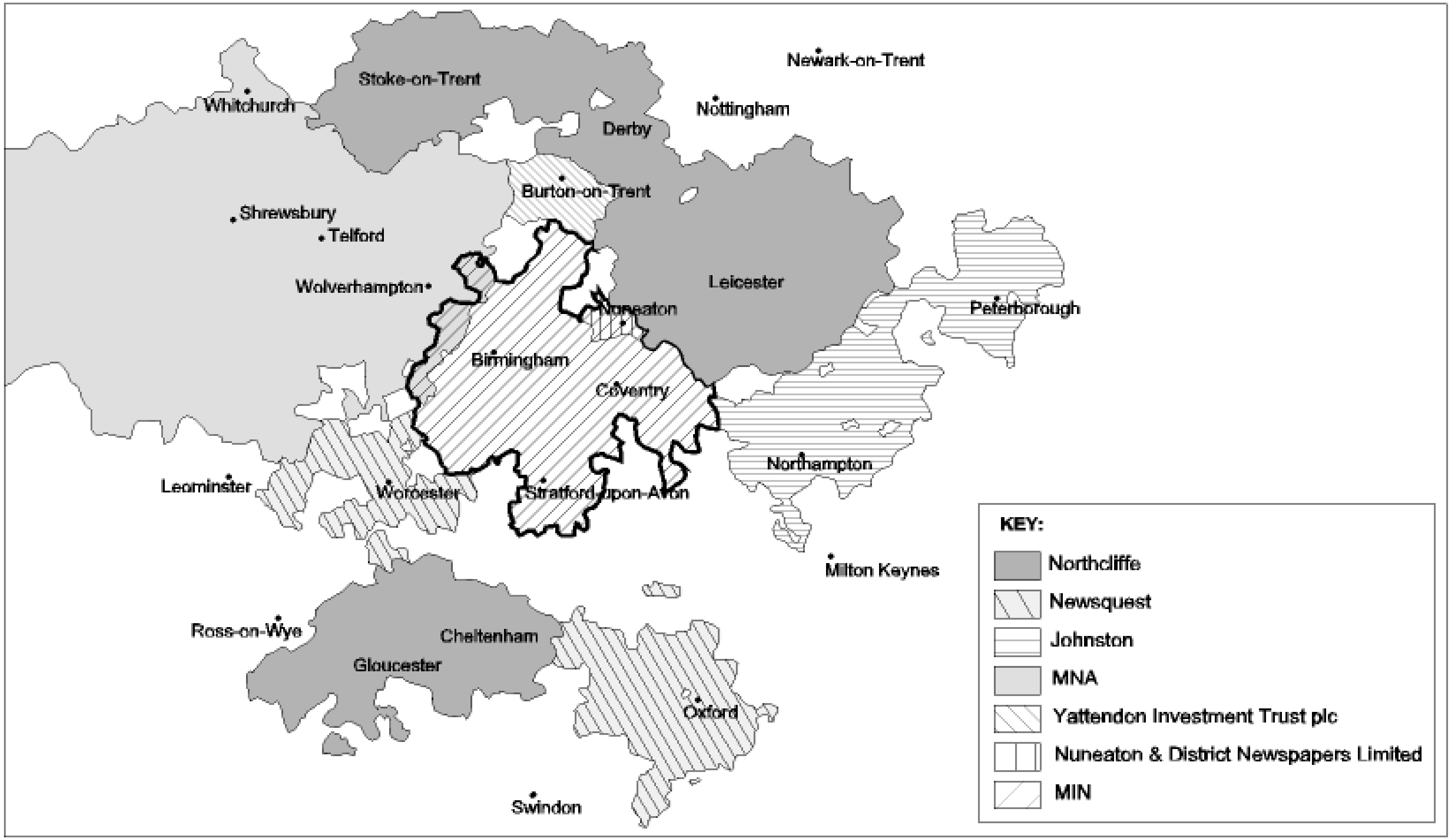
Source: MMC, based on data from The Newspaper Society's MIU (average volumes, July to December 1996 (adjusted for takeovers up to 16 August 1997).

*Northcliffe is wholly owned by DMGT. Bristol United is an associate company of DMGT.

#Totals may not add up exactly due to rounding. All paid-for Sunday titles are included in the data shown in the `Weekly paid-for' column. Two other publishers (Journal Publishing Company and Trident Midlands Newspapers Ltd) also distribute between them five weekly free newspapers in the MIN area, but the distribution figures for these titles are not audited.

FIGURE 4.6

Publishers of regional and local daily newspapers circulating in and around the circulation areas of MIN's three daily newspapers: 10 per cent penetration areas



Source: MMC, based on maps provided by The Newspaper Society's MIU.

(see Table 4.12). In what might be considered MIN's core circulation areas (see paragraph 4.51), the cities of Birmingham (which is, apart from London, the largest and one of the most densely-populated cities in the UK, with a population of 1.0 million) and Coventry (0.3 million) and their immediately surrounding areas, MIN's market share is higher.

4.51. To assess how much higher, we looked particularly at all those districts in which MIN's three daily newspapers are estimated to have a household penetration rate of 10 per cent or more (see paragraph 4.5). We found that, whereas in the total circulation areas of MIN's three daily newspapers, its market share of regional and local daily newspapers is about 53 per cent, in MIN's core circulation areas (ie those areas where the penetration of MIN's three daily newspapers is 10 per cent or more), its share of the daily sales is about 85 per cent. As Table 4.13 shows, taking into account the sales of national as well as regional and local daily newspapers, MIN's share of newspaper sales in its core circulation area is a little over one-third. With the share of Mirror Group at about 13 per cent, the two publishers' combined share of sales of all daily newspapers in MIN's core circulation area would be about 48 per cent (the equivalent figure for the whole of the circulation area of MIN's three daily newspapers would be about 35 per cent).

TABLE 4.13 **Shares of estimated sales of all daily newspapers in MIN's core circulation areas,* July to December 1996**

per cent

Publisher	*Regional and local*	*National*	*Total#*
MIN	84.5	-	34.5
Mirror Group	-	22.0	13.2
Others	15.5	78.0	52.3
Total	100.0	100.0	100.0

Source: MMC, based on data from MIN and from The Newspaper Society's MIU.

*That is, those areas where the penetration rate of MIN's three daily newspapers is 10 per cent or more.

#MIN estimated, on the basis of readership data, that national newspapers accounted for just over 60 per cent of sales of all national, regional and local daily newspapers in its *Evening Mail*'s core circulation area; for the purposes of compiling this table we have assumed that the same percentage rate applies throughout MIN's core circulation area.

Readership

4.52. Mirror Group and MIN provided us with readership profiles for their newspapers (a selection of these is given in Table 4.14). As can be seen, *The Mirror*, a morning popular newspaper published in tabloid format, serves a different readership from MIN's only morning daily, *The Birmingham Post*, published in broadsheet format. Only 33 per cent of *The Mirror*'s readers are in the ABC1 socio-economic groups (SEGs), compared with 70 per cent for *The Birmingham Post* and 82 per cent for *The Independent*. While the age distribution of *The Mirror*'s and *The Birmingham Post*'s readers are similar, about 64 per cent of *The Mirror*'s readers and about 60 per cent of *The Birmingham Post*'s readers are aged 15 to 54, *The Independent*'s readers tend to be younger (about 40 per cent are aged 15 to 34 and 81 per cent are aged 15 to 54). *The Independent* has a greater proportion of male readers than does *The Birmingham Post* (60 per cent compared with 53 per cent).

4.53. *The Mirror*'s readership profile is, however, very similar to that of MIN's two daily evening newspapers. For example, 33 per cent of *The Mirror*'s readers are in the ABC1 SEGs compared with 34 per cent for the *Evening Mail* and 35 per cent for the *Coventry Evening Telegraph*; 64 per cent of *The Mirror*'s readers are aged 15 to 54 compared with 62 per cent for the *Evening Mail* and 63 per cent for the *Coventry Evening Telegraph*. *Sunday Mercury* readers tend to be older than do the readers of the *Sunday Mirror* and *The People* (50 per cent of the *Sunday Mercury* readers are 55 or over compared with 31 per cent of *Sunday Mirror* and *The People* readers). A greater proportion of *Sunday Mercury* readers are female (57 per cent) than are readers of the *Sunday Mirror* and *The People* (47 per cent)-see also paragraphs 5.25, 5.26 and 5.69 to 5.71.

TABLE 4.14 **Readership profiles of a selection of Mirror Group's and MIN's newspapers, June 1997**

Category of reader	*The Mirror*			*Sunday Mirror*			*The Independent*			*The Birmingham Post*			*Evening Mail*			*Coventry Evening Telegraph*			*Sunday Mercury*		
	Readers '000	*Profile %*	*Reach %*	*Readers '000*	*Profile %*	*Reach %*	*Readers '000*	*Profile %*	*Reach %*	*Readers '000*	*Profile %*	*Reach %*	*Readers '000*	*Profile %*	*Reach %*	*Readers '000*	*Profile %*	*Reach %*	*Readers '000*	*Profile %*	*Reach %*
All adult readers*	6,320	100	14	7,171	100	16	841	100	2	72	100	2	475	100	20	194	100	30	414	100	8
Of which:																					
Male	3,488	55	16	3,809	53	17	503	60	2	38	53	2	242	51	21	97	50	31	178	43	7
Female	2,832	45	12	3,362	47	14	338	40	2	34	47	2	233	49	20	97	50	29	236	57	9
Age range																					
15 to 24	925	15	13	1,239	17	18	130	15	2	21	29	2	146	31	18	66	34	31	95	23	6
25 to 34	1,055	17	12	1,342	19	15	210	25	3												
35 to 44	989	16	13	1,195	17	15	181	22	2	23	31	2	146	31	19	55	29	26	112	27	7
45 to 54	1,041	16	14	1,175	16	16	161	19	2												
55 to 64	918	14	16	938	13	17	91	11	1	28	39	3	183	39	24	73	38	33	207	50	12
65 and over	1,392	22	15	1,283	18	14	68	8	1												
SEG																					
AB	607	10	6	703	10	7	441	52	5	51	70	3	160	34	15	69	35	23	166	40	7
C1	1,470	23	11	1,809	25	14	256	30	2												
C2	1,926	30	19	2,114	29	20	64	8	1	21	29	1	315	66	24	125	64	37	248	60	9
D	1,559	25	20	1,739	24	22	52	6	1												
E	757	12	14	806	11	15	28	3	1												

Source: MMC, based on NRS and JICREG information from Mirror Group and MIN.

*Aged 15 or over. The data for Mirror Group's newspapers exclude Northern Ireland.

Note: `Reach' is the same as penetration, ie the percentage of households in the relevant category and geographic area which buy the newspaper.

Advertising

4.54. As well as the regional editions of national newspapers, regional and local newspapers face competition from advertisement-only magazines such as the paid-for *Auto Trader* and *Bargain Pages* (published twice-weekly with an estimated average circulation of about 70,000 in the West Midlands and Black Country), specialist property publications and more general publications which usually carry advertising free (such as *LOOT*). Advertisers also have the option of using local commercial radio stations; in the MIN area these include Capital Radio PLC's *BRMB FM* (with an audience of up to about 632,000 a week) and *1152Xtra AM* (about 221,000 a week), Chrysalis Radio Ltd's *Heart FM* (about 504,000 a week), GWR Group PLC's *Mercia FM* and *Classic Gold 1359 AM* (about 232,000 a week) and *Choice FM Birmingham* (about 143,000 a week). For region-wide advertising, the market is also served by commercial television; Carlton Television's terrestrial television company Central Broadcasting claims a total audience of 9.1 million. Mirror Group has a 90 per cent interest in Live TV, a national 24-hour cable television channel distributing news, information and entertainment. A local Live TV station operates in Birmingham (they also operate in Edinburgh, Liverpool, Manchester and Westminster and one is to open soon in Glasgow). (These local Live TV stations provide local news, sport, weather and traffic news as well as local features.) Exceptionally, Birmingham Live TV is a 50:50 joint venture between Mirror Group and MIN (see paragraphs 3.3 and 3.23); it claims a total audience of 225,000. Directories such as *Yellow Pages* and *Thomson's Local Directories* are widely distributed in the MIN area and are used by advertisers placing longer-term, informative advertisements.

4.55. Two types of organization deal with newspapers in relation to the provision of advertising in them: the advertising agencies, which produce copy and purchase advertising space on behalf of clients wishing to advertise; and the advertising sales agents which seek to sell advertising space for client newspapers. The former will seek to obtain the best deal for their advertising clients, whereas the latter will compete to obtain business for their publishing clients from both advertising agents and business clients. A large proportion of classified advertisements are, however, placed by individuals in direct contact with the newspapers.

4.56. Advertising packages, in the sense of placing a given advertisement in several of the titles of a particular publisher, are used when the advertiser or agency concerned takes the view that this will enable it to reach its advertiser's target audience more effectively. In practice, most advertising in local newspapers tends to be purely local in scope, and it is unusual for particular advertisements to be targeted at more than one or two localities. Advertisers wishing to advertise locally would usually have little interest in region-wide advertising packages. A summary of Mirror Group's approach to regional advertising is in paragraphs 5.31 to 5.39, and MIN's approach to advertising is summarized in paragraphs 5.73 to 5.76.

4.57. The cost of advertising space is usually expressed in terms of single column centimetre (SCC) rates. The basic rate is published as a `rate card', but actual yields per SCC reflect volume and other discounts negotiated with advertisers as well as premium rates for special positions. Table 4.15 sets out published rates for the Midlands area editions of Mirror Group's main newspapers, and Table 4.16 sets out published rates for a sample of the newspapers published by MIN. While advertising rates are higher for Mirror Group's newspapers listed in Table 4.15 than for the MIN newspapers listed in Table 4.16, when expressed in per 1,000 readers terms the reverse is true.

TABLE 4.15 **Advertising rates for a selection of Mirror Group's newspapers sold in the MIN area, published rate card basis, 1997**

Newspaper	*Mono display (run of paper) £ per SCC**	*Classified display £ per SCC**	*Classified lineage £ per line*	*Per 1,000 readers* Mono display (run of paper) Pence per SCC*	*Classified display Pence per SCC**	*Classified lineage Pence per line*
The Mirror	106.00	103.00	22.00	1.72	1.67	0.36
Sunday Mirror	117.00	112.00	24.00#	1.68	1.61	0.24#
The People	89.00	110.00		1.73	1.94	
The Independent	32.00	25.00	5.20	3.81	2.98	0.62
Independent on Sunday	35.00	25.00	5.20	3.80	2.72	0.57

Source: MMC, based on information from Mirror Group.

*Minimum of 3 SCC.
#Joint rates.

TABLE 4.16 **Advertising rates for a selection of MIN's newspapers, published rate card basis, 1997**

Newspaper	*Mono display (run of paper) £ per SCC**	*Classified display £ per SCC**	*Classified lineage £ per line*	*Per 1,000 readers* Mono display (run of paper) Pence per SCC*	*Classified display Pence per SCC**	*Classified lineage Pence per line*
The Birmingham Post	8.85	10.30	1.90	12.2	14.3	2.6
Evening Mail	25.25	28.25	4.95	5.3	5.9	1.0
Sunday Mercury	12.75	13.35	2.00	3.1	3.2	0.5
Coventry Evening Telegraph	11.40	11.40	2.83	5.9	5.9	1.5
Metronews (weekly free)	24.96	25.58	4.18	8.6	8.8	1.4
Coventry Citizen (weekly free)	6.30	5.10	1.75	3.1	3.1	1.1

Source: MMC, based on information from MIN.

*Minimum of 3 SCC.

Barriers to entry

4.58. In assessing the possible effects on competition of this proposed transfer to Mirror Group, we considered how easy it is for new newspapers to enter the market either locally or regionally. Such entry might be, for example, by an existing newspaper publisher wishing to extend its market into a new geographic area, or by a new publisher entering the market for the first time. The threat of new entry is a continuing competitive restraint on the commercial activities of existing newspaper publishers in an area.

4.59. In the case of free newspapers, market entry can be comparatively cheap using desk-top publishing and contract printing. Successful launches suggest that a strongly targeted local weekly free newspaper can gain reader and advertiser acceptability quickly. On the face of it, the initial capital requirements for setting up such a new newspaper are small, all the more so as `desk-top publishing' hardware and software becomes more readily available and less expensive. Many publishing activities can be contracted out, notably the printing and physical distribution of the newspapers. In very broad terms, the rapid growth of free newspapers during the 1980s indicates that, at least when advertising expenditure is buoyant, successful new entry can be relatively easy, although during the last 12 or so years the total number of regional and local titles has declined, and the number of new newspapers has been more than offset by the number of newspapers that have closed.

4.60. Entry into the paid-for newspaper market is more difficult. For example, during an earlier inquiry[1] we were told by one newspaper publisher that it took about 12 months for a newly-launched paid-for title to gain credibility with readers, and a further 12 months for it to become an accepted regional or local title by advertisers. As we noted in that

[1]*Trinity International Holdings plc and Thomson Regional Newspapers Limited: a report on the proposed transfer to Trinity International Holdings plc of certain newspapers of Thomson Regional Newspapers Limited*, HMSO, Cm 3033, November 1995.

earlier report, the chances of survival are not good and it is easier to buy existing titles which are already credible and accepted by readers. Both credibility and acceptability are important because without them advertisers, the major or only source of revenue for regional and local newspapers, are reluctant to buy advertising space. The need to establish the credibility and acceptability of a new title over time applies just as much to the new publisher as it does to existing publishers wishing to start a new title.

4.61. In summary, while it seems clear that it is now relatively easy to enter the market with a new free newspaper or advertising-only magazine, the situation with respect to paid-for titles is different. New entry into paid-for newspaper publishing is most likely to be through the acquisition of existing titles (with their reputation and goodwill already earning income) from other publishers.