

**Portsmouth & Sunderland Newspapers plc  
and  
Johnston Press PLC/Newsquest (Investments) Limited/  
News Communications and Media plc**

A report on the proposed transfers of the newspapers of Portsmouth & Sunderland Newspapers plc to Johnston Press PLC, Newsquest (Investments) Limited and News Communications and Media plc



COMPETITION COMMISSION

**Portsmouth & Sunderland  
Newspapers plc  
and  
Johnston Press PLC/Newsquest  
(Investments) Limited/News  
Communications and Media plc**

A report on the proposed transfers of the newspapers of Portsmouth & Sunderland Newspapers plc to Johnston Press PLC, Newsquest (Investments) Limited and News Communications and Media plc

**Presented to Parliament by the Secretary of State for  
Trade and Industry by Command of Her Majesty  
June 1999**



## Members of the Competition Commission as at 12 May 1999

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Mrs D P B Kingsmill (*Deputy Chairman*)  
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Miss P A Boys (*Secretary*)

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<sup>1</sup>These members formed the Group which was responsible for this report under the chairmanship of Mr P G Corbett, together with Mr R Kernohan, whom the Secretary of State appointed from the Newspaper Merger Panel.

## **Note by the Department of Trade and Industry**

In accordance with section 83(3) and (3A) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest, or which he considers would not be in the public interest to disclose and which, in his opinion, would seriously and prejudicially affect certain interests.

**The omissions are indicated by a note in the text or, where space does not permit, by the symbol ✂.**

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Part I

# **Summary and Conclusions**

# 1 Introduction and Summary

## Introduction

1.1. The Monopolies and Mergers Commission (MMC) was asked to investigate and report on whether any of the proposed transfers of the newspaper titles and related assets of Portsmouth & Sunderland Newspapers plc (PSN), set out in the terms of reference (see Appendix 1.1), to Johnston Press PLC (Johnston), Newsquest (Investments) Limited, a subsidiary of Newsquest plc (Newsquest), and News Communications and Media plc (Newscom) may be expected to operate against the public interest.

1.2. Section 45 of the Competition Act 1998, which came into force on 1 April 1999, dissolved the MMC and transferred its functions to the Competition Commission. Thus, although the investigation was begun by the MMC, it was completed by the Competition Commission. For convenience, in this report we use the term 'the Commission' to refer to the Competition Commission or the MMC as the context requires.

## Summary

1.3. PSN publishes 35 local newspapers in the South and the North-East of England. PSN told us that none of the bidders had expressed an interest in its retailing division, which operates a chain of approximately 220 convenience stores. On 30 April 1999, PSN announced that it had conditionally agreed to sell this business to another retail group. Johnston publishes 155 newspapers in Scotland and England, Newsquest publishes 179 newspapers in England and Newscom publishes 107 newspapers in England and Wales.

1.4. On 22 January 1999 Johnston acquired 14.99 per cent of PSN's issued share capital and announced its intention to tender for up to a further 10 per cent. The PSN board advised shareholders not to accept the tender offer but made it clear that they would examine any bid that they considered reflected the true value of the company. On 1 February Johnston announced that the tender offer had failed and was therefore void. On 13 April 1999 Johnston announced that it had acquired further shares in PSN, taking its holding to 17.35 per cent. Following Johnston's announcement on 22 January, both Newsquest and Newscom approached PSN. All three companies have sought the Secretary of State's consent to acquire the PSN newspapers and related assets.

1.5. In considering whether any of the transfers may be expected to operate against the public interest we are required to take into account the need for accurate presentation of news and free expression of opinion. In so doing, we have considered the independence that the bidders give to the editors of individual newspapers.

1.6. We believe the commercial logic of regional and local newspaper publishing dictates that editors should be free to edit their newspapers in a manner that attracts and retains local readers. Therefore, an attempt by a publisher to dictate or standardize the editorial content of individual titles, or to impose a uniform style and approach, would risk a loss of readership,

leading to reduced advertising revenues and, in the case of paid-for titles, loss of circulation revenue. We received no evidence to suggest lack of accuracy in the reporting of news by the bidders. Nor did we receive evidence that led us to doubt their commitment to editorial freedom. In particular, there was no suggestion that they had introduced, or were likely to introduce, standardized editorial products.

1.7. We conclude, therefore, that the proposed transfers may be expected not to operate against the public interest in terms of the accurate presentation of news and free expression of opinion.

1.8. If any of the bidders were to acquire PSN, its share of total circulation and distribution of regional and local newspapers would increase by just under 3 per cent. We regard this increase as minor. We note that the successful bidder's share of total circulation and distribution would be well short of the 25 per cent that is an important criterion in the general merger and monopoly provisions of the Fair Trading Act 1973. We believe that the increase in concentration of ownership at national level would neither adversely affect powerful national advertisers, nor would it affect cover prices, given the importance of retaining readers in order to maximize revenues.

1.9. We conclude, therefore, that the proposed transfers may be expected not to operate against the public interest at national level.

1.10. None of the transfers would involve the overlap of regional newspapers. Given the essentially local nature of the advertising and the importance of retaining local readers, we do not believe that the transfers would give rise to regional concerns that are additional to or distinct from those raised by concentration at local level. We conclude, therefore, that the proposed transfers may be expected not to operate against the public interest at regional level.

1.11. At the local level, we examined areas of overlap where at least one newspaper of a bidder and PSN have household penetration rates of 10 per cent or more. We also considered in relation to each title whether the overlap areas are part of that newspaper's core, ie the area in which the bulk of the copies are circulated or distributed and in which the interests of the local inhabitants may be expected to influence editorial policy, advertising rates and, in the case of paid-for titles, cover prices.

1.12. Johnston and PSN overlap in several areas within West Sussex. Newsquest and PSN overlap in one area within West Sussex and another in the North-East of England. Newscom and PSN overlap in two adjacent areas within south Hampshire. The proposed transfers would, to differing degrees, enhance the positions of the bidders in the areas of overlap. However, most overlap areas are not part of the core areas of the newspapers concerned and have little influence, if any, on editorial policy, advertising rates and cover prices. Where an overlap area is part of a core area, the successful bidder might be better placed to raise advertising rates and, in the case of paid-for titles, cover prices. But given the competition the bidder would continue to face, primarily from other advertising publications but increasingly from other media, we regard such an outcome as unlikely. If Newsquest were to acquire PSN, it would become the only publisher of regional and local daily newspapers in one part of the North-East of England. However, there is presently only limited overlap between Newsquest's daily morning title and the two PSN daily evening titles. Moreover, they differ in terms of editorial content and advertising base.

1.13. We conclude, therefore, that the proposed transfers may be expected not to operate against the public interest at the local level.

1.14. If any of the bidders were to acquire PSN, efficiencies would be achieved as a result of removing PSN head office functions; enhanced purchasing of newsprint and other materials; and savings through better use of printing resources. While there would be consequential job losses, primarily at PSN's head office, we conclude that the proposed transfers may be expected not to operate against the public interest on the grounds of efficiency and employment.

1.15. We conclude, therefore, that the proposed transfers may be expected not to operate against the public interest in terms of the accurate presentation of news and free expression of opinion, or concentration of ownership at national, regional and local level, or efficiency and employment.