

# 4 Newspaper markets and the effects of the transfers

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## Introduction

4.1. In this chapter we first describe briefly the press in the UK as a whole, including circulation and distribution trends and advertising expenditure. We then look at the effect of the transfers on competition.

4.2. The Act defines a 'newspaper' as 'a daily, Sunday or local (other than daily or Sunday) newspaper circulating wholly or mainly in the UK or in a part of the UK'. It is the view of the Department of Trade and Industry (DTI) that the Act applies to a newspaper in the ordinary and natural meaning of the word, whether or not the publication is paid-for or free; publications consisting wholly or almost wholly of advertising are not considered by the DTI to be newspapers.<sup>1</sup> 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 and, in the case of paid-for titles, in their cover prices.

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<sup>1</sup>See *Guidance on DTI Procedures for handling Newspaper Mergers*, DTI, February 1997.

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. As with some national newspapers, material from local newspapers, both editorial and advertising, is becoming increasingly available on the Internet.

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 that are delivered to the home, for which 'distribution' data are used (the terms 'bulk distribution' or 'bulk drop' are used where a free newspaper is distributed to a number of locations where it can be picked up by its target readers). The circulation figures for daily newspapers can be shown either based on the number sold each day or by their average five- or six-day weekly sales. The combined circulation/distribution data for daily and weekly newspapers in particular areas are 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. Separate figures may be available for Internet page impressions, but these are accounted for separately from industry circulation/distribution data.

4.5. 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 overall circulation or distribution area of the series. A slip edition, sometimes known as a changed page edition, is a distinct and separate edition of a main title involving a change in the 'masthead' (that is, the caption indicating the title's name and area covered), and/or some alterations to content. Changes to the masthead could simply indicate the particular geographical area served beneath a common masthead or, alternatively, a different masthead indicating that it is an edition of the main title. Changes to editorial content can vary from minor reorganization of the front page with alternative headlines, to more substantial changes involving a number of pages produced specifically for the area covered by that slip edition. A number of titles, including many of those that incorporate the term 'Shopper', 'Advertiser', 'Property Guide' or 'Home Finder', may be advertising publications (that is, they consist wholly or almost wholly of advertisements and have very limited or no editorial content). While such titles are probably not newspapers within the meaning of the Act (see paragraph 4.2), the distribution data for some of them may be referred to in this chapter (and elsewhere in this report), both for statistical purposes and because in their specialist fields they compete with newspapers for advertisers and for reader interest.

4.6. 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).

## **The press in the UK**

4.7. Data collected and monitored by the Audit Bureau of Circulations Ltd (ABC) and The Newspaper Society's Market Intelligence Unit (MIU) show that about 1,200 newspapers were in publication in the UK at 1 January 1999 (this number excludes titles published less frequently than weekly). These consisted of 14 national daily newspapers, 14 national Sunday newspapers, 89 Scottish, regional and local daily newspapers, 13 Scottish, regional and local Sunday newspapers, 465 regional and local paid-for and about 600 free weekly newspapers.

4.8. The ownership of most national newspapers in the UK is concentrated in the hands of a small number of large publishing groups. None of PSN, Johnston, Newsquest or Newscom owns national newspapers. There are about 125 publishers of regional and local newspapers, though the largest ten of these account for about 72 per cent of copies sold or distributed.

4.9. A number of previous Commission reports 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.

4.10. However, the relative positions of individual publishers in the top 20 table also depends on which newspapers are classified as 'national' and which as 'regional or local' for this purpose. Most newspapers published in the UK are clearly either national (that is, their editorial contents are national and international and they are sold extensively throughout the UK) or regional or local (that is, their editorial contents may include national and international material but are primarily regional and local, and they are sold or distributed entirely or mainly in well-defined areas or localities within the UK). 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 different presentations of the data on the ranking of the top 20 publishers of regional and local newspapers; given that none of the publishers involved in this inquiry publishes the four newspapers mentioned in the previous sentence, we exclude all four.

4.11. On this basis, after allowing for changes in ownership up to the beginning of January 1999, no one publisher has more than 13 per cent of the total UK circulation/distribution (see Table 4.1). PSN's share is currently about 2.7 per cent; it is the twelfth largest publisher of local and regional newspapers in the UK.

- (a) Johnston, the fifth largest publisher of local and regional newspapers in the UK, has a share of about 6.5 per cent. A transfer of the PSN titles to Johnston would make it the fourth largest publisher of local and regional newspapers in the UK.
- (b) Newsquest, currently the third largest publisher of local and regional newspapers in the UK, has a share of about 11.9 per cent. A transfer of the PSN titles to Newsquest would make it the largest publisher of local and regional newspapers in the UK.
- (c) Newscom, the ninth largest publisher of local and regional newspapers in the UK, has a share of about 4.2 per cent. A transfer of the PSN titles to Newscom would make it the fourth largest publisher of local and regional newspapers in the UK.

TABLE 4.1 Top 20 publishers of local and regional newspapers in the UK as at January 1999

Rank	Group name	Weekly circulation/ distribution	
		m	%
1	Trinity plc	8.4	12.8
2	Northcliffe Newspapers Group Ltd*	8.2	12.6
3	<b>Newsquest</b>	<b>7.8</b>	<b>11.9</b>
4	Mirror Group (Regional) Newspapers†	4.3	6.6
5	<b>Johnston</b>	<b>4.2</b>	<b>6.5</b>
6	Regional Independent Media	3.4	5.2
7	Guardian Media Group plc	2.8	4.4
8	Eastern Counties Newspapers Group	2.8	4.2
9	<b>Newscom</b>	<b>2.7</b>	<b>4.2</b>
10	Southnews plc	2.6	3.9
11	Midland News Association Ltd	2.3	3.5
12	<b>PSN</b>	<b>1.8</b>	<b>2.7</b>
13	Scotsman Publications Ltd	1.4	2.1
14	Bristol United Press plc	1.4	2.1
15	Adscene Group plc	1.4	2.1
16	Scottish Media Ltd	1.3	2.0
17	Yattendon Investment Trust plc	0.9	1.3
18	Independent Newspapers (UK) Ltd	0.9	1.3
19	D C Thomson & Co Ltd‡	0.8	1.2
20	Kent Messenger Group	0.8	1.2
	Subtotal: top 20 publishers§	60.0	91.9
	Subtotal: other publishers	5.3	8.1
	Total: all regional press publishers§	65.3	100.0

Source: The Commission, based on the Newspaper Society's MIU, ABC, and Verified Free Distribution (VFD) data (average rates of circulation or distribution, January to June 1998, adjusted for takeovers up to January 1999).

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

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

‡D C Thomson & Co Ltd's data exclude the *Sunday Post*.

§Totals may not add up exactly because of rounding.

Note: The data generally exclude advertising titles (see paragraph 4.5), and it should be noted that *Advertising Statistics Yearbook* treatment of these newspapers in its classification system differs from that used in Table 4.1

4.12. 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 1997 is estimated to have amounted to £5.3 billion (see Table 4.2). About 50 per cent (£2,639 million) of the total was accounted for by regional and local newspapers' revenues, with about 9 per cent (£464 million) being the revenues from sales of paid-for regional and local newspapers, 26 per cent (£1,371 million) being the advertising revenues of paid-for regional and local newspapers and about 15 per cent (£804 million) being the advertising revenues of weekly free newspapers.

TABLE 4.2 Newspaper publishers' total net revenue\* in the UK by type of newspaper, 1997

	Newspaper sales		Advertising revenue		Total revenue	
	£m	%	£m	%	£m	%
<i>National</i>						
Daily	921	53.6	923	24.6	1,844	34.8
Sunday	<u>334</u>	<u>19.4</u>	<u>481</u>	<u>12.8</u>	<u>815</u>	<u>15.4</u>
Subtotal	1,255	73.0	1,403	37.3	2,658	50.2
<i>Regional and local</i>						
Daily and Sunday	391	22.7	946	25.2	1,337	25.2
Weekly paid-for	73	4.2	425	11.3	498	9.4
Weekly free	-	-	<u>804</u>	<u>21.4</u>	<u>804</u>	<u>15.2</u>
Subtotal	464	27.0	2,175	57.9	2,639	49.8
Total: all newspapers†	1,719	100.0	3,578	100.0	5,297	100.0

Source: The Commission, based on data published in the *Advertising Statistics Yearbook, 1998*.

\*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 because of rounding.

Note: 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*.

4.13. About two-thirds of net newspaper revenue (defined as 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 third (see Table 4.3). The significance of advertising revenues is much greater for regional and local newspapers, at around 82 per cent of total revenue, than it is for national newspapers, at around 53 per cent.

TABLE 4.3 Sources of newspaper publishers' net revenue\* in the UK for each type of newspaper, 1997

	Percentage of total net revenue				Total net revenue	
	Sales of newspapers %	Display %†	Classified %†	Subtotal %	%	£m
<i>National</i>						
Daily	49.9	37.9	12.2	50.1	100.0	1,844
Sunday	41.0	44.3	14.7	59.0	100.0	<u>815</u>
Subtotal	47.2	39.8	12.9	52.8	100.0	2,658
<i>Regional and local</i>						
Daily and Sunday	29.2	24.4	46.4	70.8	100.0	1,337
Weekly paid-for	14.7	23.8	61.5	85.3	100.0	498
Weekly free	-	42.3	57.7	100.0	100.0	<u>804</u>
Subtotal	17.6	29.7	52.7	82.4	100.0	2,639
All newspapers‡	32.5	35.7	31.9	67.5	100.0	5,297

Source: The Commission, based on data published in the *Advertising Statistics Yearbook, 1998*.

\*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 because of rounding.

Note: See note to Table 4.2.

4.14. Among the regional and local newspapers, all the revenue of weekly free newspapers comes from the sale of advertising space compared with about 71 per cent for daily and Sunday newspapers and 85 per cent for weekly paid-for newspapers. Table 4.3 also shows that display advertising accounts for a much greater proportion of total revenue than classified advertising in national newspapers (the proportions being around 40 per cent and 13 per cent respectively). In regional and local newspapers the balance is reversed, with classified advertising accounting for about 46 per cent of the total revenue of daily and Sunday newspapers, 58 per cent for weekly free newspapers and about 62 per cent for weekly paid-for newspapers.

## Circulation/distribution trends

4.15. Trends in national and local newspaper circulation/distribution over the period 1970 to 1997 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.

4.16. 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 19 per cent by 1997 compared with the 1989 figure, and by about 44 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 26 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 48 per cent. The decline in the circulation of weekly paid-for newspapers over the same period was even greater, at about 50 per cent.

4.17. By contrast, the distribution of 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 4.4 shows, over the period 1989 to 1997 the distribution of weekly free newspapers has declined by almost 30 per cent. By 1997 the circulation/distribution of regional and local newspapers had fallen back to 1970s levels.

TABLE 4.4 Trends in the number and circulation/distribution (per issue) of newspapers in the UK, 1984 to 1997

	1984		1989		1997		Change 1984 to 1997 %	Change 1989 to 1997 %
	No of titles	m copies	No of titles	m copies	No of titles	m copies		
<b>National</b>								
Weekday	9	16.0	12	15.4	11	13.7	-13.9	-10.9
Sunday	<u>8</u>	<u>18.3</u>	<u>10</u>	<u>17.9</u>	<u>10</u>	<u>15.1</u>	-17.5	-15.7
Subtotal*	17	34.2	22	33.3	21	28.8	-15.9	-13.5
<b>Regional and local</b>								
<i>Daily and Sunday</i>								
Morning	18	1.3	17	1.2	17	1.1	-14.8	-11.8
Evening	75	5.8	73	5.5	72	4.3	-24.9	-20.7
Sunday	<u>7</u>	<u>2.8</u>	<u>10</u>	<u>2.7</u>	<u>9</u>	<u>2.3</u>	-17.8	-17.6
Subtotal*	100	9.8	100	9.4	98	7.7	-21.6	-18.7
<i>Weekly</i>								
Paid-for	812	8.6	492	7.4	465	6.0	-29.9	-8.5
Free	<u>731</u>	<u>31.5</u>	<u>821</u>	<u>39.5</u>	<u>630</u>	<u>27.8</u>	-11.7	-29.6
Subtotal*	1,543	40.1	1,313	46.9	1,095	33.8	-15.6	-27.9
Total*	1,660	84.1	1,435	89.6	1,214	70.3	-16.4	-21.6

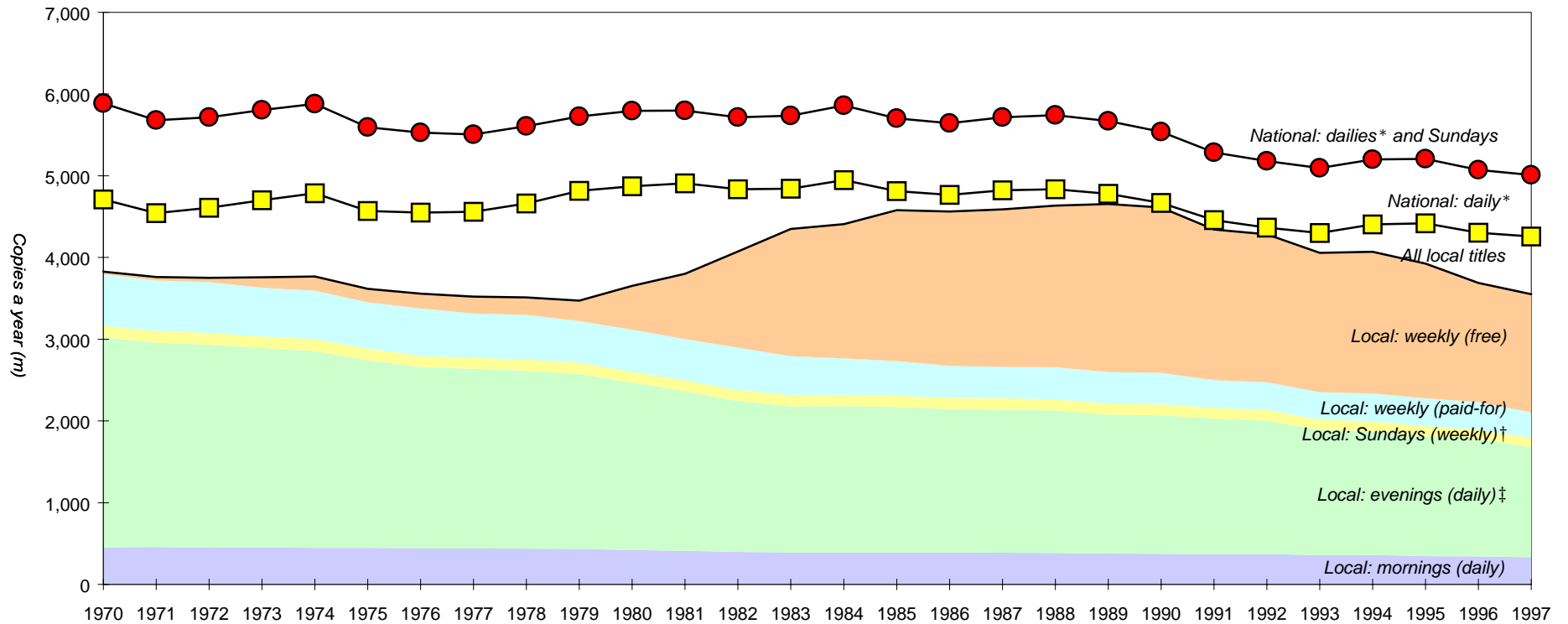
Source: The Commission, based on data published in the *Advertising Statistics Yearbook, 1998*.

\*Totals may not add up exactly because of rounding.  
Note: See note to Table 4.2.

4.18. As Table 4.4 shows, during the period 1984 to 1997 the greatest decline (30 per cent) in the circulation/distribution 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 to being paid-for.

FIGURE 4.1

**Annual circulation or distribution of national and local newspapers, 1970 to 1997**



Source: The Commission, based on data in the 1997 and 1998 editions of the *Advertising Statistics Yearbook*.

\*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).

Note: *Advertising Statistics Yearbook* aggregates used in Figure 4.1 differ in treatment of certain newspapers as compared with coverage of Table 4.1.

## Advertising expenditure

4.19. Newspapers are an important advertising medium; nearly 30 per cent of all advertising expenditure in 1997 was on advertisements in newspapers (see Table 4.5, 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 1997). In 1997 national newspapers accounted for 12.6 per cent of the total and regional and local newspapers for 17.0 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 4.5 Total advertising expenditure\* in the UK (at constant 1990 prices)

	1973		1979		1989			1997		
	£m	%†	£m	%†	£m	%†	%	£m	%†	%
National newspapers	850	18.2	772	15.9	1,337	15.5	14.1	1,322	14.2	12.6
Regional & local newspapers	1,360	29.1	1,320	27.1	1,869	21.7	19.8	1,792	19.3	17.0
Total newspapers‡	2,210	47.3	2,092	43.0	3,206	37.1	33.9	3,114	33.5	29.6
Consumer magazines	398	8.5	443	9.1	587	6.8	6.2	528	5.7	5.0
Business magazines	404	8.6	521	10.7	917	10.6	9.7	885	9.5	8.4
Directories	90	1.9	138	2.8	481	5.6	5.1	590	6.4	5.6
Press production costs§	244	5.2	265	5.4	426	4.9	4.5	462	5.0	4.4
Total press	3,347	71.6	3,459	71.1	5,617	65.1	59.4	5,579	60.1	53.0
Television	1,116	23.9	1,048	21.5	2,504	29.0	26.5	2,924	31.5	27.8
Radio	11	0.2	116	2.4	174	2.0	1.8	315	3.4	3.0
Total television and radio	1,127	24.1	1,164	23.9	2,678	31.0	28.3	3,239	34.9	30.8
Outdoor and transport	165	3.5	207	4.3	297	3.4	3.1	400	4.3	3.8
Cinema	37	0.8	38	0.8	38	0.4	0.4	70	0.8	0.7
Total (excluding direct mail)	4,675	100.0	4,868	100.0	8,630	100.0	91.2	9,289	100.0	88.3
Direct mail¶	N/A	N/A	N/A	N/A	830	-	8.8	1,233	-	11.7
Total all advertising	N/A	N/A	N/A	N/A	9,460	-	100.0	10,522	-	100.0

Source: The Commission, based on data from the *Advertising Statistics Yearbook, 1998*.

\*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.

§That 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.

¶About one-third of direct mail expenditure is accounted for by postage expenditure.

Note: See note to Table 4.2. Totals may not add up exactly because of rounding.

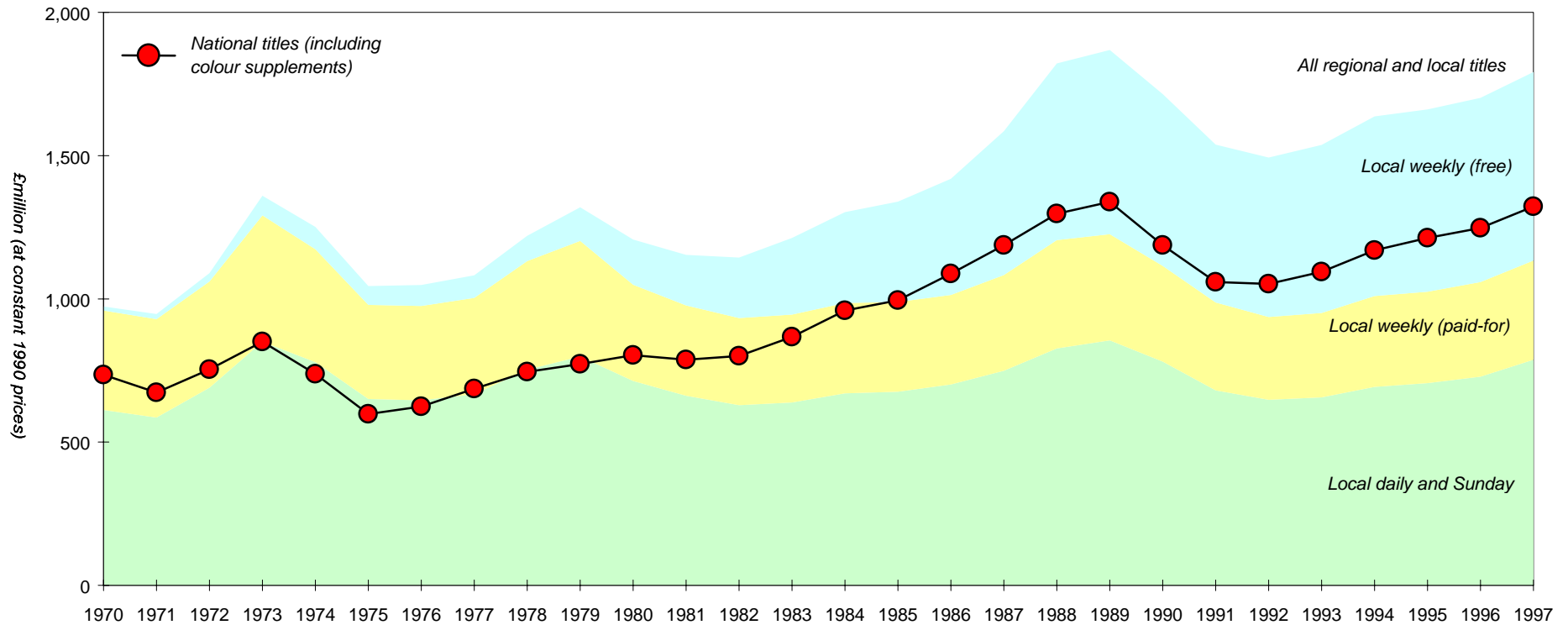
4.20. The principal changes in advertising expenditure over the last 20 years have been the increase in the relative importance of television (particularly during the early 1980s), the increased use of direct mail and directories and the decline in the relative share of regional and local newspapers. The introduction of commercial radio in the 1970s is also noteworthy. As was noted in the Commission's report on the proposed acquisition of Capital Radio by Virgin Radio Holdings,<sup>1</sup> radio advertising tends to be complementary to rather than a substitute for press and television advertising. 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.

4.21. Advertising expenditure is particularly vulnerable to fluctuations in economic activity. But, while annual advertising expenditure on newspapers is very cyclical in real terms, 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 regional and local daily newspapers has been broadly constant over time, with cyclical variations, despite the large drop in circulation/distribution. By 1997, advertising expenditure on national and regional and local paid-for newspapers remained below the 1989 peak in

<sup>1</sup> *Capital Radio plc and Virgin Radio Holdings Limited: a report on the proposed acquisition*, Cm 3817, The Stationery Office, January 1998.

FIGURE 4.2

**Newspaper advertising expenditure, 1970 to 1997\***



Source: The Commission, based on data in the *Advertising Statistics Yearbook, 1998*.

\*Excludes press production costs, but includes agency commission.

Notes: National dailies includes the *Daily Record* but excludes the *Daily Sport*. Local Sundays includes the *Sunday Post*, the *Sunday Mail* and the Northern Ireland edition of the *Sunday Mail*. Local evenings includes the London *Evening Standard*. Classification of newspaper types in *Advertising Statistics Yearbook* aggregates differs in treatment of certain newspapers as compared with the classifications underlying Table 4.1.

real terms, 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 4.4). The overall impact was that newspaper advertising expenditure (in real terms at 1990 prices) 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 22 per cent (to £3.1 billion) by 1997.

4.22. 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 advertising expenditure fell by about 20 per cent in real terms; it has risen each year since (see Table 4.6). In 1997, total advertising expenditure in regional and local newspapers was just under £1.8 billion at 1990 prices (£2.2 billion in current prices). Of this, £787 million (44 per cent) was spent on advertising in daily and Sunday newspapers, £347 million (19 per cent) in weekly paid-for newspapers and £658 million (37 per cent) in weekly free newspapers.

TABLE 4.6 Annual advertising expenditure according to type of regional and local newspaper, 1986 to 1997 (at constant 1990 prices)

Year	Daily and Sunday		Weekly paid-for		Weekly free		Total	
	£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
1997	787	+8.0	347	+5.0	658	+2.3	1,792	+5.3

Source: The Commission, based on data published in the *Advertising Statistics Yearbook, 1998*.

Note: See the note to Table 4.2.

## Effects of the transfers on competition

### Competition between newspaper publishers

4.23. Newspaper publishers may compete for readers and advertising. The extent of competition between morning and evening newspapers, between daily and weekly newspapers and between weekly paid-for and free newspapers depends on publishing time, advertising rates and manner of distribution as well as 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 (20 to 30 per cent) than paid-for newspapers (30 to 50 per cent). Advertisements are, however, read by many people as a source of information and interest and, to this extent, paid-for and free newspapers may compete directly for readers and advertisers. Advertising-only publications (see paragraph 4.5) may also compete broadly with newspapers as far as advertisers are concerned, as well as command some reader interest.

4.24. 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. In an earlier newspaper inquiry<sup>1</sup> the Institute of Practitioners in Advertising told the Commission that advertisers' decisions about which newspaper(s) to use were determined by: (a) the cost per 1,000 circulated/distributed;

<sup>1</sup>Mirror Group plc and Midland Independent Newspapers plc: a report on the proposed transfer to Mirror Group plc of the newspapers of Midland Independent Newspapers plc, Cm 3762, The Stationery Office, October 1997.

(b) the target market; (c) the catchment area to be covered; and (d) the readership profile of the newspaper(s). Advertising agencies kept a close watch on the ABC circulation/distribution figures and the readership figures published by the National Readership Survey (NRS) for national newspapers and by the Joint Industry Committee for Regional Press Research (JICREG) for regional and local newspapers.

### ***Description of the four groups***

4.25. A description of each group is in paragraphs 3.8 to 3.63. Figure 4.3 shows the total circulation/distribution areas in the UK of each of the four groups' newspapers; Figure 4.4 shows the 10 per cent household penetration areas of the titles of all four parties circulating or distributed in the South-East of England, and Figure 4.5 shows the 10 per cent household penetration areas of Newsquest and PSN titles circulating or distributed in the North-East. The following brief summary highlights those aspects of each group which are of relevance to this chapter:

- (a) *PSN*. PSN publishes 35 local newspaper titles from its bases in Portsmouth and Sunderland (see Appendix 3.1). Most of PSN's titles published in the South of England, except for the *Hayling Islander*, overlap to some extent with titles of the other parties to this inquiry. In the North-East of England its titles published in Hartlepool, Sunderland and Peterlee overlap in certain parts of their circulation and distribution areas with *The Northern Echo* and several other titles published by Newsquest.
- (b) *Johnston*. Johnston publishes 155 local newspaper titles covering parts of Scotland, Yorkshire, the Midlands and the South of England (see Appendix 3.2). Several of Johnston's titles published in the South of England overlap to some extent with those of PSN.
- (c) *Newsquest*. Newsquest publishes 179 regional and local newspaper titles in England (some of which circulate in border areas of Wales) (see Appendix 3.3). In this inquiry we are concerned primarily with Newsquest's *Evening Argus*, a regional paid-for evening newspaper with a circulation of 54,000 copies published in Brighton, and with its title *The Northern Echo*, a regional paid-for morning newspaper with a total circulation of 70,000 copies published from Darlington. Parts of the circulation areas of these newspapers overlap with those of newspapers published by PSN, as (to a much less significant extent) do certain of Newsquest's local titles (for example, *Darlington and Stockton Times* and *Durham Advertiser Series*).
- (d) *Newscom*. Newscom publishes 107 local newspaper titles in England and Wales, including four daily titles (see Appendix 3.4). These cover a wide stretch of the South and South-West from Hampshire to Cornwall, and various parts of South Wales. In this inquiry we are concerned principally with its titles circulating and distributed on the eastern boundary of its heartland, that is, in the area to the east of Southampton where PSN titles also circulate; Newscom's titles in this category are the *Southern Daily Echo*, *Southampton Advertiser* and *Solent Advertiser*.

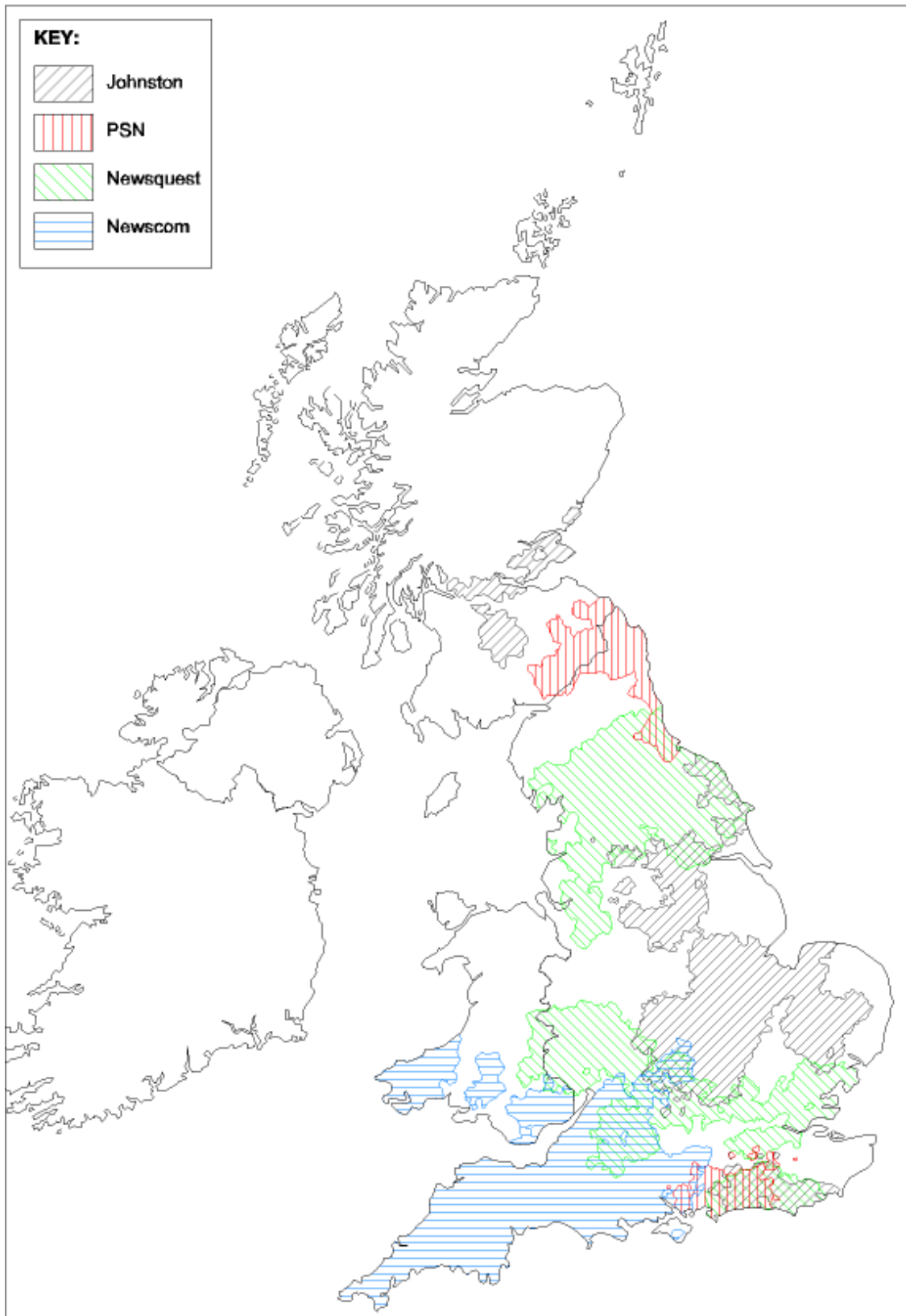
### **Overlap in local areas**

4.26. We now discuss in turn the competitive impact in local areas arising from each of the three proposed transfers. In so doing we consider the total circulation/distribution of local newspapers in the relevant areas and the shares held by each publisher, the newspapers' household penetration rates, the proportion of each title's total circulation/distribution that is accounted for by its circulation/distribution in the area and the competition provided by other advertising media (including various advertising publications and local directories).

4.27. In general terms, where a transfer of ownership is proposed, all areas of geographic overlap between circulation/distribution areas of the respective publishers' newspapers are of potential concern. In the following paragraphs, however, we set out detailed area by area information only for those areas where at least one of the newspapers published by PSN and at least one published by

FIGURE 4.3

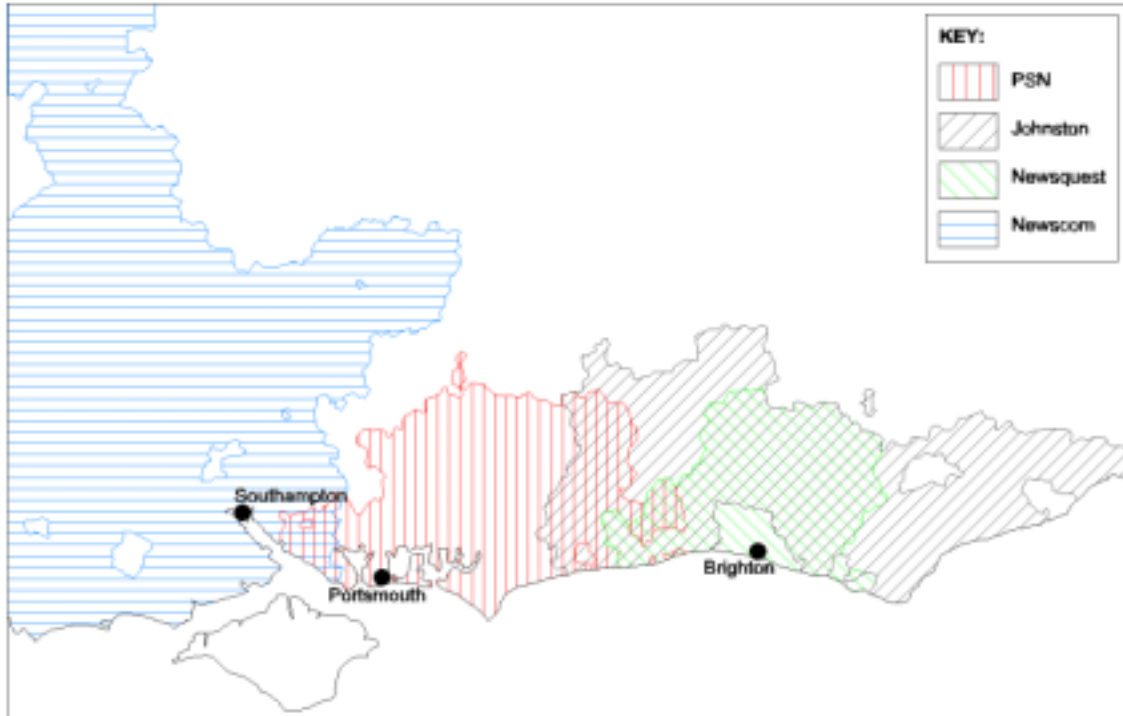
**Total UK circulation/distribution areas of parties to the inquiry**



*Source:* The Commission, based on maps supplied by The Newspaper Society.

FIGURE 4.4

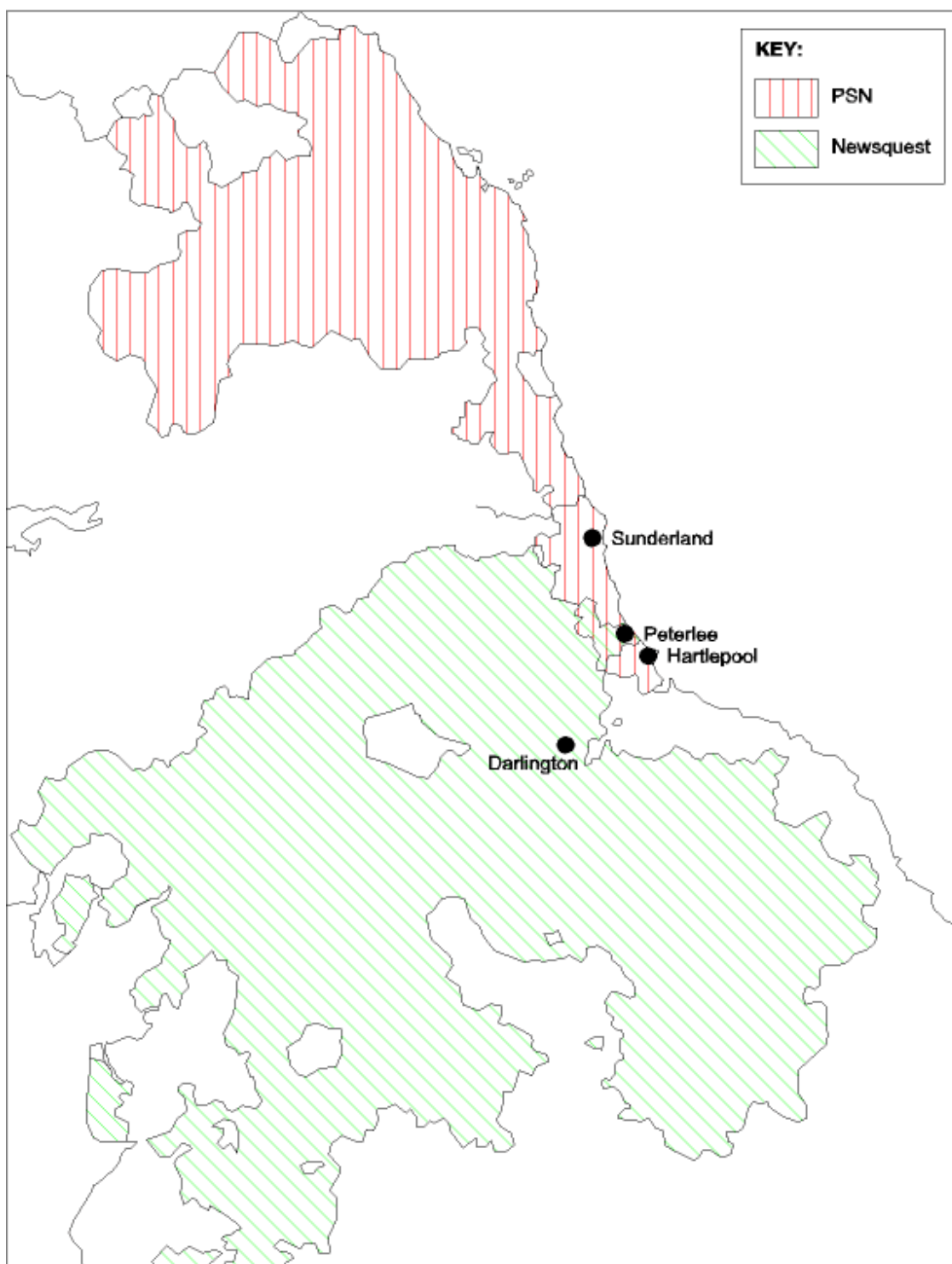
Map showing 10 per cent penetration areas in the South-East



Source: The Commission, based on maps supplied by The Newspaper Society.

FIGURE 4.5

**Map showing 10 per cent penetration areas in the North-East**



*Source:* The Commission, based on maps supplied by The Newspaper Society.

Johnston, Newsquest or Newscom achieve household penetration rates of 10 per cent or more. This 10 per cent figure is a common measure within the newspaper industry; with penetrations much below this level it is difficult to attract advertisers and distribution costs may become uneconomic. However, when we refer to a newspaper's core circulation/distribution area we mean that part of its total circulation/distribution area in which the bulk of its 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. Newsquest told us that in its view this proportion would commonly fall within the range 60 to 80 per cent of total circulation/distribution of a title. While the household penetration rate of a title will normally be above 10 per cent throughout the core area, we note that the core area will not necessarily contain all the districts in which the title achieves a household penetration rate of 10 per cent or above.

### ***Johnston/PSN***

4.28. Both PSN and Johnston publish newspapers that are sold or distributed in East and West Sussex and Surrey; their titles do not overlap elsewhere in the South of England or in the North-East of England (see Figure 4.3). The main area of overlap is West Sussex: Johnston noted that, if it were to acquire PSN, its share of circulation/distribution of regional and local newspapers in West Sussex would be about 73 per cent (that is, Johnston's existing 47 per cent plus PSN's 26 per cent). As well as these two publishers, we were told that four other newspaper publishers served this area: Newsquest (with 19 per cent), Trinity (with 7 per cent) and Tindle and Northcliffe (each with under 1 per cent). Both PSN and Johnston were of the view that the availability of alternative newspaper titles and media in West Sussex provided competitive constraints in terms of advertising opportunities and news coverage.

4.29. As Figure 4.4 shows, the Johnston and PSN titles overlap in ten local areas, based on a household penetration of more than 5 per cent: Angmering, Arundel, Billingshurst, Horsham, Littlehampton, Petworth, Pulborough, Steyning, the Storrington rural area and Worthing. However, in the following three areas either Johnston's or PSN's newspapers have penetration rates of less than 10 per cent: Horsham, Littlehampton and Worthing (PSN's *West Sussex Gazette* has a penetration rate of 9.7 per cent in the Steyning area, but as this could be rounded to 10 per cent, we treat the area as if the figure was 10 per cent). In the following paragraphs we look at the situation in each of the other seven areas (the situations in those areas where penetration rates are between 5 and 10 per cent are outlined in Appendix 4.1).

### ***Angmering***

4.30. Table 4.7 lists the eight regional and local newspapers available in the Angmering area, which covers 11,853 households. In terms of number of copies, Johnston dominates newspaper circulation/distribution in this area: its titles account for about 93 per cent of the total, PSN's for 5 per cent and Newsquest's for about 2 per cent. The proposed transfer would raise Johnston's share of total circulation/distribution by 5 per cent to about 98 per cent. With the exception of Johnston's *Littlehampton Gazette*, *Worthing & District Advertiser* and *Worthing Guardian Series*, we do not consider that Angmering forms part of the core areas of the Johnston and PSN titles; it accounts for between 0.2 and just over 8 per cent of their total circulation or distribution. Angmering accounts for just over 45 per cent of the *Littlehampton Gazette*'s circulation. Although it accounts for only 11 per cent and 14 per cent of the distribution of the *Worthing & District Advertiser* and the *Worthing Guardian Series* respectively, we are satisfied that on account of its geographic proximity, it forms part of their core areas. PSN's main title circulating in the area is the *West Sussex Gazette*.

TABLE 4.7 Angmering (ie postcode areas BN16: 1–4)

Title	Type	Owner	Weekly circulation/distribution*	Share* %	Household penetration %	Percentage of title's total sales accounted for by this area %
<i>West Sussex Gazette</i>	Paid weekly	PSN	1,258	4.3	10.6	8.2
<i>Chichester Observer Series</i>	Paid weekly	PSN	281	1.0	2.4	0.6
<i>Worthing Guardian Series</i>	Free weekly	Johnston	11,740	40.0	99.1	14.0
<i>Worthing &amp; District Advertiser</i>	Free weekly	Johnston	10,495	35.8	88.5	11.0
<i>Littlehampton Gazette</i>	Paid weekly	Johnston	4,135	14.1	34.9	45.1
<i>Worthing Herald</i>	Paid weekly	Johnston	753	2.6	6.4	3.8
<i>West Sussex County Times</i>	Paid weekly	Johnston	61	0.2	0.5	0.2
<i>Evening Argus—Brighton</i>	Paid evening	Newsquest	599	2.0	5.1	1.1
Total			29,322	100.0		

Source: The Commission, based on data from Johnston, PSN and The Newspaper Society.

\*Based on average data for the period January to June 1998.

### Arundel

4.31. Table 4.8 lists the nine regional and local newspapers available in the Arundel area, which covers 5,187 households. In terms of number of copies, PSN dominates newspaper sales and distribution in this area: its titles account for about 85 per cent, Johnston's for 12 per cent and Newsquest's for about 3 per cent. The proposed transfer to Johnston would raise its share to about 97 per cent. Neither Johnston nor PSN has a local office in Arundel and none of their newspapers specifically serve Arundel. We do not consider that the Arundel area forms part of the core areas of the Johnston and PSN newspapers; it accounts for between 0.2 and 7.2 per cent of their total circulation or distribution.

TABLE 4.8 Arundel (ie postcode area BN18)

Title	Type	Owner	Weekly circulation/distribution*	Share* %	Household penetration %	Percentage of title's total sales accounted for by this area %
<i>Chichester Journal &amp; Bognor Regis Guardian</i>	Free weekly	PSN	2,268	27.1	43.7	4.3
<i>Guardian Home Finder</i>	Free weekly	PSN	2,248	26.8	43.3	7.2
<i>Chichester Observer Series</i>	Paid weekly	PSN	1,650	19.7	31.8	3.3
<i>West Sussex Gazette</i>	Paid weekly	PSN	988	11.8	19.1	6.4
<i>Horsham Advertiser Series</i>	Free weekly	Johnston	205	2.5	4.0	0.6
<i>Littlehampton Gazette</i>	Paid weekly	Johnston	671	8.0	12.9	7.3
<i>Worthing Herald</i>	Paid weekly	Johnston	67	0.8	1.3	0.3
<i>West Sussex County Times</i>	Paid weekly	Johnston	42	0.5	0.8	0.2
<i>Evening Argus—Brighton</i>	Paid evening	Newsquest	238	2.8	4.6	0.4
Total			8,377	100.0		

Source: The Commission, based on data from Johnston, PSN and The Newspaper Society.

\*Based on average data for the period January to June 1998.

### Billingshurst

4.32. Table 4.9 lists the six regional and local newspapers available in the Billingshurst area, which covers 4,533 households. In terms of number of copies, Johnston dominates newspaper sales and distribution in this area: its titles account for about 84 per cent, PSN's for 13 per cent and Newsquest's for about 1 per cent. The proposed transfer to Johnston would raise its share to about 97 per cent. We do not consider that geographically the Billingshurst area forms part of the core areas of the Johnston or PSN newspapers; it accounts for between 0.9 and 10.7 per cent of their total circulation/distribution.

TABLE 4.9 Billingshurst (ie postcode area RH14)

Title	Type	Owner	Weekly circulation/distribution*	Share* %	Household penetration %	Percentage of title's total sales accounted for by this area %
<i>Chichester Observer Series</i>	Paid weekly	PSN	438	5.9	9.7	0.9
<i>West Sussex Gazette</i>	Paid weekly	PSN	543	7.3	12.0	3.5
<i>Horsham Advertiser Series</i>	Free weekly	Johnston	3,757	50.3	82.9	10.7
<i>Surrey Advertiser</i>	Paid weekly	Guardian	156	2.1	3.4	0.3
<i>West Sussex County Times</i>	Paid weekly	Johnston	2,468	33.1	54.5	9.9
<i>Evening Argus—Brighton</i>	Paid evening	Newsquest	100	1.3	2.2	0.2
Total			7,462	100.0		

Source: The Commission, based on data from Johnston, PSN and The Newspaper Society.

\*Based on average data for the period January to June 1998.

### *Petworth*

4.33. Table 4.10 lists the seven regional and local newspapers available in the Petworth area, which covers 2,760 households. In terms of number of copies, PSN is the largest publisher of regional and local newspapers in this area: its titles, both paid-for weeklies, account for about 61 per cent, Johnston's for 32 per cent, Tindle's for 4 per cent and Newsquest's for about 1 per cent. The proposed transfer to Johnston would thus raise its share to about 93 per cent. Only two newspapers have significant penetration levels in the Petworth area, namely the *Chichester Observer Series* and the *Horsham Advertiser*. In both cases circulation/distribution in the Petworth area accounts for less than 4 per cent of either title's total circulation/distribution. We do not consider that Petworth forms part of the core areas of the Johnston and PSN titles; it accounts for between less than 0.3 and under 4 per cent of their total circulation and distribution.

TABLE 4.10 Petworth (ie postcode area GU28)

Title	Type	Owner	Weekly circulation/distribution*	Share* %	Household penetration %	Percentage of title's total sales accounted for by this area %
<i>Chichester Observer Series</i>	Paid weekly	PSN	1,914	57.8	63.4	3.8
<i>West Sussex Gazette</i>	Paid weekly	PSN	104	3.1	3.8	0.7
<i>Horsham Advertiser Series</i>	Free weekly	Johnston	978	29.5	35.2	2.8
<i>West Sussex County Times</i>	Paid weekly	Johnston	71	2.1	2.6	0.3
<i>Farnham Herald Series</i>	Paid weekly	Tindle	131	4.0	4.8	0.4
<i>Surrey Advertiser</i>	Paid weekly	Guardian				
		Media Grp	90	2.7	3.3	0.2
<i>Evening Argus—Brighton</i>	Paid evening	Newsquest	24	0.7	0.9	0.0
Total			3,312	100.0		

Source: The Commission, based on data from Johnston, PSN and The Newspaper Society.

\*Based on average data for the period January to June 1998.

### *Pulborough*

4.34. Table 4.11 lists the seven regional and local newspapers available in the Pulborough area, which covers 4,637 households. In terms of number of copies, Johnston is the largest publisher of regional and local newspaper in this area: its titles account for about 69 per cent, PSN's for about 31 per cent and Newsquest's for about 1 per cent. The proposed transfer to Johnston would thus raise its share to about 99 per cent. We do not consider that Pulborough forms part of the core area of the Johnston and PSN titles; it accounts for between 0.1 and 6 per cent of their total circulation and distribution.

TABLE 4.11 **Pulborough (ie postcode areas RH20: 1–2)**

Title	Type	Owner	Weekly circulation/ distribution*	Share* %	Household penetration %	Percentage of title's total sales accounted for by this area %
<i>West Sussex Gazette</i>	Paid weekly	PSN	918	18.6	19.8	6.0
<i>Chichester Observer Series</i>	Paid weekly	PSN	585	11.9	12.6	1.2
<i>Horsham Advertiser Series Worthing &amp; District Advertiser</i>	Free weekly	Johnston	1,819	36.9	39.2	5.2
<i>West Sussex County Times</i>	Free weekly	Johnston	61	1.2	1.3	0.1
<i>Worthing Herald</i>	Paid weekly	Johnston	1,377	27.9	29.7	5.5
<i>Evening Argus—Brighton</i>	Paid evening	Newsquest	125	2.5	2.7	0.6
Total			<u>50</u>	<u>1.0</u>	1.1	0.1
			4,935	100.0		

Source: The Commission, based on data from Johnston, PSN and The Newspaper Society.

\*Based on average data for the period January to June 1998.

### Steyning

4.35. Table 4.12 lists the six regional and local newspapers available in the Steyning area, which covers about 4,430 households. In terms of number of copies, Johnston is the largest publisher of regional and local newspaper in this area: its titles account for about 89 per cent of total circulation/distribution, Newsquest's for about 6 per cent and PSN's for about 5 per cent. PSN's only newspaper in the Steyning area, the *West Sussex Gazette*, has a limited circulation with a household penetration just below 10 per cent. The proposed transfer to Johnston would thus raise its share of total circulation/distribution to about 94 per cent. Although Steyning accounts for just over 16 per cent of the circulation of the *Shoreham Herald*, we are satisfied that it does not form part of the core area of that title as the remainder of its circulation is in Shoreham itself. We do not consider that Steyning forms part of the core areas of the other Johnston and PSN titles; it accounts for between 2 and just over 4 per cent of their total circulation and distribution.

TABLE 4.12 **Steyning (ie postcode area BN44)**

Title	Type	Owner	Weekly circulation/ distribution*	Share* %	Household penetration %	Percentage of title's total sales accounted for by this area %
<i>West Sussex Gazette</i>	Paid weekly	PSN	428	4.8	9.7	2.8
<i>Worthing Guardian Series Worthing &amp; District Advertiser</i>	Free weekly	Johnston	3,216	36.1	72.6	3.4
<i>Shoreham Herald</i>	Free weekly	Johnston	3,512	39.4	79.3	4.2
<i>West Sussex County Times</i>	Paid weekly	Johnston	744	8.3	16.8	16.2
<i>Evening Argus—Brighton</i>	Paid weekly	Johnston	502	5.6	11.3	2.0
Total	Paid evening	Newsquest	<u>516</u>	<u>5.8</u>	11.7	1.0
			8,918	100.0		

Source: The Commission, based on data from Johnston, PSN and The Newspaper Society.

\*Based on average data for the period January to June 1998.

### Storrington rural area

4.36. Table 4.13 lists the seven regional and local newspapers available in the Storrington rural area, which covers 4,430 households. In terms of number of copies, Johnston is the largest publisher of regional and local newspaper in this area: its titles account for about 86 per cent, PSN's for about 12 per cent and Newsquest's for about 2 per cent. The proposed transfer to Johnston would thus raise its share to about 98 per cent. We do not consider that Storrington forms part of the core area of the Johnston and PSN titles; it accounts for between 0.1 and just under 9 per cent of their total circulation and distribution.

TABLE 4.13 Storrington rural area (ie postcode areas RH20: 3–4)

Title	Type	Owner	Weekly circulation/distribution*	Share* %	Household penetration %	Percentage of title's total sales accounted for by this area %
<i>West Sussex Gazette</i>	Paid weekly	PSN	993	11.4	21.9	6.4
<i>Chichester Observer Series</i>	Paid weekly	PSN	65	0.7	1.4	0.1
<i>Horsham Advertiser Series Worthing &amp; District Advertiser</i>	Free weekly	Johnston	3,131	36.1	69.0	8.9
<i>West Sussex County Times</i>	Free weekly	Johnston	2,460	28.3	54.2	2.6
<i>Worthing Herald</i>	Paid weekly	Johnston	1,374	15.8	30.3	5.5
<i>Evening Argus—Brighton</i>	Paid evening	Newsquest	527	6.1	11.6	2.7
Total			135	1.6	3.0	0.3
			8,684	100.0		

Source: The Commission, based on data from Johnston, PSN and The Newspaper Society.

\*Based on average data for the period January to June 1998.

### ***Newsquest/PSN***

4.37. At the local level, the circulation/distribution areas of titles published by PSN (mainly the *Chichester Observer Series* and *West Sussex Gazette*) overlap with that of Newsquest's *Evening Argus* in a substantial part of West Sussex (see Figure 4.4). However, the heartland of the *Evening Argus* is Brighton; beyond Brighton and the area immediately surrounding it, its circulation is generally small and its household penetration is well below 10 per cent. Johnston is a substantial competitor throughout the area of overlap between PSN and Newsquest. On the latest available data there are no areas in the South of England, apart from Steyning, where titles of both PSN and Newsquest have a penetration of more than 10 per cent of households. As Table 4.12 shows, in the Steyning area Newsquest's *Evening Argus* achieves a penetration rate of almost 12 per cent; however, at about 516 copies its circulation there is small (being only about 1 per cent of the newspaper's total sales), and Johnston's newspapers have by far the largest market share. There are two areas—Angmering (see Table 4.7) and Worthing (see Appendix 4.1, Table 3)—where PSN's *West Sussex Gazette* and Newsquest's *Evening Argus* both have a household penetration above 5 per cent but only one of them exceeds 10 per cent.

4.38. In the North-East of England, PSN and Newsquest titles overlap in an area along the coast, bounded by Sunderland in the north, Durham in the west and Stockton-on-Tees in the south (see Figure 4.5). In most of this area, the overlap is relatively insignificant. It arises mainly because small numbers of Newsquest's regional daily, *The Northern Echo*, reach areas such as Sunderland and Hartlepool where PSN has strong local titles, and because a few copies of PSN's Sunderland and Hartlepool titles circulate in Newsquest core areas such as Durham. Only in one small area centred on the villages of Shotton and Wingate to the west of Peterlee do titles of both groups have a household penetration of more than 10 per cent. In Peterlee itself, where PSN titles have an 84 per cent share of local newspaper circulation/distribution and Newsquest titles 7 per cent, the household penetration of Newsquest's titles falls just short of 10 per cent. In the following section we look in more detail at the Peterlee area, and at the villages of Thornley, Wheatley Hill and Wingate which lie just to the west and south of it.

### ***Peterlee and surrounding areas***

4.39. Peterlee lies close to the coast in County Durham, about halfway between Sunderland and Hartlepool. Peterlee, which includes the nearby villages of Haswell, Shotton, Shotton Colliery and Blackhall Colliery, has about 22,300 households. PSN has the largest share of local newspaper sales and distribution and is the only publisher of free newspapers in the district. Its free weekly, *Peterlee Star*, is distributed to virtually 100 per cent of households in the Peterlee area (as defined above) and also to all the households in the villages of Thornley, Wheatley Hill and Wingate. PSN's paid-for evening *Hartlepool Mail* also circulates in the area, with a household penetration somewhat above 10 per cent, while its paid-for evening *Sunderland Echo* sells to just under 6 per cent of households.

We believe that Peterlee and the surrounding villages form the core area of the *Peterlee Star* but we do not believe that they are within the core areas of any of the other regional or local titles circulating or distributed there.

4.40. Trinity has three Newcastle-based local titles circulating in the Peterlee area and Newsquest has two titles. Neither of Newsquest's titles reaches 10 per cent of households in the Peterlee area taken as a whole. However, its paid-for morning newspaper *The Northern Echo*, which sells to 8.5 per cent of Peterlee households overall (see Table 4.14), is understood to exceed the 10 per cent threshold in the Shotton district in the western outskirts of Peterlee.

TABLE 4.14 Titles in local areas: Peterlee\*

Title	Type	Owner	Weekly circulation/ distribution†	Share %	Household penetration %
<i>The Northern Echo</i> <i>Darlington and Stockton Times</i>	Paid daily	Newsquest	1,891	6.1	8.5
<i>Peterlee Star</i>	Paid weekly	Newsquest	183	0.6	0.8
<i>Hartlepool Mail</i>	Free weekly	PSN	22,244	72.1	99.6
<i>Sunderland Echo</i>	Paid evening	PSN	2,326	7.5	10.4
<i>Newcastle upon Tyne Sunday Sun</i>	Paid evening	PSN	1,249	4.0	5.6
<i>Newcastle Evening Chronicle</i>	Paid Sunday	Trinity	2,474	8.0	11.1
<i>Newcastle Journal</i>	Paid evening	Trinity	175	0.8	0.6
	Paid morning	Trinity	295	1.0	1.3
Total‡			30,841	100.0	

Source: The Commission, based on data from PSN, Newsquest and JICREG/Newspaper Society.

\*Including Haswell, Shotton, Shotton Colliery and Blackhall Colliery (ie postcode areas SR8 (all sub-districts), DH6-2 and TS27-4).

†Based on average data for the period January to June 1998.

Note: Totals may not add up exactly because of rounding. The total for weekly circulation/distribution (marked †) includes three copies of *Scotland on Sunday* not separately detailed.

4.41. A transfer of PSN's titles to Newsquest would give the merged group 92 per cent of total daily newspaper circulation in Peterlee and 90 per cent of weekly circulation and distribution. However, Newsquest and PSN both emphasized that *The Northern Echo* was a different kind of newspaper from the *Hartlepool Mail* and *Sunderland Echo* and catered to a different readership. We found that both of the last-mentioned newspapers are highly local in character, with their news stories and advertising drawn almost entirely from Hartlepool and Sunderland and the localities immediately surrounding them. On the other hand, while the news and editorial content of *The Northern Echo* covers a much wider area of the North-East, and is supplemented by substantial coverage of national news and by extensive features, it is more restricted in its sources of advertising, which are mainly the Darlington, Bishop Auckland and Newton Aycliffe areas, though some broader regional advertising is carried. Newsquest said that *The Northern Echo's* principal competitors were the national dailies; this was borne out by the way in which Newsquest reported internally.

4.42. *The Northern Echo* also sells to 19 per cent of households in the village of Wingate, 5 miles south of Peterlee, and to 24 per cent of households in the villages of Thornley and Wheatley Hill some 5 miles to the west (see Table 4.15). In these localities, which have around 4,800 households between them, PSN and Newsquest are the only publishers with local newspapers in circulation/distribution and the proposed transfer to Newsquest would therefore give it a monopoly. Trinity's titles, however, circulate in adjacent areas.

TABLE 4.15 **Titles in local areas: villages\* to the south and west of Peterlee**

Title	Type	Owner	Weekly circulation/ distribution†	Household penetration %
<b>Wingate (number of households: 2,008)</b>				
<i>The Northern Echo</i>	Paid daily	Newsquest	381	19.0
<i>Darlington and Stockton Times</i>	Paid weekly	Newsquest	40	2.0
<i>Peterlee Star</i>	Free weekly	PSN	2,008	100.0
<i>Hartlepool Mail</i>	Paid evening	PSN	183	9.1
Total‡			2,612	
<b>Thornley and Wheatley Hill (number of households: 2,769)</b>				
<i>The Northern Echo</i>	Paid daily	Newsquest	677	24.5
<i>Darlington and Stockton Times</i>	Paid weekly	Newsquest	41	1.5
<i>Peterlee Star</i>	Free weekly	PSN	2,730	98.6
<i>Hartlepool Mail</i>	Paid evening	PSN	123	4.4
<i>Sunderland Echo</i>	Paid evening	PSN	65	2.4
<i>Newcastle Journal</i>	Paid morning	Trinity	33	1.2
<i>Newcastle Evening Chronicle</i>	Paid evening	Trinity	17	0.6
<i>Newcastle upon Tyne Sunday Sun</i>	Paid weekly	Trinity	344	12.4
Total‡			4,030	

Source: The Commission, based on data from PSN, Newsquest and JICREG/Newspaper Society.

\*Wingate is defined as postcode area TS28-5, and Thornley and Wheatley Hill as postcode area DH6-3.

†Based on average data for the period January to June 1998.

Note: Totals may not add up exactly because of rounding.

4.43. We believe that the areas under consideration lie outside the core areas of the newspapers concerned except the *Peterlee Star*, and apart from that newspaper account for only a small proportion of their total circulation/distribution (see Table 4.16).

TABLE 4.16 **Shares of Peterlee and surrounding villages in the total circulation/distribution of PSN and Newsquest titles**

Title	Type	Owner	% of total circulation/ distribution* in Peterlee and surrounding villages
<i>The Northern Echo</i>	Paid daily	Newsquest	4.2
<i>Darlington and Stockton Times</i>	Paid weekly	Newsquest	0.8
<i>Peterlee Star</i>	Free weekly	PSN	98.1
<i>Hartlepool Mail</i>	Paid evening	PSN	10.5
<i>Sunderland Echo</i>	Paid evening	PSN	2.3
<i>Newcastle upon Tyne Sunday Sun</i>	Paid Sunday	Trinity	2.5
<i>Newcastle Evening Chronicle</i>	Paid evening	Trinity	0.2
<i>Newcastle Journal</i>	Paid morning	Trinity	0.6

Source: The Commission, based on Newspaper Society data.

\*Based on average data for the period January to June 1998.

### **Newscom/PSN**

4.44. There is no overlap between PSN and Newscom newspapers in north-east England (see Figure 4.3). However, PSN and Newscom titles overlap in an area of south Hampshire bounded by Southampton to the west, Portsmouth to the east and Alton and Petersfield to the north (see Figure 4.4). For the most part this is fringe territory for the titles of one or other of the two groups, and only in Fareham and the adjacent area known as Hamble Bursledon do titles of both have a household penetration exceeding 10 per cent. (In Wickham, a village of 1,974 households 3 miles north of

Fareham where PSN's *Portsmouth News* has a household penetration of 20 per cent, Newscom's *Southern Daily Echo* has a household penetration just exceeding 5 per cent.) In the following section we examine local newspaper circulation/distribution in the Fareham and Hamble Bursledon areas.

### *Fareham*

4.45. Fareham is a town of around 20,200 households, lying about 8 miles west of Portsmouth and 12 miles east of Southampton. PSN and Newscom are the only local newspaper groups with titles circulating in the area, each with a paid evening and a free weekly. The proposed transfer to Newscom would therefore give it a monopoly of local newspaper sales and distribution in the area, compared with the present position where PSN titles have 52 per cent of the total and Newscom titles 48 per cent.

4.46. PSN's free weekly *Portsmouth Journal* and Newscom's free weekly *Solent Advertiser* are both distributed to a high percentage of households in the area (see Table 4.17). The *Solent Advertiser* is a stablemate of Newscom's *Southampton Advertiser*. Some of the content is common to both, but the *Solent Advertiser's* advertising is drawn mainly from its own distribution area. Both PSN and Newscom also publish free property guides, *South-East Hants Property Guide* and *Southern Property Advertiser*. But in the areas we are concerned with these are principally distributed as slip editions along with *Portsmouth News* and *Solent Advertiser*, and we have not, therefore, treated them as separate newspapers.

TABLE 4.17 Titles in local areas: Fareham\*

Title	Type	Owner	Weekly circulation/distribution†	Share %	Household penetration %
<i>Portsmouth Journal</i> Series	Free weekly	PSN	16,607	40.9	82.2
<i>Portsmouth News</i>	Paid evening	PSN	4,615	11.4	22.8
<i>Solent Advertiser</i>	Free weekly	Newscom	19,049	46.9	94.2
<i>Southern Daily Echo</i>	Paid evening	Newscom	<u>339</u>	<u>0.8</u>	1.7
Total‡			40,610	100.0	

Source: The Commission, based data from PSN, Newscom and JICREG/Newspaper Society.

\*Fareham is defined as postcode areas PO14 and PO15.

†Based on average data for the period January to June 1998.

Note: Totals may not add up exactly because of rounding. Distribution figures for PSN's *South-East Hants Property Guide* (formerly *Portsmouth Property Guide*) have not been included in the table since it has recently been converted to a slip edition included in copies of *Portsmouth News*.

4.47. The leading paid-for title circulating in Fareham is PSN's evening daily the *Portsmouth News* (in either its Portsmouth or Fareham and Gosport editions) with a household penetration of nearly 23 per cent and a share of total local daily newspaper sales of 93 per cent. Newscom's paid-for evening daily *Southern Daily Echo* sells to under 2 per cent of Fareham households (7 per cent of total local daily newspaper sales).

### *Hamble Bursledon*

4.48. Hamble Bursledon is a partly rural area lying between Fareham and Southampton along the north-east shore of Southampton Water. It comprises around 16,600 households. As in Fareham, PSN and Newscom are the only local newspaper groups with titles circulating in the area, offering the same titles as above, except that at the northern end of the area Newscom's free weekly *Southampton Advertiser* is distributed instead of its stablemate *Solent Advertiser*. Household penetration of the three free weeklies ranges from 38 to 53 per cent. However, Newscom's *Southern Daily Echo* has the lion's share of sales of paid-for daily local newspapers, reaching nearly 20 per cent of households compared with just over 4 per cent for PSN's evening daily *Portsmouth News*. Again as in Fareham, the proposed transfer to Newscom would create a monopoly of local newspaper sales and distribution in the

area. This compares with the present position where PSN and Newscom have, respectively, 31 per cent and 69 per cent of total local newspaper circulation and distribution, and 18 per cent and 82 per cent of local daily newspaper circulation. Circulation/distribution details are given in Table 4.18.

TABLE 4.18 **Titles in local areas: Hamble Bursledon**

Title	Type	Owner	Weekly circulation/distribution†	Share %	Household penetration %
<i>Portsmouth Journal Series</i>	Free weekly	PSN	7,594	28.5	45.7
<i>Portsmouth News</i>	Paid evening	PSN	729	2.7	4.4
<i>Solent Advertiser</i>	Free weekly	Newscom	8,772	32.9	52.8
<i>Southampton Advertiser</i>	Free weekly	Newscom	6,273	23.6	37.8
<i>Southern Daily Echo</i>	Paid evening	Newscom	3,261	12.2	19.6
Total‡			26,635	100.0	

Source: The Commission, based on data from PSN, Newscom and JICREG/Newspaper Society.

\*Hamble Bursledon is defined as postcode area SO31.

†Based on average data for the period January to June 1998.

Note: Totals may not add up exactly because of rounding. The weekly circulation/distribution total includes six copies of the *Chichester Observer Series* not separately detailed. Distribution figures for PSN's *South-East Hants Property Guide* (formerly *Portsmouth Property Guide*) have not been included in the table since it has recently been converted to a slip edition included in copies of *Portsmouth News*.

4.49. Although a transfer of PSN titles to Newscom would leave only one publisher of local newspapers in Fareham and Hamble Bursledon, we believe these districts lie outside the core areas of all the newspapers concerned except the *Solent Advertiser* and (to a lesser extent) the *Portsmouth Journal Series*; they account for a relatively small percentage of their total circulation/distribution, as is shown in Table 4.19. PSN and Newscom both said that their titles are in strong competition with other media in the area. Advertising-only publications distributed there include the free weeklies *Friday-Ad* and *The Informer*, and the Southampton edition of the paid-for weekly *Diamond FreeAds*. Around ten local radio or cable stations also serve the area.

TABLE 4.19 **Shares of Fareham and Hamble Bursledon in the total circulation/distribution of PSN and Newsquest titles**

Title	Type	Owner	% of total circulation/distribution in Fareham and Hamble Bursledon
<i>Portsmouth Journal Series</i>	Free weekly	PSN	14.5
<i>Portsmouth News</i>	Paid evening	PSN	7.5
<i>Solent Advertiser</i>	Free weekly	Newscom	64.5
<i>Southampton Advertiser</i>	Free weekly	Newscom	4.5
<i>Southern Daily Echo</i>	Paid evening	Newscom	6.0

Source: The Commission, based on Newspaper Society data.

## Readership

4.50. All the four groups provided us with readership profiles for their newspapers in the areas of overlap. Tables 1 to 4 of Appendix 4.2 summarize and compare the profiles for selections of newspapers relevant to each of the areas of overlap discussed in paragraphs 4.31 to 4.49.

## Cover prices

4.51. Over the period 1990 to 1997 the average cover price for national newspapers increased by 9.1 per cent in total in real terms. Over the same period the average cover prices for regional and local morning newspapers and regional and local weekly newspapers increased by broadly the same amount—that is, by 11.8 per cent and 10.4 per cent respectively. However, the average cover prices of regional and local evening newspapers fell by 3.2 per cent, while the average cover prices for regional and local Sunday newspapers rose by 26.0 per cent. We note that during this period there has

been a trend for regional and local Sunday titles to grow in size and increasingly to include colour supplements, so although the figures for Sunday newspapers in Table 4.20 are adjusted for inflation they may nonetheless reflect this trend towards a more substantial product.

TABLE 4.20 Trends in average cover prices, 1987 to 1997

*Index (1990=100) at constant prices*

Year	Regional and local newspapers*				All regional and local	National newspapers*
	Morning	Evening	Sunday	Weekly		All national
1987	105.4	99.0	98.9	102.4	100.4	100.5
1988	104.8	99.8	103.3	102.1	101.1	102.7
1989	103.9	96.8	101.3	98.2	98.5	101.8
1990	100.0	100.0	100.0	100.0	100.0	100.0
1991	103.4	95.9	107.7	101.5	98.9	105.8
1992	101.7	96.7	115.8	99.5	99.3	107.9
1993	113.2	101.1	121.9	107.9	105.8	107.7
1994	116.9	99.9	125.2	109.1	106.2	101.3
1995	116.1	98.1	121.7	110.0	104.8	100.7
1996	111.2	99.2	128.5	111.6	105.3	108.2
1997	111.8	96.8	126.0	110.4	103.8	109.1

Source: The Commission, based on data in the *Advertising Statistics Yearbook, 1998*.

\*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*. All figures are weighted averages, taking into account both sizes of circulations and frequency of publication.

## PSN

4.52. In the Portsmouth area, the cover price of *The News* has risen by 1p on the first Monday in October in each of the last two years (from 28p in October 1996 to 30p in October 1998). In December 1996 the price of the *Post Series* rose from 26p to 28p, and in January 1999 it rose to 30p. PSN said that it felt these price increases were broadly in line with inflation; cover price revenue from daily newspapers such as *The News* was more important than that achieved from weekly titles such as the *Post Series*.

4.53. The cover prices of PSN's four main newspapers in West Sussex are shown in Table 4.21. The prices for each rose at the same rate and intervals, apart from the *West Sussex Gazette* whose price did not increase between March 1997 and January 1999 (PSN said that as the *West Sussex Gazette* faced potential competition from newspapers across the county, and because its circulation was already relatively small, it was reluctant to increase its cover price).

TABLE 4.21 Cover prices of PSN's newspapers circulating in West Sussex, 1996 to 1999

*pence*

Newspaper	April 1996	March 1997	April 1998	January 1999
<i>Chichester Observer</i>	36	38	39	40
<i>Midhurst Observer</i>	36	38	39	40
<i>Bognor Regis Observer</i>	34	36	37	38
<i>West Sussex Gazette</i>	30	32	32	33

Source: The Commission, based on data from PSN.

Note: The *Bognor Regis Observer* was relaunched as a paid-for title in September 1998. Prior to this it was distributed as free, although preliminary market tests with paid-for copies took place in outer areas around Bognor Regis.

4.54. Over the last two years, all PSN's newspapers in the North-East of England, apart from the *Northumberland Gazette* and the *Selkirk Weekend Advertiser*, have risen in price by 2p. Its daily titles rose by 1p each year; of its weekly titles, the *Hawick News* and *News Guardian* did not rise at all in

1998 but then rose by 2p in 1999, the *Northumberland Gazette* rose by 3p but the price of the *Selkirk Weekend Advertiser* did not change during the period.

TABLE 4.22 Cover prices of PSN's newspapers circulating in north-east England, 1997 to 1999

Newspaper	pence		
	1997	1998	1999
<i>Sunderland Echo</i>	28	29	30
<i>Hartlepool Mail</i>	28	29	30
<i>Shields Gazette</i>	28	29	30
<i>Northumberland Gazette</i>	35	37	38
<i>Morpeth Herald</i>	32	32	34
<i>Selkirk Weekend Advertiser</i>	25	25	25
<i>Hawick News</i>	40	40	42
<i>News Guardian</i>	28	28	30

Source: The Commission, based on data from PSN.

## Johnston

4.55. Johnston said that it reviewed its cover prices periodically, but infrequently, and rarely increased them in consecutive years. Price rises, when implemented, were generally between 2p and 5p. None of its titles in the overlap areas had a price rise in 1997. The largest increase in 1998 was the 5p increase in the cover price of the *Shoreham Herald* (a low circulation newspaper—4,700 copies), though this was its first increase since 1994. The *Worthing Herald's* price has not increased since 1994, which was also the last year in which the price of the *Littlehampton Gazette* was increased prior to the rise in 1998.

TABLE 4.23 Cover prices of Johnston's newspapers circulating in West Sussex, 1996 to 1998

Newspaper	pence		
	1996	1997	1998
<i>Worthing Herald</i>	30	30	30
<i>Littlehampton Gazette</i>	24	24	27
<i>Shoreham Herald</i>	20	20	25
<i>West Sussex County Times</i>	32	32	35

Source: The Commission, based on data from Johnston.

## Newsquest

4.56. As Table 4.24 shows, the price of the *Darlington and Stockton Times* was increased by 5p in 1996 but has not been increased since. The price of the *Evening Argus* rose 2p in 1998, and there has been no recent increase in the price of *The Northern Echo*.

TABLE 4.24 Cover prices of Newsquest's newspapers circulating in Sussex and north-east England, 1996 to 1999

Newspaper	pence			
	1996	1997	1998	1999
<i>Evening Argus</i>	28	28	30	30
<i>The Northern Echo</i>	30	30	30	30
<i>Darlington and Stockton Times</i>	40/45*	45	45	45

Source: The Commission, based on data from Newsquest.

\*The price of the *Darlington and Stockton Times* was increased from 40p to 45p on 5 May 1996.

## Newscom

4.57. As Table 4.25 shows, the cover prices of each of Newscom's newspapers circulating in the south Hampshire area increased by 2p to 4p during the period 1996 to 1999 as a whole, though the prices did not increase every year.

TABLE 4.25 Cover prices of Newscom's newspapers circulating in south Hampshire, 1996 to 1999

Newspaper	pence			
	1996	1997	1998	1999
<i>Southern Daily Echo</i>	27	28	30	30
<i>Bournemouth Daily Echo</i>	27	28	28	30
<i>Dorset Daily Echo</i>	25	25	27	27
<i>Bridport News</i>	36	38	38	40

Source: The Commission, based on data from Newscom.

## Advertising

4.58. Local newspapers may face competition from advertisement-only publications such as *Auto Trader* and *Friday-Ad* (an independent publication distributed widely, including in Hampshire and Sussex), specialist property publications and more general publications which can carry advertising free (such as *Loot*). Competition may also come from local commercial radio stations and, for regional advertising, from broadcast television. Directories (such as *Yellow Pages* and *Thomson's Local Directories*) are available as alternatives. The four groups under consideration all now have an Internet presence, and offer varying degrees of electronic access to the news and advertising content of their newspapers.

4.59. Our attention was drawn particularly to *Friday-Ad*. This is a free weekly title that is distributed to various outlets where the general public can pick up copies. It is produced in 19 different editions, with each edition covering a small geographic area (about two or three towns). The areas in which it is distributed cover Luton, Bedford, Cambridge, Northampton, Maidenhead, Reading, Uckfield, Seaford, Eastbourne, Tunbridge Wells, Hastings, Crawley, Brighton, Worthing, Ashford, Redhill, Portsmouth, Southampton and Devon and Cornwall. Uncertified bulk distribution data for areas that overlap with PSN, Johnston and/or Newscom newspapers are shown in Table 4.26. *Friday-Ad* also publishes a free weekly title called *Car-Ad*, which is distributed across Surrey, Kent, Sussex and Hampshire (uncertified distribution data for the week ending 12 March 1999 show 8,660 copies from 272 drops) and four free monthly titles.

TABLE 4.26 Distribution of *Friday-Ad*\* in areas that overlap with PSN, Johnston and Newscom newspapers

Edition	Number of drops	Number of copies	Average number of copies per drop
Brighton	449	44,150	98
Worthing	384	27,750	72

Southampton	429	15,575	36
Portsmouth	489	18,450	38

Source: The Commission, based on data from *Friday-Ad*.

\*Bulk distribution data, uncertified, are for the week ending 12 March 1999.

4.60. Local newspapers may also compete for national advertising partly by packaging space in two or more titles. The proportions of local to national display advertising in their publications reported to us by the parties varied, in part because they take different views as to what constitutes national advertising. Newscom said that its newspapers overall carried around 12 to 15 per cent national advertising, which it believed was somewhat higher than average; the figure for Johnston's newspapers is around 7 per cent. The proportion reported to us by PSN was around 9 per cent for both 1996/97 and 1997/98, and by Newsquest 8 per cent for both years (see Table 3.17).

4.61. 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 yield per SCC reflects volume and other discounts negotiated with advertisers or premium rates for special positions.

4.62. Tables 4.27 to 4.30 set out published rates for display and classified advertising in a selection of PSN, Johnston, Newsquest and Newscom titles, and use these, together with the estimated readership data provided to us by the four groups (see Appendix 4.2), to calculate the estimated cost to an advertiser of reaching 1,000 readers. Caution is necessary, however, in comparing such costs between different newspapers. First, rate cards do not reflect the discounts which some advertisers may be able to obtain. Further, an apparently high cost may not necessarily indicate exploitation of a dominant position in the market. In particular, the published SCC rates of some smaller local newspapers are fairly low, but yield a comparatively high cost per 1,000 readers if the circulation/distribution is low or falling. Finally, what advertisers are willing to pay to reach a given readership in a particular area will be influenced by local conditions, such as the socio-economic class and spending power of the readership and their experience of the effectiveness of advertising in that title.

TABLE 4.27 Advertising rates for certain PSN titles, published rate card basis, 1999

Title	Type	Display (run of paper) £ per SCC	Classified £ per SCC	Estimated readership '000	Estimated cost per 1,000 readers (display/classified) p
<i>Portsmouth Journal</i>					
Series, all editions	Free weekly	10.12*	8.91	184	5.5/4.8
<i>Portsmouth News</i>	Paid-for evening	10.35	9.28–13.85†	185	5.6/5.0–7.5
<i>West Sussex Gazette</i>	Paid-for weekly	3.50	11.60 (sits vac)	36	9.7/32.2
<i>Chichester Observer</i>					
Series	Paid-for weekly	5.70	11.60 (sits vac)	91	6.3/12.7
<i>Sunderland Echo</i>	Paid-for evening	9.36	11.90 (full display)	157	6.0/7.6
<i>Hartlepool Mail</i>	Paid-for evening	4.60	6.06 (full display)	61	7.5/9.9
<i>Peterlee Star</i>	Free weekly	3.48	7.44 (full display)	41	8.5/18.1

Source: The Commission, based on data from PSN.

\*Fareham edition only: £5.08.

†Personal and situations vacant £13.85; Other £9.28.

4.63. Table 4.28 sets out published rates for display and classified advertising in the Johnston titles relevant to this inquiry.

TABLE 4.28 Advertising rates for certain Johnston titles, published rate card basis, January 1999

Title	Type	Display (run of paper) £ per SCC	Classified £ per SCC	Estimated readership '000	Estimated cost per 1,000 readers (display/classified) p
Littlehampton Gazette West Sussex County Times	Paid-for weekly	1.89	2.58	21	9.0/12.3
Worthing Herald	Paid-for weekly	3.40	3.20	59	5.8/5.4
Shoreham Herald	Paid-for weekly	3.28	4.44	44	7.5/10.1
Horsham Advertiser	Paid-for weekly	1.64	2.76	11	14.9/25.1
Worthing Guardian	Free weekly	3.00	3.00	52	5.8/5.8
Worthing Advertiser	Free weekly	5.50	5.62	117	4.7/4.8
		6.00	7.64	139	4.3/5.5

Source: The Commission, based on data from Johnston.

4.64. Table 4.29 sets out published rates for display and classified advertising in the Newsquest titles relevant to this inquiry.

TABLE 4.29 Advertising rates for certain Newsquest titles, published rate card basis, 1998

Title	Type	Display (run of paper) £ per SCC	Classified £ per SCC	Estimated readership '000	Estimated cost per 1,000 readers (display/classified) p
Evening Argus—Brighton	Paid-for evening	8.96	9.95–17.33*	173	5.2/5.8–10.0
The Northern Echo	Paid-for morning	14.69	12.50–24.53†	173	8.4/7.2–14.2
Darlington and Stockton Times	Paid-for weekly	7.21	7.50–14.70‡	54	13.4/13.9–27.2

Source: The Commission, based on data from Newsquest.

\*General classified £9.95; public notices £17.33; situations vacant by quotation.

†Births, marriages and deaths £12.50; situations vacant £24.53; public notices £14.68.

‡Births, marriages and deaths £7.50; situations vacant £14.70; public notices £8.81.

4.65. Table 4.30 sets out published rates for display and classified advertising in the Newscom titles relevant to this inquiry.

TABLE 4.30 Advertising rates for certain Newscom titles, published rate card basis, January 1999

Title	Type	Display (run of paper) £ per SCC	Classified (display) £ per SCC	Estimated readership '000	Estimated cost per 1,000 readers (display/classified) p
Southern Daily Echo Southampton Advertiser	Paid-for evening	8.10	7.15–14.20*	144	5.6/4.9–9.9
Solent Advertiser	Free weekly	7.85	5.30–14.20†	197	4.0/2.7–7.2
	Free weekly	3.90	3.90–4.45‡	40	9.8/9.8–11.1

Source: The Commission, based on data from Newscom.

\*Motors £7.15, general & entertainments £8.10, recruitment £14.20.

†Motors £5.30, entertainments £7.85, public notices £8.05, recruitment £14.20.

‡Motors and entertainments £3.90, public notices £4.05, recruitment £4.45.

## Barriers to entry

4.66. Some successful launches might imply that a strongly focused local weekly free newspaper could gain reader and advertiser acceptability quickly. However, in assessing the possible effects on competition of the transfers of the PSN titles to Johnston, Newsquest or Newscom, we consider 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. If entry is easy, the threat of new entry will be a continuing competitive restraint on the commercial activities of existing newspaper publishers in an area. Competition from other media is mentioned in paragraph 4.58.

4.67. PSN, Johnston, Newsquest and Newscom each considered that barriers to entry in establishing a local or regional title were relatively low (see, for example, paragraph 5.123); indeed, Newscom said that barriers to entry had never been lower than at present. PSN told us that cost barriers to the start-up of free titles were low, but that the chances of long-term success were less in areas already served by existing well-established titles.

4.68. The general view seems to be that the cost of launching a new free newspaper is relatively low since desktop publishing hardware and software have become readily available. Printing can be contracted out. However, the cost of sustaining or expanding a presence in the market can be higher than that of entry alone, particularly where there are calls for an expansion of the editorial content. In order to be able to sustain a presence in the market a new entrant might have to incur losses during the first years of publication. Both credibility and acceptability are important attributes for a newspaper, because without them advertisers (the only source of revenue for free titles) are more reluctant to buy advertising space. Furthermore, it can be difficult and time-consuming to establish a distribution network.

4.69. However, while existing publishers might have an advantage, in that they might benefit from economies of scale, entry by setting up a new title is more likely by smaller publishers; larger publishers, on the whole, appear to favour entry into new areas by acquisition rather than by launching new titles.

4.70. The behaviour and reputation of the incumbent will influence the ease of entry. Established newspaper publishers can respond to new entrants in a variety of ways, for example by cutting their advertising yields or launching new titles. The expectation of the incumbent's response could deter potential entrants and, if entry does take place, could reduce the entrant's chances of being successful. The incumbent might be able to take advantage of its existing operations in order to improve the speed and effectiveness of its response. This was discussed by the Commission in an earlier report.<sup>1</sup>

4.71. The entry requirements for paid-for titles are similar to those of free titles, although generally it is more expensive to set up a paid-for title due to the higher editorial content and greater marketing effort required. However, unlike a free title that is delivered free of charge to all households in an area and hence offers an immediate opportunity to advertisers, a paid-for title has to offer readers something extra to persuade them to buy the product. Until paid-for titles can show they have gained and can retain credibility with their readers (usually by high-quality editorial content) they find it difficult to obtain sufficient advertising to cover their costs.

## Entry

4.72. As Figure 4.1 shows, there was rapid growth of free newspapers during the 1980s 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. None of the four groups were able to point to any significant launches of new titles in the overlap areas within the last three years, with the exception of *Friday-Ad* (see paragraph 4.59).

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<sup>1</sup> *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*, Cm 3033, HMSO, November 1995, paragraph 2.39.