

## 2 Conclusions

### Contents

	<i>Page</i>
Background to the proposed transfers .....	5
The companies .....	5
Proposed acquisitions .....	6
Newspaper markets.....	7
Public interest issues .....	8
Accurate presentation of news and free expression of opinion .....	8
Financial pressures .....	10
Concentration of ownership in the UK .....	11
Concentration of ownership in regions of England and Wales.....	12
Concentration of ownership in Scotland.....	14
Northern Ireland .....	15
Representation of unionist opinion .....	16
Joint initiatives between the News Letter and The Irish News.....	18
Competition for advertising .....	18
Threat to The Irish News .....	19
Local competition issues.....	21
Efficiency and employment consequences .....	22
Conclusions on the public interest.....	23
Recommendations.....	23

### Background to the proposed transfers

2.1. On 12 March 1999 the Secretary of State referred to us the proposed transfers of newspaper titles and related assets owned by Mirror Group to Trinity and to RIM respectively. Our terms of reference for each transfer, including a full list of the titles to be transferred, are given in Appendix 1.1. We are required to investigate and report on whether each of the proposed transfers may be expected to operate against the public interest. Towards the end of our inquiry the proposed transfer to Trinity and RIM respectively of a further Mirror Group title, the *Belfast News* (see paragraph 2.62), was also referred to us.

### The companies

2.2. Details about the companies involved in the two proposed transfers are given in paragraphs 3.11 to 3.90. Mirror Group publishes some 70 newspaper titles including *The Mirror*, *Sunday Mirror* and *Sunday People* in the UK as a whole, the *Daily Record* and *Sunday Mail* in Scotland, and various regional titles, both daily and weekly, in the Midlands and Northern Ireland. It is also engaged in magazine publication, the organization of exhibitions, and

broadcasting (it owns the cable television channel, Live TV). Its turnover and trading profit in 1998 were £697 million and £130 million respectively, and its market capitalization on 28 May 1999 was £1,052 million.

2.3. Trinity is a publisher of regional and local newspapers and of specialist publications. It publishes some 125 newspaper titles from centres in Scotland, Northern Ireland and various parts of England and Wales. Trinity has expanded rapidly in recent years, through a series of acquisitions, and is now one of the three leading publishers of regional and local newspapers (see Table 4.1). Its turnover and trading profit in 1998 were £342 million and £81 million respectively, and its market capitalization on 28 May 1999 was £799 million.

2.4. RIM was incorporated in February 1998 as the vehicle for the investor-led acquisition of the regional newspaper and related businesses of UPN Holdings Limited (UPN), formerly part of United News & Media plc (UNM). This acquisition was arranged by Candover Investments plc (Candover) which remains RIM's principal shareholder, with an interest of 45 per cent. RIM publishes some 60 regional and local newspapers in Yorkshire and Lancashire. It is currently the sixth largest publisher of regional and local newspapers and had a turnover and trading profit in 1998 of £147 million and £31 million respectively.

## **Proposed acquisitions**

2.5. The proposed transfers of newspaper titles and related assets arise out of proposals to acquire Mirror Group made by Trinity and RIM respectively.

2.6. Trinity and Mirror Group had discussions about a possible merger in 1998. The parties were unable to agree on a structure for the enlarged group and negotiations were broken off by Trinity in January 1999. In February, Trinity made a proposed offer for Mirror Group of 0.35 new Trinity shares and 40p in cash for each existing Mirror Group share. The terms of the proposed offer were rejected by the board of Mirror Group which believed that the bid reflected an inadequate premium for a change of control.

2.7. Trinity told us that its strategy was to acquire contiguous regional newspaper assets, to acquire new regional franchises and to extend the range of its business activities. It believed that a merger with Mirror Group fitted this strategy and that the combined entity would have a strong balance sheet and cash flow, enabling it to continue to develop, and a better balance of revenue streams than either of the existing companies. Trinity said that its present intention was to proceed with the bid for Mirror Group in due course, depending on the outcome of our inquiry.

2.8. RIM formally approached Mirror Group in January 1999 with a proposal to acquire the whole of its issued share capital at an indicative price of 200p per share. The board of Mirror Group rejected this offer as not being adequate but discussions between RIM and Mirror Group were still continuing when Trinity made its application to the Secretary of State for consent for the transfer of Mirror Group's titles.

2.9. RIM told us that its proposed acquisition would provide expansion opportunities arising from operational efficiencies and other cost savings. It believed that by applying the management disciplines that had already been applied at RIM, not only would the regional businesses of Mirror Group benefit but RIM would be able to improve the trend in circulation of Mirror Group's national and Scottish titles. Although the final structure of the merged entity, following a successful bid by RIM, had not yet been settled, RIM envisaged that it would be financed by a combination of debt and equity (see Table 3.14).

## Newspaper markets

2.10. We examine the newspaper markets relevant to our inquiry for each proposed transfer in Chapter 4 and we comment on aspects of these markets, as necessary, when discussing the various public interest issues in paragraphs 2.19 to 2.99. Sales of almost all types of newspaper have been declining slowly over the past 20 years but expenditure on newspaper advertising has increased in real terms (see Figures 4.1 and 4.2). Advertising revenues are crucial to the viability of newspapers: they account for about half of the total revenue of national daily titles and 70 to 85 per cent of that of regional and local paid-for titles, much of which comes from classified advertisements (see Appendix 4.1, Table 2). In the remainder of this report, reference to newspaper advertising should be taken to include both display and classified advertising, unless otherwise stated.

2.11. There are two general points about newspaper markets which we think are worth particular comment:

- (a) the extent to which newspapers of all types are in competition, particularly for advertisers, with other media; and
- (b) the extent of competition between different types of newspaper.

2.12. It was put to us by the main parties that newspapers faced strong and growing competition for advertisers from other media. Both Trinity and RIM emphasized the competitive threat to regional and local newspapers, which obtained over half their revenue from classified advertisements, from specialist advertising publications such as *Auto Trader*, *LOOT* and a variety of publications that could be picked up free at supermarkets or garages. Other major sources of competition were television, radio, directories and, in the future, the Internet.

2.13. In its reports on newspaper mergers, the MMC has been cautious about accepting the argument that competition from other media is an adequate substitute for competition between newspapers. For example, in its report on Johnston Press plc and Home Counties Newspapers Holdings, the MMC said that ‘... in our view there remains a substantial area of advertising, not least for individuals and small businesses which, because it is too general for specialist publications, too local for radio, television or regional guides or too short term for directories ... is essentially the preserve of local newspapers’.<sup>1</sup> The MMC was also doubtful about the extent of substitutability between different advertising media when it examined the radio advertising market (see paragraph 4.107).

2.14. We agree that no other advertising medium is a complete substitute for newspaper advertising and that there are certain types of advertisement which are better suited to newspapers than to any other medium. However, we think there has been a steady trend towards limiting the range of advertising for which newspapers face no real competition from other media, and we believe that this trend is likely to become more marked with the development of new media. Table 4 in Appendix 4.1 shows advertising expenditure in the UK. Excluding direct mail, newspapers’ share of this expenditure fell from 47.3 per cent in 1973 to 33.5 per cent in 1997 (although the absolute level of newspaper advertising expenditure increased). Including direct mail, newspapers’ share in 1997 was under 30 per cent.

2.15. One of the main growth areas for advertising expenditure over the last 25 years has been television and radio. We heard different views about whether the broadcast media would maintain this growth. Some thought that the fragmentation of television audiences,

---

<sup>1</sup> *Johnston Press plc and Home Counties Newspapers Holdings plc: a report on the proposed transfer to Johnston Press plc of the newspapers of Home Counties Newspapers Holdings plc*, The Stationery Office, Cm 3962, June 1998; paragraph 2.74.

brought about by an increasing number of channels, was making television less attractive to advertisers. Others thought that the greater number of channels and the development of interactive television made possible by digital broadcasting, together with increasing penetration by cable television, would offer advertisers new opportunities. We think that the fragmentation of audiences is most likely to affect advertisers who want to mount national campaigns; so far as the kind of advertising that is found in regional and local newspapers is concerned, we believe that there will be greater competition from the broadcast media in future.

2.16. Some advertising, particularly classified advertising, needs to be read in order to be effective, and hence is particularly well suited to newspapers. However, this is precisely the kind of advertising for which the Internet also caters well. At present the impact of the Internet on advertising is limited but it is increasing and, in our view, is likely to become substantial over the next few years, though it is impossible at present to quantify what its impact on newspapers will be.

2.17. The extent and speed with which newspaper advertising is affected by competition from new media is likely to vary in different parts of the UK. We refer to the situation in Northern Ireland in paragraph 2.77.

2.18. Newspapers vary in their geographical coverage (ranging from the whole of the UK to a single small town), the frequency and timing of their publication, their style and content, and whether they are paid-for or free. While it is obvious that not all newspapers are in competition with each other, either for readers or for advertisers (local newspapers serving different parts of the country, for example, do not compete), it is less clear how titles can best be grouped for the purposes of competition analysis. In Chapter 4 we follow the usual distinction between national titles, and regional and local titles, recognizing the problems of classifying certain newspapers such as the *Daily Record*, and we group regional and local titles into dailies and Sundays on the one hand and weeklies (both paid-for and free) on the other. We believe that this is a valid classification for the reasons given in paragraphs 4.29 to 4.33 but we recognize that there could be some competition between titles in different categories. We return to these questions, as necessary, when examining concentration of ownership.

## **Public interest issues**

### **Accurate presentation of news and free expression of opinion**

2.19. When considering the public interest in a newspaper merger inquiry, we are required to take into account, among other relevant matters, the need for accurate presentation of news and free expression of opinion. This could be adversely affected by editorial interference, management failure or financial pressures arising from the transfer of titles. We look at these possibilities in turn.

2.20. Both Trinity and RIM assured us categorically that they had a policy of editorial independence within an agreed commercial framework and said that they would be willing to give formal undertakings to preserve such independence. No one who gave us evidence provided convincing examples of interference with editorial independence by either company and those editors we spoke to confirmed that they had not experienced interference in their work. Both Trinity and RIM sent us extracts from some of their titles to illustrate that different titles owned by them took a different political line from each other.

2.21. Trinity is a publisher of regional and local newspapers of long standing and transfers of titles to Trinity have been the subject of four MMC merger inquiries in the last ten years. It seems likely to us that had there been a serious breach of editorial independence by Trinity management it would have come to light. RIM has less of a track record, having only been in business since early 1998, but several members of its senior management team, including its Chairman (Sir Norman Fowler MP) and its Chief Executive (Chris Oakley), held similar positions in Midland Independent Newspapers plc (MIN) before its acquisition by Mirror Group and we received no evidence to suggest that they had not pursued a policy of editorial independence there. Sir Norman told us that although he had played a leading part in John Major's campaign for re-election as the Conservative Party leader, *The Birmingham Post* (then an MIN title) had supported John Redwood.

2.22. Quite apart from track record and assurances, we think there are two commercial reasons why a company owning a large number of titles would wish to pursue a policy of editorial independence:

- (a) to maintain or increase circulation, regional and local newspapers must reflect the views and concerns of readers in their area, and local editors are likely to be best placed to judge the interests of those readers; and
- (b) newspaper proprietors know that if they want to expand by acquisition, any transfer of titles would (with certain limited exceptions) be the subject of an automatic reference to the Competition Commission which would have to be satisfied that the transfer would not adversely affect accurate presentation of news and free expression of opinion.

2.23. The National Union of Journalists (NUJ) and the Graphical, Paper and Media Union (GPMU) were both concerned that *The Mirror* would cease to be a Labour-supporting newspaper if it were transferred. They argued that as most national newspapers were Conservative-supporting, a change in *The Mirror's* political stance would adversely affect the range of opinion expressed in national newspapers. The GPMU was particularly concerned about a transfer to RIM, partly because it did not think it credible to expect a company chaired by Sir Norman Fowler to produce a Labour-supporting newspaper and partly because RIM's employment practices (see paragraphs 2.97 and 2.98) were not, in its view, those of a company which could be expected to uphold the political stance of *The Mirror*.

2.24. Both Trinity and RIM told us that they would maintain *The Mirror's* current left-of-centre political stance. Trinity said that this stance was an essential part of the title's ethos. Chris Oakley, the Chief Executive of RIM, commented that it would be commercial folly to take a newspaper which had a left-wing audience and try to turn it into a Conservative newspaper. Sir Norman Fowler said that *The Mirror* was and should remain a flourishing independent national newspaper of the left. He said that his record as a non-executive Chairman of MIN, of Mirror Group's regional newspapers and of RIM demonstrated that he had never been involved in any political interference or influence on the newspapers owned by those companies. A non-executive Chairman was not an owner and, in his view, did not have a political relationship with editors. RIM also told us that its employment practices were not essentially different from those of Mirror Group.

2.25. We think that there are very strong commercial reasons for maintaining *The Mirror's* left-of-centre political stance, given the absence of other tabloids in that market niche, and we therefore think it most unlikely that either Trinity or RIM would change this stance if they acquired Mirror Group. It is of course quite possible that the commercial imperatives will change in the future but if that happened we see no particular reason to expect the current Mirror Group management to be any more assiduous in maintaining *The*

*Mirror's* current political stance, if that were a commercially unattractive proposition, than either Trinity or RIM.

2.26. As regards the position of Sir Norman Fowler, we accept what he has told us and we do not think that the political stance of *The Mirror* (or other titles) would in reality be significantly affected by his Chairmanship of RIM, should the latter acquire Mirror Group.

2.27. It was put to us by Mirror Group that national newspapers required different management skills and a different kind of involvement by top management from regional titles. For example, there were much greater political pressures, and board members needed to be on hand to take decisions at short notice which could not be left to editors alone. David Montgomery, former Chief Executive of Mirror Group, told us that if national titles were to thrive, they had to be the primary focus of top management attention; they could not be managed at arm's length in the same way as regional titles. He said that Trinity's proposal to have its top management located separately from Mirror Group's national titles was indicative of a lack of understanding of what managing such titles would involve, as was RIM's apparent unwillingness to recognize the problems of perception that would be created by having Sir Norman Fowler as its Chairman.

2.28. These matters are relevant to our inquiry as it would be a public interest concern if management inexperience weakened the ability of a title accurately to present the news, or even threatened its survival. We considered whether the lack of experience of Trinity and RIM in managing national titles might have such adverse effects. We concluded that this was not a serious risk in view of the substantial newspaper management experience of both companies, and the fact that both of them were alert to the special needs of national titles and told us that they hoped to retain much of the existing Mirror Group management.

### ***Financial pressures***

2.29. A threat to the accurate presentation of news and free expression of opinion could also come from financial pressures arising from the proposed transfers. Such pressures could lead to the closure of unprofitable or marginally profitable titles, with adverse effects on the diversity of the press, or to cost-cutting severe enough to reduce appreciably the ability to engage in full and accurate news reporting.

2.30. Both Trinity and RIM told us that they had no plans to close any of Mirror Group's titles with the possible exception, in the case of Trinity, of one or two free titles in areas where Trinity titles overlapped with those of Mirror Group. We return to the issue of overlaps when dealing with concentration of ownership in Scotland and Northern Ireland (see paragraphs 2.58, 2.59 and 2.91) but as the titles in question contain only a limited amount of editorial (by which we mean everything other than advertising), their closure would have little impact on the accurate presentation of news or free expression of opinion.

2.31. A potentially more serious concern, put to us by the British Association of Journalists, was that in pursuit of profit Trinity and RIM would wish to undertake cost-cutting for Mirror Group titles, which would adversely affect the quality of their reporting. RIM in particular was said by the NUJ to have engaged in particularly vigorous cost-cutting when it acquired the UNM titles.

2.32. Both Trinity and RIM told us about their respective plans for cost savings if they were successful in acquiring Mirror Group titles (see paragraphs 2.92 to 2.94). In each case these savings involved headquarters or back office functions, not editorial resources. Both parties said that it was their intention to develop Mirror Group's titles and that they had made provision for further investment in them. Candover, RIM's main shareholder, told us that in

its view the basis of growth for a newspaper business was the strength of its editorial. When Candover decided to sell its interest in RIM, it would want to be able to demonstrate that progress had been made in circulation and on the editorial side; it said that the notion that it would invest hundreds of millions of pounds in Mirror Group's titles and then cut the editorial was a fanciful one. RIM also told us that the cuts it had made after acquiring the UNM titles had primarily involved a reduction in administrative and support costs.

2.33. We agree with those who were concerned about the transfer of Mirror Group's titles that maintenance of editorial quality and standards is an important consideration. However, we have found no convincing evidence to suggest that editorial quality would suffer as a result of a transfer either to Trinity or to RIM. We think that the declared policy of both parties to develop Mirror Group's titles is a commercially credible one and therefore likely to be pursued by them.

2.34. Notwithstanding the plans of Trinity and RIM, it is possible that the acquisition of Mirror Group, in either case, could lead to the creation of a financially unstable company which would be unable to avoid deep cuts in its costs. This risk is, perhaps, greater in the case of RIM because of the high level of its gearing: [ 300 ] per cent following the acquisition (see paragraph 3.112). Candover told us that the appropriate level of gearing and interest cover for a business depended on its cash flow and that where cash flows were stable, which was the case with newspaper businesses, a higher level of debt and a lower level of interest cover was usually appropriate. Candover had satisfied itself that if RIM acquired Mirror Group there would be sufficient capital to invest in the company and allow it to grow.

2.35. We have seen no evidence that leads us to doubt Candover's assessment of the financial consequences of an acquisition by RIM of Mirror Group, and hence we have no reason to conclude that the risk of financial instability arising from the proposed transfers would be such as to threaten the accurate presentation of news and free expression of opinion. A similar finding applies to Trinity.

2.36. In summary, we conclude that neither of the proposed transfers of Mirror Group titles poses a general threat to the accurate presentation of news and free expression of opinion. However, there are some special features of the situation in Northern Ireland, which we consider in paragraphs 2.60 to 2.91.

## **Concentration of ownership in the UK**

2.37. If Trinity were to acquire Mirror Group, there would be a substantial increase in the concentration of ownership of the press. The effect would be less marked with an RIM acquisition. We examine this issue in relation to the UK as a whole and then in relevant parts of England and Wales, in Scotland and in Northern Ireland respectively.

2.38. As neither Trinity nor RIM currently owns any national titles, neither of the proposed transfers would have any effect on the concentration of ownership of national newspapers.

2.39. Trinity's current share of circulation/distribution of regional and local newspapers is 11.5 per cent (see Table 4.1). If the *Daily Record* and *Sunday Mail* are classified as regional titles, Mirror Group's share is 12.5 per cent. So the combined group would have 24.0 per cent, substantially more than the 16.2 per cent of its nearest rival and current market leader, the Daily Mail and General Trust plc (DMGT). The increase in concentration for regional dailies and Sundays would be even greater: Trinity and Mirror Group together would have 30.5 per cent of circulation (DMGT 23.6 per cent). If RIM acquired Mirror

Group, the equivalent figures are 17.2 per cent of all regional and local titles and 23.8 per cent of regional dailies and Sundays.

2.40. If the *Daily Record* and *Sunday Mail* are classified as national titles, Trinity/Mirror Group would have an 18.8 per cent share of the circulation/distribution of all regional and local titles in the UK (21.4 per cent of regional dailies and Sundays) and RIM/Mirror 11.4 per cent (13.6 per cent of regional dailies and Sundays). Whichever method of classification is used, the Trinity/Mirror Group share would be substantially higher than any newspaper proprietor has had hitherto.

2.41. From the point of view of competition, these UK concentration figures are artificial. Trinity's *Liverpool Echo*, for example, does not compete either for readers or for advertisers with Mirror Group's *Evening Mail* (a Birmingham newspaper) and adding their circulation together tells us very little about market consequences of a Trinity/Mirror Group merger. The effect of increased concentration on regional and local newspaper competition, and hence on choice for readers and advertisers, must be analysed at the regional and local level. We considered whether the larger newspaper group that would be created by either of the proposed transfers would increase barriers to entry. Entry by a new paid-for title is already quite difficult, particularly for a daily title where the brand name is likely to be of great importance, but we see no reason why entry should be any more difficult as a result of the increases in concentration at the UK level brought about by either of the proposed transfers.

2.42. The real issues raised by an increase in concentration at the UK level are a possible reduction in the diversity of the press and the risk that a large number of titles might fall into the hands of an unsuitable proprietor. The NUJ, for example, argued that a reduction of diversity was a consequence of increased concentration. We think that, in general, diversity will be adequately safeguarded if there is editorial independence (though there are some circumstances where this might not be so: see our discussion on Northern Ireland in paragraphs 2.65 to 2.71). We have already said that we are satisfied that both Trinity and RIM will preserve editorial independence (see paragraphs 2.20 to 2.22). Neither company falls into the category of an unsuitable proprietor in any sense that we would wish to use the term.

2.43. We conclude that the increase in the concentration of ownership of the regional and local press at the UK level that would arise from the acquisition of Mirror Group either by Trinity or by RIM would not have adverse effects.

2.44. We also looked at the increase in the concentration of ownership of all newspapers (that is, national titles plus regional and local ones) at the UK level that would result from either of the proposed transfers. The relevant shares of circulation/distribution are shown in Table 4.2. Trinity and Mirror Group together would have 21.6 per cent, not greatly in excess of News International plc's current 19.7 per cent share. RIM and Mirror Group would together have 18.6 per cent. We are satisfied that the concentration of ownership of all newspapers at the UK level does not raise any issues additional to those we discussed in relation to regional and local titles.

## **Concentration of ownership in regions of England and Wales**

2.45. There are no significant overlaps between the circulation/distribution areas of Trinity's regional and local titles in England and Wales and those of Mirror Group. There are no overlaps at all between RIM's titles and the regional and local titles of Mirror Group (see Figure 4.5). An increase in concentration of ownership in the areas of England and Wales where Trinity's or RIM's titles circulate therefore arises only as a result of the overlap

between the circulation of Mirror Group's national titles and that of the regional and local titles of Trinity and RIM. Tables 4.12 and 4.13 show the shares of circulation of Mirror Group, Trinity and RIM in these areas of overlap.

2.46. If Trinity were to acquire Mirror Group, its share of the circulation of all daily and Sunday newspapers (nationals and regionals) would range from 33.4 per cent in Huddersfield to 43.8 per cent in the North-West, served by its Liverpool centre. If RIM acquired Mirror Group, its share of circulation of all dailies and Sundays in the area served by its titles would be 34 per cent. By way of comparison, Mirror Group's share of circulation of all dailies and Sundays in the area served by its Midlands regional titles is 32.4 per cent and DMGT's share in the area served by its East Midlands dailies is 35.7 per cent (see Table 4.14). So, except for the North-West, the concentration of regional plus national titles that would occur if either Trinity or RIM acquired Mirror Group would be broadly in line with that already existing in other regions. Trinity/Mirror Group's larger share in the North-West is largely due to the relative weakness of *The Sun* in Liverpool; we were told that this was a result of the way in which *The Sun* reported the Hillsborough disaster. No special concern about concentration in the North-West was raised with us by advertisers and we think that the issues there are much the same as in other parts of England and Wales.

2.47. Public interest issues only arise from the common ownership of regional and national titles to the extent that these titles compete with one another. It is very unlikely that there is competition between local weeklies and national dailies, either for readers or for advertisers, and the circulation figures of local weeklies have been excluded from the shares given in paragraph 2.46. It may be, however, that at least some readers and advertisers see regional dailies and Sundays as substitutes for national dailies and Sundays.

2.48. It was put to us by Trinity and RIM that the regional editions of *The Mirror* contained little regional or local editorial material except for television listings, and some sport and entertainment, whereas regional dailies, particularly evening titles, concentrated heavily on regional and local news and contained little national or international news. Regional morning titles had rather more national/international news but in all cases had a different readership profile from *The Mirror*, being aimed at higher socio-economic groups. RIM also referred us to recent surveys which indicated that 60 per cent of *The Yorkshire Evening Post* readers also read a national daily title on the same day, suggesting that these readers did not see them as substitutes.

2.49. As for advertisers, on average about two-thirds of the advertising revenue of regional dailies and Sundays comes from classified advertisements (see Appendix 4.1, Table 2). The dependence on classifieds is even more marked in some cases: RIM showed us figures which indicated that some 72 per cent of the advertising revenue from its daily titles came from classified advertisers (and a further 18 per cent from local display advertisers). By contrast only about 14 per cent of the advertising revenue of *The Mirror* comes from classifieds. On display advertising, Mirror Group told us that the great majority of such advertising in the regional editions of its national titles was by major national advertisers who would not find Trinity or RIM titles an acceptable substitute.

2.50. We agree that this evidence suggests that there is only a limited amount of competition between national and regional daily titles. A similar conclusion was reached by the MMC in its report on Mirror Group's proposed acquisition of MIN.<sup>1</sup> We received only one expression of concern specifically about the increase in concentration arising from the

---

<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*, The Stationery Office, Cm 3762, October 1997.

overlap between Mirror Group's national titles and the regional titles of Trinity or RIM in England and Wales. We conclude that this aspect of the proposed transfers would not have adverse effects.

## **Concentration of ownership in Scotland**

2.51. As RIM currently publishes no titles in Scotland, the only Scottish issue raised by its proposed acquisition of Mirror Group is whether it would lead to any diminution of reporting of Scottish affairs in Mirror Group's titles. RIM said that it had no intention of changing the present levels of coverage. Trinity made a similar point. We have no reason to doubt either of them.

2.52. Trinity publishes some 30 local weekly or bi-weekly titles in Scotland in addition to the small *Paisley Daily Express*. Mirror Group's Scottish titles are the Scotland-wide *Daily Record* and *Sunday Mail* plus a free weekly, *The Glaswegian*. It was put to us by Scottish Media Newspapers Limited (SMN), a subsidiary of the Scottish Media Group plc (SMG) which publishes *The Herald*, *Sunday Herald* and *Evening Times* newspapers in Glasgow, that a merged Trinity/Mirror Group would have such a strong combination of daily Scottish and local weekly titles that it would be able to offer unbeatable coverage to newspaper advertisers seeking to target readers throughout Scotland or in individual Scottish regions, particularly Strathclyde. SMN said that it and other publishers of regional and local newspapers in Scotland would be unable to compete effectively with the merged group.

2.53. There is no doubt that a combination of Trinity and Mirror Group would be the largest publisher of Scottish titles and of regional and local titles in Scotland. It would have about 48 per cent of the circulation of dailies and Sundays and 29 per cent of weeklies (see Tables 4.8 and 4.10). But as Trinity currently has a negligible presence in the market for dailies and Sundays and Mirror Group has only one weekly, albeit with a large distribution, the transfer would have a major effect on competition only to the extent that there are links between markets for dailies and weeklies, or where there are local areas of overlap (see paragraphs 2.58 and 2.59). SMN argued that the two markets were indeed linked in that many advertisers chose to use a combination of Scotland-wide dailies and Sundays (such as the *Daily Record* and *Sunday Mail*) plus local weeklies. It sent us data provided by Media Monitoring Services Ltd (MMS) which showed that 32 per cent of display advertisers in the *Daily Record* in 1998 also advertised in a group of ten local weeklies (three of which belong to Trinity), and that these advertisers accounted for 64 per cent of the *Daily Record's* total display advertising revenue.

2.54. Trinity, on the other hand, denied that there was much advertising common to both the *Daily Record* and its weekly titles. It said that when it examined the advertising in two of its largest-selling paid-for weeklies over a one-week period, it had found only nine advertisers common to one or both of these titles and the *Daily Record*. Of these nine advertisers, only one placed the same advertisement across all three titles.

2.55. Trinity told us that its figures did not conflict with the MMS data because of differences in coverage, particularly time period. MMS data for a single month (March 1999), relating only to the three Trinity titles in the database, showed that there were 28 advertisers who were common to both the *Daily Record* and the Trinity titles (11.3 per cent of *Daily Record* advertisers for the period). Trinity argued that it was not appropriate to identify advertising overlap for a long period like a year as advertising buying decisions separated by several months would be unrelated. Advertisers did not in practice buy advertising in Trinity's titles as a package together with the *Daily Record*. This was illustrated by the fact that many of the 28 advertisers who were common to the *Daily Record* and Trinity's titles in

March 1999 did not advertise in all three of the latter (only 16 advertisers were common to the *Daily Record* and the *Hamilton Advertiser*, for example).

2.56. We accept that there is probably only a limited amount of advertising that could be sold as a package involving the *Daily Record* and Trinity's local titles. To the extent that some advertisers are interested in such a package, the transfer of the *Daily Record* to Trinity would, as SMN claimed, give Trinity a competitive advantage. This advantage is not of itself a public interest detriment. In so far as it provides some advertisers with a more attractive service than they would otherwise obtain, it can be said to be beneficial. A detriment would arise only if competing newspaper groups were so weakened that they had to close titles or cut costs by so much that editorial quality was reduced. We would be surprised if the limited ability of the combined Trinity/Mirror Group to sell advertising in both dailies and weeklies would have such a seriously adverse effect on titles like *The Herald* and the *Evening Times*.

2.57. Apart from SMN we received relatively few comments about the effect in Scotland of the proposed acquisition of Mirror Group. Such comments as we did receive did not suggest that the acquisition would be against the public interest. For example, the Institute of Practitioners in Advertising (IPA) told us that in its view there was no threat to competition from either Trinity or RIM.

2.58. A further issue in Scotland is the effect of the proposed acquisition by Trinity on localities where there is an overlap between *The Glaswegian* and Trinity's weekly titles. In some four postcode districts in the greater Glasgow area Trinity would have 100 per cent (or close to it) of the circulation/distribution of weeklies if it acquired *The Glaswegian*, and in another postcode district it would have 72 per cent of such distribution. Trinity told us that it did not yet know how it would react to this situation. [

*Details omitted. See note on page iv.*

]

2.59. However Trinity reacted, it is inevitable that its acquisition of *The Glaswegian* would reduce newspaper competition in those postcode districts in which there is an overlap. However, we doubt whether this would have seriously adverse consequences as entry by new free titles is relatively easy (see paragraph 4.113). If Trinity were to push up advertising rates in districts where it had nearly the whole of weekly circulation, other newspaper companies in the area, for example SMN, could start a free title to compete for the business. We doubt whether a decision by Trinity to close the *East End Independent* or to limit distribution of *The Glaswegian* would adversely affect readers to any great extent.

## **Northern Ireland**

2.60. RIM does not publish any titles in Northern Ireland. Its acquisition of Mirror Group would not therefore lead to increased concentration of ownership of the press there. RIM told us that it was well aware of the political sensitivities of newspaper publishing in Northern Ireland and that if it acquired Mirror Group it intended to leave the running of its Northern Ireland titles to the existing management and editors. No serious concerns were expressed to us about a transfer of Mirror Group's titles in Northern Ireland to RIM. We see no reason to conclude that this transfer would have adverse effects.

2.61. Trinity publishes the *Belfast Telegraph* (an evening newspaper), *Sunday Life* and the *Community Telegraph* series (weekly free titles distributed in the greater Belfast area). It also owns *The Sunday Business Post*, a title published in the Republic of Ireland. Trinity's Belfast centre is [                    ⌘                    ] of its regional centres (see Table 3.7).

2.62. At the start of our inquiry, Mirror Group published the *News Letter* (a daily morning title), of which there was a paid-for Ulster edition and a free Belfast edition, the *Derry Journal* (a paid-for bi-weekly), and three free weeklies, the *East Belfast News*, the *North Down News* and the *Journal Extra*. In the course of our inquiry the Belfast edition of the *News Letter* was replaced by the *Belfast News*, a free weekly, and the *East Belfast News* was discontinued. Mirror Group also has two local weeklies circulating in the Republic of Ireland, the *Donegal Democrat* and the *Donegal People's Press*. There is a Northern Ireland edition of *The Mirror* which, we were told, contains more regional material (including advertising) than most regional editions of *The Mirror*.

2.63. In addition to Trinity and Mirror Group titles, Northern Ireland has one other regional daily, *The Irish News*, an independently-owned morning title mainly serving the nationalist community, and a large number of local weeklies. Circulation/distribution figures for Northern Ireland are given in Tables 4.4, 4.5 and 4.6.

2.64. We received many more submissions relating to Northern Ireland, and from a much wider range of people, than we did about any other aspect of the proposed transfers. With very few exceptions they expressed serious concern about the acquisition by Trinity of Mirror Group's Northern Ireland titles. We identify the main issues as follows:

- (a) the representation of the broad range of unionist opinion in the press;
- (b) the consequences for joint initiatives between the *News Letter* and *The Irish News*;
- (c) the loss of advertising competition in Northern Ireland;
- (d) threats to the viability of *The Irish News*; and
- (e) problems of local competition, particularly in the Derry area and East Belfast/North Down.

Although several of these issues overlap, each has a different focus and we discuss them separately.

### ***Representation of unionist opinion***

2.65. Although broadly unionist in its political stance, the *Belfast Telegraph* is a moderate, middle-of-the-road newspaper. About a quarter of its readers are from the Catholic community. By contrast the *News Letter* has a tradition of radical unionism, though it has moderated its stance in recent years and campaigned vigorously in favour of the Good Friday agreement.

2.66. It was put to us that if Trinity were to acquire the *News Letter*, the newspaper would lose its distinctively unionist ethos and become more like the *Belfast Telegraph*. The consequence of this would be that an important section of Northern Ireland opinion would cease to find adequate expression in the press. Trinity denied that its acquisition of the *News Letter* would result in any change to the title's political stance because it would pursue its normal policy of giving its editors independence. It pointed out that the *Belfast Telegraph* and *The Sunday Business Post* had taken conflicting positions on the Good Friday agreement.

2.67. It was suggested to us that there would be commercial pressure on the *News Letter* to take a less overtly unionist line as advertisers and business generally were more comfortable with the more neutral style of the *Belfast Telegraph*. Trinity denied that it made com-

mercial sense to make editorial changes in response to pressures by advertisers; the consequence was loss of circulation. It might also be argued that if there were commercial reasons for the *News Letter* to be more like the *Belfast Telegraph* then a move in that direction would be just as likely under Mirror Group (or RIM) as it would under Trinity.

2.68. On the other hand, any owner of both the *Belfast Telegraph* and the *News Letter* would be under pressure to minimize costs by co-locating them and sharing staff, perhaps even having a shared news room. Under such an arrangement the *Belfast Telegraph*, as much the more commercially successful title, would be the dominant partner and over time its ethos could be expected to pervade the whole group. This process would not be inevitable: if Trinity were determined to maintain the *News Letter's* distinctive voice, it could do so. However, Trinity has a tradition of hands-off management of its titles and of giving its local subsidiaries a good deal of discretion. In the absence of a strong lead from the centre, we think it likely that the distinction between the styles of the *News Letter* and the *Belfast Telegraph* would gradually be eroded.

2.69. It did not appear to us that Trinity had thought deeply about how such erosion might be prevented. Indeed, it told us that the editorial views expressed by the *Belfast Telegraph* and the *News Letter* were already very similar. This surprised us as it was not the impression we received from other parties or formed ourselves from the press cuttings we examined. But even if it is so, it does not greatly affect the argument. The ethos of a newspaper is much more than the opinions expressed in its leaders. The different styles of the *Belfast Telegraph* and the *News Letter* were clearly illustrated by their contrasting approaches to the Good Friday agreement (see paragraph 2.72). It is this difference that would be lost if the two titles converged. Trinity agreed that editorial ethos and current editorial views were distinct issues and assured us that it would wish to maintain the ethos of the *News Letter*. However, we were not convinced that it would take the positive steps necessary to prevent day-to-day pressures from blurring the currently distinctive character of the *News Letter* and the *Belfast Telegraph*.

2.70. Trinity pointed out that its Liverpool daily titles, the *Daily Post* and the *Liverpool Echo*, were co-located and had taken a different political line for many years. But political sensitivities in England are not comparable to those in Northern Ireland. We would be surprised if there was much, if any, pressure on the *Daily Post* and *Liverpool Echo* to converge politically. By contrast, maintaining the *News Letter's* campaigning style in an organization dominated by the very different *Belfast Telegraph* would, we think, require continuous and positive management commitment. The political situation in Northern Ireland makes such commitment of greater importance than it is elsewhere. We believe that it is vital to the public interest that there should be as much opportunity as possible for the expression of a wide variety of political views in Northern Ireland.

2.71. The MMC concluded in its 1989 report on the proposed transfer of newspaper titles from Century Newspapers Ltd (then owner of the *News Letter*) to Thomson Regional Newspapers Ltd (TRN, then owner of the *Belfast Telegraph*) that diversity of opinion would be likely to be impaired if the transfer went ahead and that it would adversely affect the balance of expression of political opinion in Northern Ireland.<sup>1</sup> There have been important political developments in Northern Ireland since 1989, and these have been reflected in the more moderate stance currently taken by the *News Letter*. Nevertheless, it is our view that adequate representation in the press of the range of political opinion in Northern Ireland remains essential. Three of us believe that if the *Belfast Telegraph* and the *News Letter* were

---

<sup>1</sup> *Century Newspapers Ltd and Thomson Regional Newspapers Ltd: a report on the proposed transfer of two newspapers and related newspaper assets owned by Century Newspapers Ltd to Thomson Regional Newspapers Ltd*, HMSO, Cm 677, April 1989; paragraph 6.30.

under common ownership, it is likely that the *News Letter's* distinctive voice in representing unionist opinion would be lost. One of us, Charles Henderson, agrees that this loss is a real risk but does not believe that it is sufficiently likely that he can have an expectation of it occurring. We all agree, however, that the loss of the *News Letter's* distinctive voice would threaten the adequate representation in the press of the range of political opinion in Northern Ireland.

### ***Joint initiatives between the News Letter and The Irish News***

2.72. We were told that in recent years the *News Letter* and *The Irish News* had engaged in joint initiatives on both the political and the commercial front. Politically, the two newspapers had engaged in joint campaigns in support of the Good Friday agreement and on the Drumcree parade. This contrasted with the *Belfast Telegraph* which, although it was in favour of the Good Friday agreement, did not campaign for it and had seen its role as one of reporting all shades of opinion in a balanced way. Commercially, the *News Letter* and *The Irish News* cooperate to sell national display advertising in both newspapers, in competition with the *Belfast Telegraph* (see paragraph 4.62).

2.73. *The Irish News* told us that if Trinity acquired Mirror Group's titles, it believed that cooperation between *The Irish News* and the *News Letter* would end. However, Trinity said that it was prepared to cooperate with *The Irish News*: political initiatives would be a matter for the editor of the *News Letter* and it would be willing to continue with the joint selling of national display advertising.

2.74. We see no reason why Trinity would want to prevent the *News Letter* from engaging in joint political initiatives with *The Irish News* if that is what its editor wanted. To do so would have no obvious commercial advantages and it would undermine Trinity's claims to support editorial independence. However, we take *The Irish News's* main concern to be not so much that Trinity would veto joint initiatives but that these initiatives would be impossible because *The Irish News* itself would cease to be commercially sustainable. We consider this question in paragraphs 2.80 to 2.88.

2.75. As for commercial cooperation, a situation in which *The Irish News* was dependent on the goodwill of its main rival would not be a satisfactory one, at least in the longer term. Moreover, to the extent that cooperation occurred it would have adverse effects on competition for advertising (see next section).

### ***Competition for advertising***

2.76. It was put to us by a leading advertising agency with experience in the Northern Ireland market that if Trinity acquired Mirror Group's titles, there would be a significant reduction in competition for advertising in Northern Ireland. Trinity and Mirror Group titles between them account for some 78 per cent of the circulation of regional daily and Sunday titles and 51 per cent of the circulation of regional and national dailies and Sundays (see Tables 4.4 and 4.5). We were told that local advertisers had benefited from more competitive rates introduced by Mirror Group which in turn had led to a greater willingness by the *Belfast Telegraph* to negotiate on rates. These pressures would disappear if competition between Mirror Group titles and the *Belfast Telegraph* ceased as a result of the proposed transfer.

2.77. We asked about the extent to which other media provided competition for advertising in Northern Ireland. We were told by the advertising agency that, apart from Ulster Television, no other medium could rival newspapers. Specialist publications were less well

developed in Northern Ireland than in Great Britain and new media were unlikely to have more than peripheral significance for some time. Trinity, on the other hand, argued that the advertising market in Northern Ireland was highly competitive with a wide range of alternative advertising media in every sector (recruitment, property, cars etc). It emphasized in particular the competition to regional and local newspapers provided by specialist advertising magazines such as *Auto Trader* and *Buy & Sell*.

2.78. Table 4.7 shows advertising revenue in Northern Ireland. It indicates that if Trinity acquired Mirror Group its share of advertising in all the media covered would increase from 25 to 33 per cent. The table does not include the revenue from certain important types of advertising media (in particular outdoor advertising and directories, together estimated to have revenues of around £13 million, and direct mail for which no estimates are available) which would reduce the Trinity/Mirror Group share of the total. Taking newspaper advertising only, Trinity's share would increase from 52 to 67 per cent if it acquired Mirror Group; and its share of advertising in regional daily and Sunday titles would increase from 75 to 88 per cent.

2.79. These are substantial increments on an already large base. Notwithstanding our view that new media will in future provide increasing competition for newspapers (see paragraph 2.15), we think that the proposed transfer to Trinity of Mirror Group's titles would lead to a loss of competition for advertising in Northern Ireland. The effect may be expected to be higher costs for newspaper advertising there than would otherwise be the case.

### ***Threat to The Irish News***

2.80. *The Irish News* told us that if Trinity acquired Mirror Group's titles it would so dominate the newspaper advertising market in Northern Ireland as to reduce very severely the chances of *The Irish News* obtaining sufficient advertising revenue to be viable. We were told that the threat came not so much from a combination of the *Belfast Telegraph* and the *News Letter*, because both newspapers circulated mainly in the unionist community, but from the combination of the *Belfast Telegraph* and the Northern Ireland edition of *The Mirror* (and their Sunday equivalents). *The Mirror* sold strongly in the nationalist community, with the result that the net reach of Trinity and Mirror Group daily and Sunday titles together amounted to 65 per cent of the adult population in Northern Ireland (see Appendix 2.1). As the net reach of Trinity and Mirror Group daily and Sunday titles plus *The Irish News* was only 3 per cent more, advertisers who were able to come to a satisfactory arrangement with Trinity (should it acquire Mirror Group's titles) would have little incentive to purchase advertising from *The Irish News*. We were also told that major publishing groups in Northern Ireland were already using combinations of titles and heavy discounting to take business from *The Irish News*. *The Irish News* feared that, if the transfer to Trinity went ahead, it would lose some 45 per cent of its advertising revenue and would cease to be profitable and, ultimately, viable.

2.81. *The Irish News* gave us an estimate of its projected advertising losses by category. The largest loss involved recruitment advertising. Fair employment legislation in Northern Ireland (see paragraph 4.65) requires employers to ensure that job vacancies are not advertised in publications likely to be read only or mainly by one community (unless they are taking affirmative action). The *Belfast Telegraph* and *Sunday Life* apparently meet this requirement (26 per cent of readers of the *Belfast Telegraph* and 36 per cent of readers of *Sunday Life* are members of the Catholic community), and to that extent Trinity does not need *The Mirror* in order to attract recruitment advertising. Nevertheless many employers choose to use *The Irish News* to advertise jobs to the Catholic community and *The Irish News*

feared that perhaps as much as 70 per cent of its revenue from recruitment advertising could be at risk from competition from an attractively priced package of the *Belfast Telegraph* and *The Mirror* (and their Sunday equivalents).

2.82. We are in no doubt that if *The Irish News* were driven out of business as a result of Trinity's acquisition of Mirror Group's titles, this would be a serious public interest detriment as it would deprive the nationalist community in Northern Ireland of its most important voice in the press. However, the question we must address is whether *The Irish News*'s fears about the commercial effects of the proposed transfer are justified.

2.83. Trinity told us that it did not dispute the figures about the net reach of the various Northern Irish titles. It noted that the *Belfast Telegraph* and *The Mirror* together had a net reach in the Catholic community of 44 per cent whereas these two titles plus *The Irish News* together had a net reach in that community of 60 per cent. Trinity believed that the future of *The Irish News* would not be seriously threatened if it acquired Mirror Group's titles, for the following reasons:

- (a) *The Irish News*, an upmarket broadsheet, was a very different product from *The Mirror* and would be read by a different part of the Catholic community. It was unlikely that advertisers would see *The Mirror* as an adequate substitute for *The Irish News*, given *The Irish News*'s readership profile and long-entrenched position.
- (b) National tabloids such as *The Mirror* did not work well as local recruitment media. People looked for job vacancies in regional or local newspapers.
- (c) Persuading advertisers to advertise in both the *Belfast Telegraph* and *The Mirror* by offering a cheap package would not be commercially sensible as it would reduce the advertising yields of the respective titles.
- (d) A package of all Trinity/Mirror Group titles would be extremely expensive to advertisers without massive discounts which would be unattractive to Trinity.
- (e) Trinity had no intention of forcing advertisers who wanted to advertise in one of its titles also to advertise in another. Conditional packages of that sort did not work [ *Details omitted. See note on page iv.*] the only current example (recruitment advertising in the *Belfast Telegraph* and *Sunday Life*), which it had inherited from TRN.
- (f) As *The Mirror* was a national title, there were practical problems in greatly increasing the amount of Northern Ireland-sourced advertising, in particular display advertising, that it carried.
- (g) Trinity had no wish to try to put *The Irish News* out of business.

2.84. Figures on net reach are not easy to interpret but we note that the net reach in the Catholic community by the combination of Trinity and Mirror Group daily titles is under 50 per cent and it only exceeds that figure when the Sunday titles are included. We believe that advertisers will see Sundays as no more than partial substitutes for dailies. More importantly, there is no reason to expect that the circulation of *The Irish News* would be affected by the transfer of Mirror Group titles as none of the titles involved offers readers an adequate substitute for *The Irish News*. Thus advertisers who want specifically to target readers of *The Irish News* would continue to want to advertise there. It is important to distinguish between classified and display advertising. We think that in general classified advertisers (including those advertising jobs vacancies) will want to target their advertisements as precisely as possible, and will not see a combination of Trinity and Mirror Group titles as providing an adequate substitute for *The Irish News*. This may be less true of display advertisers.

2.85. We also note that the current value of Northern Ireland-sourced advertising carried by *The Mirror* and *Sunday Mirror* is relatively modest, representing only about 2 per cent of total advertising revenue in daily and Sunday regional titles in Northern Ireland (see paragraph 4.67), compared with the 10 per cent share obtained by *The Irish News* and the *Belfast Telegraph's* 66 per cent. Mirror Group told us that this small share was mainly due to lack of demand. As Mirror Group has tried to increase its advertising revenue in Northern Ireland by offering packages comprising *The Mirror* and the *News Letter*, which together have reasonable penetration of both communities, this lack of demand may suggest that *The Mirror* is not particularly attractive to most advertisers in Northern Ireland.

2.86. If the demand were there, we would be surprised if the practical problems of adding regionally-sourced advertising to a national title could not be overcome, for example by adding extra pages. However, Mirror Group told us that the yield obtained from such regional advertising might be insufficient to cover the cost of extra newsprint.

2.87. As for Trinity's assurance that it would not wish to put *The Irish News* out of business, we think that this has some weight even if we assume that Trinity would act out of purely commercial motives. The closure of *The Irish News* as a result of action by Trinity would be damaging to Trinity's reputation in Northern Ireland.

2.88. As we have said, a serious threat to the future of *The Irish News* arising from Trinity's acquisition of Mirror Group titles would be against the public interest. But, on balance, for the reasons given in paragraphs 2.84 to 2.87 we do not believe that the risks are such that we can have an expectation of this detriment occurring.

### ***Local competition issues***

2.89. We were told that the acquisition by Trinity of Mirror Group's *Derry Journal* would have an adverse effect on competition in the North-West of Northern Ireland because Trinity's titles would dominate regional and local newspaper circulation there. It was suggested that the *Londonderry Sentinel*, the only paid-for newspaper in the area not owned by Trinity or Mirror Group, would be unable to attract advertisers as Trinity would be able to offer them a more attractive package.

2.90. The proposed transfer would give Trinity both the leading regional daily and the leading paid-for weekly in the Derry area. We doubt whether it would create special problems in this area over and above those we have identified for Northern Ireland as a whole because Mirror Group already has the ability to offer advertisers a package which can reach both the nationalist and the unionist communities in the North-West of Northern Ireland. However, our general concern about the effect of the transfer on Trinity's strength in the newspaper advertising market in Northern Ireland as a whole is clearly applicable to the Derry area.

2.91. The other local areas in which the effect of the proposed transfer could be particularly marked are those postcode districts in East Belfast and North Down where Trinity's *Community Telegraphs* overlap with Mirror Group's *Belfast News* and *North Down News*. In several postcode districts Trinity would have a large proportion of the circulation/distribution of local weeklies if it acquired Mirror Group. However, as the titles involved are free, we take the same view as we did when considering overlaps in the Greater Glasgow area, namely that if Trinity tried to exploit its position by pushing up advertising rates, it would be relatively easy for another newspaper owner (for example Morton Newspapers Group, which

is the largest publisher of weekly newspapers in Northern Ireland) to enter the market with its own free title.

## **Efficiency and employment consequences**

2.92. The RIM business plan for a combined RIM/Mirror Group provided for net cost savings and revenue enhancements of some £[ 30 ] million a year. The sources of these benefits are summarized in paragraph 3.123; they arise principally from reduced administrative costs and increased purchasing power. RIM told us that the savings at head office level would inevitably lead to a small number of redundancies which, so far as possible, would be on a voluntary basis and kept to a minimum.

2.93. Trinity said that its acquisition of Mirror Group would lead to savings and revenue development worth some £[ 30 ] million a year (see paragraph 3.117). It told us that there would be some staff reductions, for example in head offices and back office areas, but that the numbers involved would not be great: 100 to 200 people at most.

2.94. The efficiency gains expected by RIM amount to about [ 30 ] per cent of the combined RIM/Mirror Group turnover; those by Trinity are about the same proportion of the combined Trinity/Mirror Group turnover.

2.95. It was put to us by some third parties that if Trinity acquired Mirror Group it would rationalize the current printing arrangements in Northern Ireland (described in paragraphs 4.54 to 4.58), leading to job losses. However, Trinity told us that it did not believe the transfer would have any impact on current printing arrangements which involved contractual obligations. It had no plans to change these arrangements. In the medium term Trinity said that it would need to consider the most appropriate way to print its enlarged portfolio and it might be that a combined Trinity/Mirror Group entity could justify the installation of a new press.

2.96. Job losses reflecting improvements in efficiency are not in themselves against the public interest where the gains are passed on to customers at least in part. We have no reason to believe that either RIM or Trinity would cut staff at the expense of the quality of their titles, should they acquire Mirror Group.

2.97. The GPMU and the NUJ accused RIM of poor employment relations. The NUJ said that RIM had used the opportunity of job cuts to dismiss active trade unionists at *The Star* (Sheffield), and said that a leaked RIM internal memorandum about job cuts and the company's plan for continuity of production painted a picture of an organization hostile to any legislation giving workers minimal rights.

2.98. RIM strongly denied that it had any indefensible employment practices. It said that it had made one trade union official redundant in Sheffield but that was because his job had disappeared as a result of new working practices. Although it did not recognize trade unions for collective bargaining purposes, this was in line with the great majority of the regional and national newspaper industry. If the Employment Relations Bill became law, it would of course comply with it. So far as Mirror Group titles were concerned, RIM would not seek to change collective bargaining arrangements already in place (a similar point was made by Trinity).

2.99. On the evidence presented to us, we do not think that the existing employment practices of Mirror Group are likely to be substantially changed by a merger either with RIM or with Trinity.

## **Conclusions on the public interest**

2.100. On the proposed transfer of Mirror Group titles to RIM we find, based on the evidence discussed in paragraphs 2.19 to 2.60, that the merger would not adversely affect accurate presentation of news and free expression of opinion nor would it lead to an unacceptable concentration of ownership of the press. We have identified no other issues which would lead us to believe that the proposed transfer would have adverse effects. We therefore conclude that the transfer to RIM of Mirror Group's newspapers and of the associated plant, premises and other assets may not be expected to operate against the public interest.

2.101. The proposed transfer to Trinity is more complex. In England and Wales, and in Scotland, we conclude that the transfer would not be likely to operate against the public interest. However, in Northern Ireland we conclude that it may be expected to do so for the following reasons:

- (a) the majority of us believe that if both the *Belfast Telegraph* and the *News Letter* were owned by Trinity, it is likely that the *News Letter's* distinctive voice in representing unionist opinion would be lost and we all agree that this outcome would threaten the adequate representation in the press of the range of political opinion in Northern Ireland (paragraph 2.71); and
- (b) all of us believe that if Trinity owned Mirror Group's titles, competition for newspaper advertising in Northern Ireland would be reduced, leading to higher costs for advertising in Northern Ireland than would otherwise be the case (paragraph 2.79).

## **Recommendations**

2.102. As we have not found that RIM's acquisition of Mirror Group's titles would operate against the public interest, the question of recommendations about this proposed transfer does not arise.

2.103. In the case of Trinity, all the adverse effects we have identified relate to Northern Ireland. Given this geographical limitation, we think that to refuse consent to the transfer to Trinity of Mirror Group's titles would be disproportionate. We have therefore considered whether there are any conditions which might be attached to the Secretary of State's consent in order to prevent the proposed transfer from operating against the public interest. Two types of conditions (or some combination of them) seem to us to be relevant:

- (a) behavioural undertakings; and
- (b) the disposal of one or more titles in Northern Ireland.

2.104. We considered the possibility of an undertaking by Trinity that it would maintain the existing political and editorial character of the *News Letter*. Trinity pointed out that it would not be easy to reconcile such an undertaking with its commitment to editorial independence. We can see other difficulties. The *News Letter* has changed its ground over the last ten years, reflecting changes in the unionist community. We would not want to saddle Trinity with an undertaking which could freeze the political development of the *News Letter* and

make it unable to respond to changing circumstances in Northern Ireland. Moreover an undertaking of this sort would be almost impossible to enforce. We do not expect that Trinity would seek to make a significant change to the character of the *News Letter* in a short space of time. The problem is more likely to be one of gradual drift over a long period. It would almost certainly be impossible to say at any one point during a process of gradual change that an undertaking on the *News Letter's* political character had been violated. The administrative cost of trying to monitor this process over several years would be appreciable.

2.105. We considered whether the *News Letter's* distinctive voice could be preserved by an undertaking by Trinity to maintain entirely separate managements, editorial and other staff, and premises for the *News Letter* and the *Belfast Telegraph*. We concluded that not only would this be a rather extreme interference in management matters but that it would be less likely to achieve its objective than separate ownership of the two titles, and would certainly be perceived as less satisfactory by those concerned by possible convergence.

2.106. Undertakings to deal with reduced competition for newspaper advertising seem to us to be even more problematic. We can see no realistic and enforceable way of compelling different newspapers owned by the same company to compete for advertising.

2.107. This leads us to conclude that the only effective remedy would involve disposal of titles. We have considered two main alternatives:

- (a) disposal of the *Belfast Telegraph*, *Sunday Life*, and their associated free titles, the *Community Telegraphs*, together with their related newspaper assets; or
- (b) disposal of the *News Letter*, the *Derry Journal*, and their associated free titles, the *Belfast News*, the *North Down News*, and the *Journal Extra*, together with their related newspaper assets.

2.108. Both of these remedies would reduce the risk of the *News Letter* losing its distinctive character by keeping it under separate ownership from the *Belfast Telegraph* and either would be sufficient to maintain competition in the Northern Ireland newspaper advertising market. Disposal of the *Belfast Telegraph* and its associated titles would maintain the present competitive position. However, when we put to Trinity the proposal that it should sell the *Belfast Telegraph* if the transfer went ahead, it rejected the idea unequivocally and said that such a requirement would make it rethink its plans to acquire Mirror Group because of the adverse effect that the forced sale of the *Belfast Telegraph* could have on its profits and share price. This is a more restrictive outcome than we think is justified by the public interest concerns we have identified.

2.109. We considered whether the *News Letter* and the *Derry Journal* could be successfully sold. We were told that both had benefited from being a part of a larger newspaper group. However, New Century Holdings Limited told us that it was confident of being able to put together a consortium to buy the *News Letter* and that the newspaper would be viable on its own. We know of no other likely buyers though it is possible that another large newspaper group might be interested. Some of those who gave us evidence were more doubtful about the *News Letter's* ability to survive on its own but as it is currently profitable we think it would be likely to survive.

2.110. We did not hear from anyone who said that they wanted to buy the *Derry Journal*. But as the newspaper is a successful one, we think it probable that there are potential buyers. When we put the possibility of a sale to Trinity and Mirror Group, neither suggested that there would be no buyers.

2.111. We therefore recommend that, in order to remedy the adverse effects arising in Northern Ireland from the proposed transfer of Mirror Group titles to Trinity, Trinity should be required to give undertakings that, should the transfer go ahead, it would dispose of the *News Letter*, the *Derry Journal*, the *Belfast News*, the *North Down News*, the *Journal Extra*, and their related newspaper assets on terms acceptable to the Secretary of State. These disposals should be within six months of the completion of any transfer to Trinity of the relevant titles.