

4 Newspaper markets and the effects of the two proposed mergers

Contents

	<i>Page</i>
Introduction	53
Background.....	53
Market shares and measures of concentration	56
Effect of the proposed mergers on competition	62
Competition between newspapers and with other media	62
Regional/local area analysis	64
Northern Ireland.....	64
Printing capacity and distribution.....	69
Advertising markets in Northern Ireland	70
Scotland.....	73
England and Wales.....	77
Cover prices.....	80
Advertising in the UK.....	81
Barriers to entry.....	82

Introduction

4.1. In this chapter, we begin by briefly describing the press and newspaper markets in the UK as a whole, including circulation/distribution trends (numbers of newspapers sold or distributed free) and advertising revenues: a more detailed account is included at Appendix 4.1. We then examine the overall structure of newspaper publishing for both national and regional/local newspapers and the changes that would result from the proposed mergers. After that, we move on to evaluate in more detail the effects on competition of each of the proposed mergers, looking particularly at the geographic areas of overlap between the parties in Northern Ireland, Scotland and England and Wales. Lastly, we consider cover prices, advertising competition in the UK and barriers to entry in newspaper publishing.

4.2. Previous MMC reports on newspapers and related markets are listed at Appendix 4.2. A description of the main parties to the two proposed mergers is given in Chapter 3 and lists of the titles they publish at Appendix 3.1 (Mirror Group), Appendix 3.5 (Trinity) and Appendix 3.9 (RIM). The views of the main parties are summarized in Chapter 5, and those of third parties in Chapter 6.

Background

4.3. In accord with the Fair Trading Act 1973—and also common usage of the term—we take ‘newspapers’ to include all daily and Sunday newspapers, whether they are available on a national, regional or local basis within the UK, and also local newspapers which are published less frequently (usually weekly). National weeklies (except where published on a Sunday) and monthlies fall outside this definition, but free newspapers (invariably local) are included, unless (as indicated in DTI’s Code of Practice on newspaper mergers of January 1994) they are devoted entirely to advertising. As noted

in previous reports, the range and variety of newspapers (or 'titles') published in the UK is considerable and there are marked differences in:

- (a) the content (news in its widest sense and advertising) of different types of newspaper;
- (b) the scale and location of their readerships (for example, high-circulation national dailies compared with local weekly newspapers);
- (c) the frequency of publication; and
- (d) cover prices (including a large number of free newspapers).

4.4. The terms 'local newspaper' and 'regional newspaper' as used in the newspaper industry are not well defined and they are sometimes 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. Some titles (for example, Mirror Group's *Daily Record* and DMGT's *Evening Standard* in particular: see paragraphs 4.11 to 4.17) are difficult to classify unambiguously as either regional or national. We note that as with some national newspapers, local titles are increasingly available (wholly or mainly) on their Internet web sites; and that some national publishers (including Mirror Group) have established services offering free connection to the Internet (see also paragraphs 4.109 and 4.110).

4.5. As in previous MMC reports, we distinguish—for sales and market share measurement purposes—between paid-for newspapers, for which 'circulation' data are published (mainly from the Audit Bureau of Circulations (ABC) and the Newspaper Society's Market Intelligence Unit (MIU); see Appendix 4.1), and free weekly titles, for which publishers' 'distribution' data are used (verified free distribution (VFD) data). Circulation figures refer to the average numbers sold (net of returns) either each day of publication or each calendar week. For our purposes, weekly average figures are often the more useful, since the sales/distribution figures for daily, Sunday and weekly titles can be aggregated on a consistent basis (see paragraph 4.10).

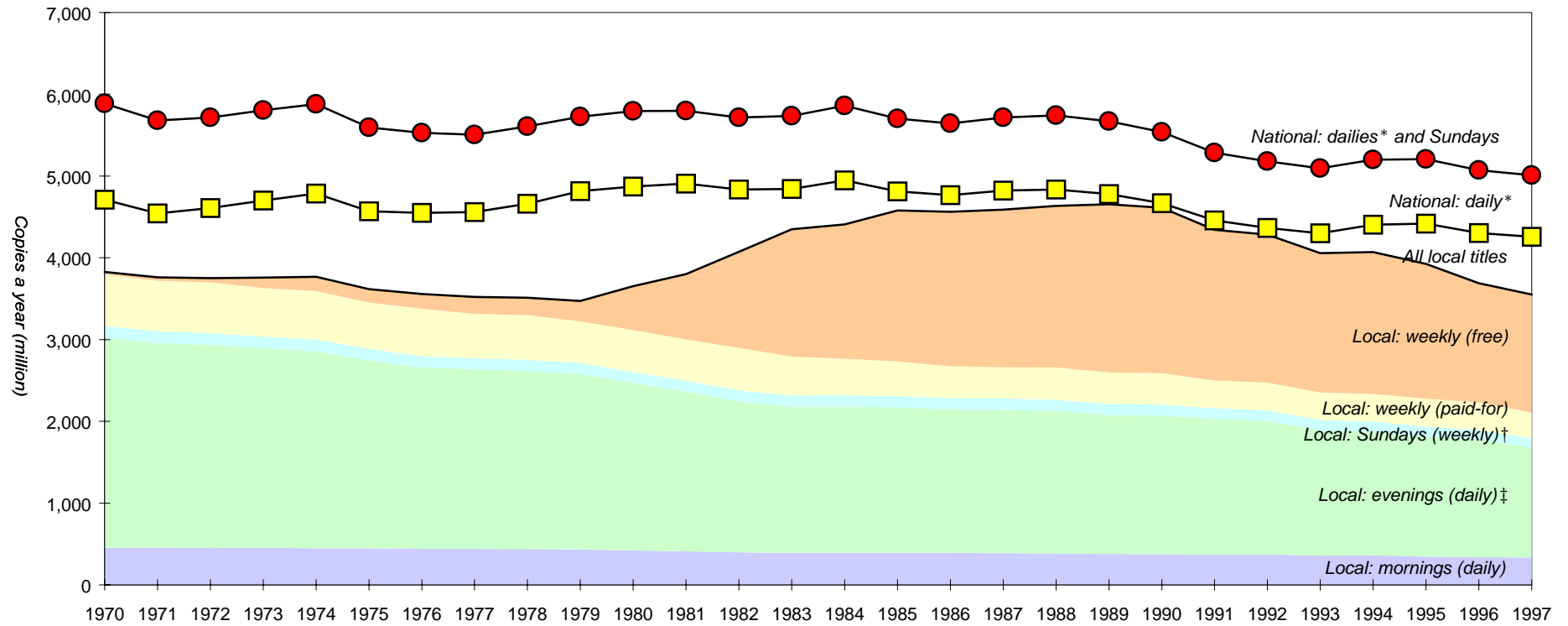
4.6. The newspaper industry refers to estimates of the percentage of households in a given area which purchase copies of a paid-for newspaper—or to which a free newspaper is delivered during a particular period—as 'penetration' rates (correspondingly, reference is also commonly made to a given title's X per cent penetration 'area'). Advertisers are naturally interested in the number (and type) of people who may see their advertisements, and newspaper publishers also attach importance to their titles' multiple readership data.

4.7. Appendix 4.1 gives a detailed account of trends in sales/circulation and advertising revenues. In total, newspaper revenues exceed £5 billion a year, of which national newspapers account for half, regional titles for a third and free weeklies (advertising revenue only) for the rest. Advertising revenues are crucial to newspapers' economic viability: they account for about half of total revenue for national titles on average (and markedly more for quality titles) and as much as 80 per cent for regional titles (much of which relates to classified advertising).

4.8. As noted in many previous MMC reports on newspaper mergers, sales of almost all newspapers have been slowly declining over the past 20 years. Sales trends for different types of newspapers are summarized in Figure 4.1. As may be seen, the only exception to the steady downward trend has been free weeklies: these expanded rather rapidly during most of the 1980s, but have subsequently declined almost as quickly.

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 *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).

4.9. Advertising revenue trends, measured in real terms and broken down by type of newspaper, are summarized in Figure 4.2. As there shown, advertising revenues (especially for recruitment advertising) tend to be highly pro-cyclical, though the long-term trend is strongly positive: revenues for all types of newspapers, including regional and local titles, have been increasing almost throughout the 1990s and continue to do so.

Market shares and measures of concentration

4.10. Since the early 1990s, MMC reports on newspaper mergers have generally included details of the top 20 publishers (or suppliers) of regional/local newspapers in the UK, as measured by average weekly circulation/distribution, in order to assess the degree of concentration in newspaper ownership. As evidenced in those reports (see Appendix 4.2 to this report), the structure of the industry has changed markedly over the years, with a steady but significant increase in market concentration, reflecting the relatively large number of mergers (over 30) which have taken place.

4.11. The structure of ownership, as measured, is in part determined by which titles are classified as 'national' and which as 'regional or local'. Most UK newspapers are clearly identifiable as either:

- (a) national, in that their editorial content is largely national and to an extent international; and they are sold extensively throughout the UK (accepting that some national newspapers are published as regional editions, with copy changes to allow for items of regional interest—particularly sport and entertainment, and also some advertising); or
- (b) regional/local, in that their editorial and advertising content is primarily regional or local, and they are sold/distributed entirely or mainly in well-defined areas within the UK. All the regional and local titles published by Trinity and RIM conform to this pattern (as do Mirror Group's regional and local titles in England and Wales and Northern Ireland)

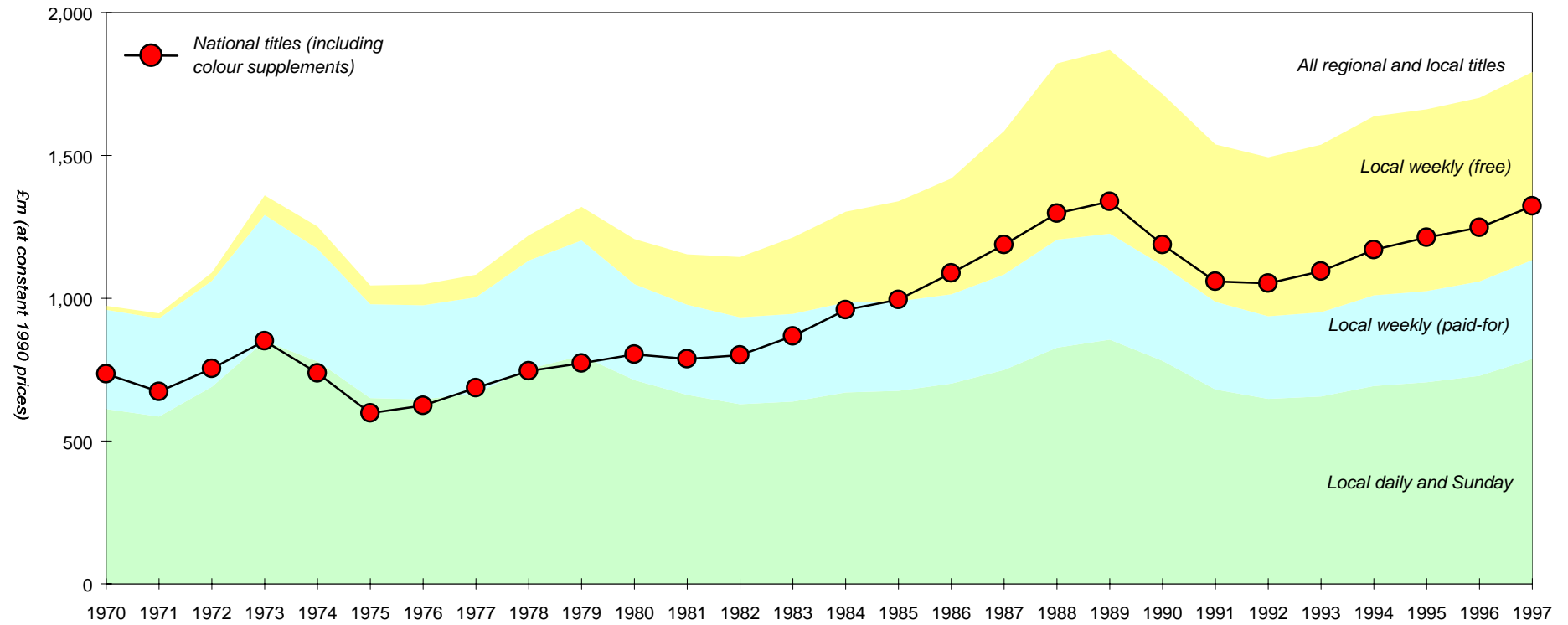
4.12. However, a few titles—four of which are published in Scotland and another in London—have proved more difficult to classify, not least because their circulation is markedly higher than other regional titles, and higher indeed than some widely recognized national titles (for example, *The Independent* and *The Guardian*). The titles in question are:

- (a) the *Daily Record* and its sister newspaper, the *Sunday Mail*, both of which are owned by Mirror Group;
- (b) the *Sunday Post*, owned by D C Thomson; and
- (c) the *Scottish Daily Mail* and the London *Evening Standard*, both of which are owned by DMGT.

4.13. Because the proposed Trinity/Mirror Group clearly involves both national and regional newspapers, and also because it directly affects the market in Scotland, we have felt it necessary to consider these classification issues in detail. We naturally examined for ourselves various issues of each of the titles in question, in order to form a first-hand view on newspaper content, as well as seeking the views of the parties to the proposed mergers. Taking the *Daily Record/Sunday Mail* first, the publishing industry (for example, ABC data) has traditionally regarded these as national titles, whilst the advertising sector (for example, the *Advertising Statistics Yearbook* and *BRAD*) has generally classified them as regional newspapers. Over time, the MMC has itself classified them in different ways, though we note that where it has recently looked specifically at Scottish issues (for example, the Northcliffe/Aberdeen merger; see Appendix 4.2, item A31) it classified these titles as regional rather than national. Each of the three main parties to this inquiry has suggested that they should be taken as national, or at least 'Scottish national', rather than regional, in part because Scotland is a country in its own right rather than simply a region of the UK.

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*.

4.14. As regards both the news and advertising content of both titles, we are satisfied that these relate predominantly to Scottish interests rather than the wider UK interests and readership, and they are to that extent more akin to other major regional titles—such as the *Scotsman*, *Yorkshire Post* and *The Birmingham Post*—than to national newspapers. We note that the *Yorkshire Post* describes itself as ‘Yorkshire’s national newspaper’, but none of the parties has suggested that it should be regarded as a national. More importantly, more than 90 per cent of the sales of the *Daily Record/Sunday Mail* are within Scotland itself: most sales outside Scotland are to expatriate Scots. For these reasons, we consider that these two titles are more akin to regional rather than national titles, and have therefore treated them as such—as far as practicable—in the data and tables presented in this report.

4.15. Both titles, however, enjoy unusually large circulations for regional newspapers: the *Daily Record’s* daily circulation is 650,000. Accordingly, we have indicated in our assessment of overall concentration the effect of taking them as regional titles; and they are also considered further in the later section of this chapter dealing specifically with Scotland.

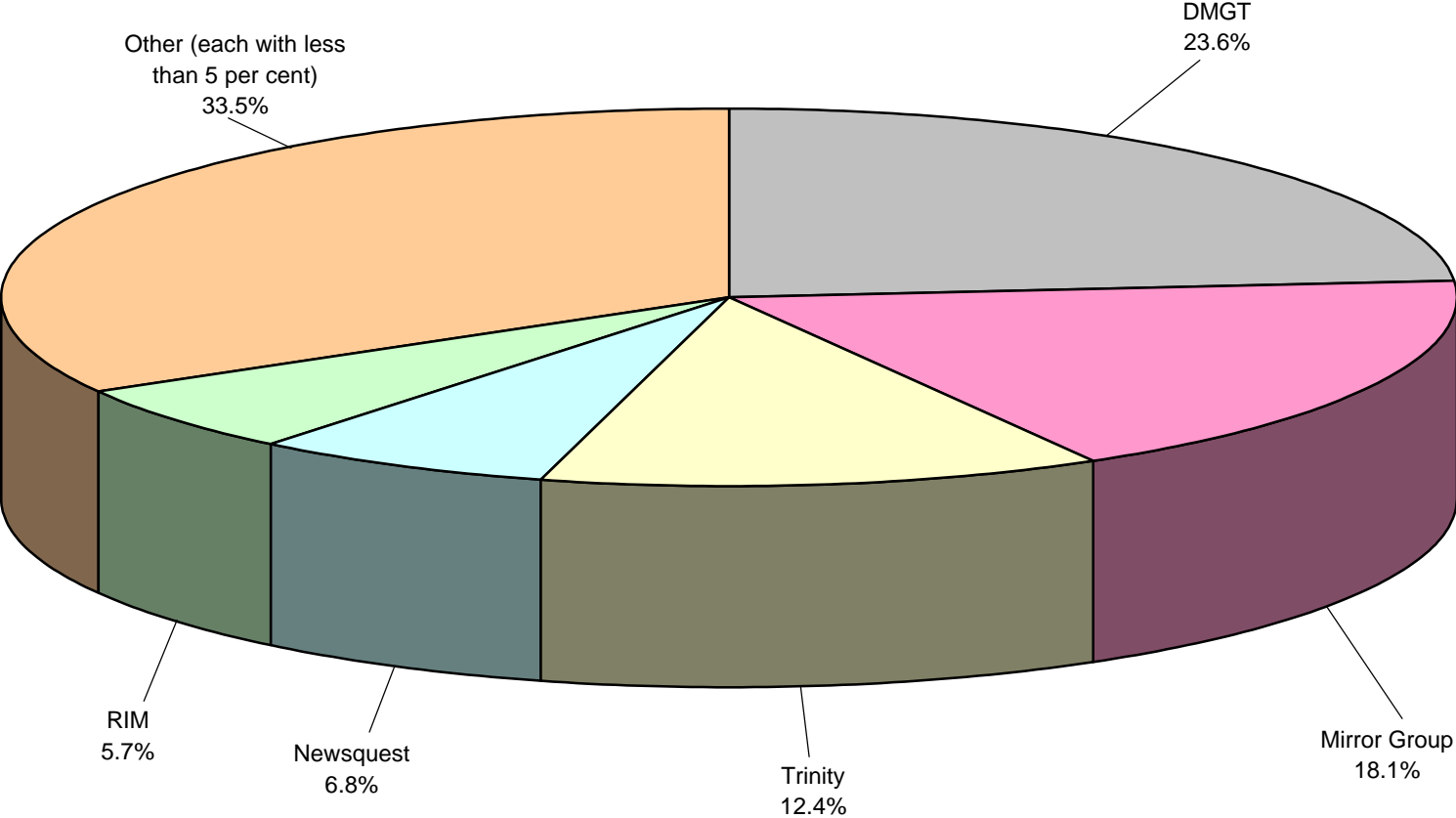
4.16. Similarly, the *Sunday Post* seems to us to include news and advertising which relates mainly to Scottish interests rather than those of a wider UK readership, and again its circulation is very largely within Scotland. Accordingly, we have taken the *Sunday Post* to be a regional newspaper. In contrast, the *Scottish Daily Mail* does not seem to us to differ greatly from DMGT’s *Daily Mail* which circulates more widely in the UK: there are some differences, but mainly in terms of sport and entertainment coverage, as with other regional editions of national newspapers. Again, we would concur with the view taken in the Northcliffe/Aberdeen report (see paragraph 4.13) and have therefore included this as a national newspaper.

4.17. The other title in question is the London *Evening Standard* (owned by DMGT). MMC reports have consistently regarded this as a national newspaper, in accord with the broad (and largely traditional) consensus view within the industry. In part, the industry’s reasoning for this has been that the *Evening Standard’s* production and finances have, as part of DMGT, long been closely associated with Fleet Street, the traditional centre for the national titles. But production of the nationals has now—and indeed since the late 1980s—moved away from Fleet Street, which rather lessens the power of this argument; and other ‘regionals’ are also owned by publishers of national titles (for example, *The Birmingham Post*, owned by Mirror Group). On newspaper content, our view (which is supported by Trinity and RIM, but not Mirror Group) is that the *Evening Standard* serves a predominantly London readership and London-oriented advertisers, the circulation being limited to the London area. For these reasons, we have chosen to treat this title as a regional newspaper in this report.

4.18. As shown in Table 4.1, the top 20 publishers of regional and local newspapers account for 94 per cent of the UK market (as measured by the total weekly circulation of all paid-for titles and the distribution of free newspapers) and about 96 per cent of sales of daily titles (including Sunday newspapers). Within the top 20, four leading publishers have emerged in the UK over the last ten years or so; between them, they account for 51 per cent of the total market (compared with about 38 per cent in 1990) and 61 per cent of daily newspapers (as illustrated in Figure 4.3). A further seven publishers each have between 3 and 6 per cent of the total and taken together they account for about 29 per cent of the total market.

FIGURE 4.3

Publisher sales of regional daily and Sunday newspapers in the UK in 1998



Source: The Commission, based on the data in Table 4.1.

TABLE 4.1 Largest 20 publishers of regional and local newspapers in the UK in 1998

	Total sales or distribution		Daily and Sunday titles (all paid-for)		Weekly titles (paid-for and free)	
	Per week		Sales per week		Sales or distribution	
	m	%	m	%	m	%
Trinity	8.4	11.5	5.0	12.4	3.4	10.4
Mirror Group*	9.1	12.5	7.2	18.1	1.9	5.8
RIM	3.4	4.7	2.3	5.7	1.1	3.4
DMGT†	11.9	16.2	9.4	23.6	2.4	7.4
Newsquest	7.8	10.6	2.7	6.8	5.1	15.3
Johnston	4.2	5.8	0.8	2.0	3.4	10.3
Guardian	2.8	3.9	1.2	3.0	1.6	4.9
Eastern Counties	2.8	3.8	1.2	2.9	1.6	4.8
NewsComm	2.7	3.7	1.0	2.4	1.8	5.3
Southnews	2.6	3.5	0.0	0.0	2.6	7.7
MNA	2.3	3.1	1.7	4.3	0.6	1.8
PSN	1.8	2.4	1.1	2.7	0.7	2.1
D C Thomson‡	1.5	2.1	1.5	3.9	0.0	0.0
Scotsman Publications	1.4	1.9	1.1	2.8	0.3	0.9
Adscene Group	1.4	1.8	0.0	0.0	1.4	4.1
Scottish Media§	1.3	1.8	1.3	3.2	0.0	0.0
Independent Newspapers	0.9	1.2	0.0	0.0	0.9	2.6
Yattendon	0.9	1.2	0.4	0.9	0.5	1.5
Kent Messenger	0.8	1.0	0.1	0.3	0.7	2.0
CN Group	<u>0.5</u>	<u>0.7</u>	<u>0.3</u>	<u>0.7</u>	<u>0.2</u>	<u>0.7</u>
Sub-total: top 20 publishers¶	68.4	93.5	38.3	95.6	30.1	90.9
Other	<u>4.8</u>	<u>6.5</u>	<u>1.8</u>	<u>4.4</u>	<u>3.0</u>	<u>9.1</u>
Total¶	73.2	100.0	40.1	100.0	33.1	100.0

Source: The Commission, based on ABC, MIU and VFD data.

*Includes the *Daily Record* and *Sunday Mail* (see paragraphs 4.13 to 4.15).

†Includes Northcliffe, Associated Newspapers (publisher of London's *Evening Standard*) and Bristol United Press, of which DMGT owns 24.9 per cent.

‡Data for D C Thomson include the *Sunday Post*.

§Mirror Group recently sold its shareholding of nearly 20 per cent to Granada.

¶Totals may not add up exactly because of rounding.

4.19. The six largest publishers, which between them account for just over 61 per cent of the total market (and 69 per cent of dailies), are: DMGT with 16.2 per cent (but 23.6 per cent of dailies); Mirror Group with 12.5 per cent (18.1 per cent of dailies, of which a half is accounted for by the *Daily Record*); Trinity with 11.5 per cent (12.4 per cent of dailies); Newsquest with 10.6 per cent (6.8 per cent of dailies); Johnston with 5.8 per cent (2.0 per cent of dailies); and RIM with 4.7 per cent (5.7 per cent of dailies). On the basis of these data, the effects of the two proposed mergers would be that:

- (a) Trinity/Mirror Group would become the largest supplier, with market shares of 24 per cent overall and 30.5 per cent in the dailies segment. Trinity/Mirror Group and DMGT taken together would account for 40 per cent of the market overall and 54 per cent of dailies. However, were Mirror Group's *Daily Record/Sunday Mail* and D C Thomson's *Sunday Post* taken to be national rather than regional titles, the market share figures would be lower: Trinity/Mirror Group would have market shares of 18.8 per cent overall and 21.4 per cent of dailies. Trinity/Mirror Group and DMGT taken together would control about 36 per cent of the market overall and 49 per cent of dailies.
- (b) RIM/Mirror Group would become the largest supplier, with 17.2 per cent (23.8 per cent of dailies), which is just slightly larger than DMGT. Taken together, they would control nearly 34 per cent overall and just over 47 per cent of dailies. Were Mirror Group's *Daily Record/Sunday Mail* and D C Thomson's *Sunday Post* taken to be national rather than regional titles, the market share figures would be lower: RIM/Mirror Group would have 11.4 per cent overall and 13.6 per cent of the dailies segment.

4.20. As regards weekly newspapers—both paid-for and free—Newsquest is currently the largest supplier with about 15 per cent of circulation/distribution, followed by Trinity and Johnston, each with just over 10 per cent (see Table 4.1). DMGT and Mirror Group are both among the next largest with market shares of 7.4 per cent and 5.8 per cent respectively; RIM's share is 3.4 per cent. Were Trinity and Mirror Group to merge, therefore, they would control 16.2 per cent of weeklies; if the proposed RIM/Mirror Group merger occurred, their combined share would be 9.2 per cent.

4.21. The market shares of publishers of national newspapers per se are considered in Appendix 4.1. In Table 4.2, we give details of the market shares of all newspapers combined, ie national titles plus regional/local (both paid-for and free).

TABLE 4.2 *Largest 20 publishers of all national, regional and local newspapers in the UK in 1998*

	Sales or distribution per week	
	m	%
Trinity*	8.4	5.1
Mirror Group	27.4	16.5
RIM†	3.4	2.1
News International	32.7	19.7
DMGT†	27.9	16.8
United	11.6	7.0
Newsquest*	7.8	4.7
Telegraph	7.3	4.4
Guardian	5.6	3.4
Johnston*	4.0	2.4
Eastern Counties*	2.8	1.7
NewsComm*	2.7	1.6
Southnews*	2.6	1.6
Independent Newspapers	2.5	1.5
MNA*	2.3	1.4
Financial Times	2.1	1.3
PSN*	1.8	1.1
D C Thomson*	1.5	0.9
Scotsman Publications*	1.4	0.8
Adscene Group*	<u>1.4</u>	<u>0.8</u>
Sub-total: top 20 publishers	157.2	94.8
Other	<u>8.6</u>	<u>5.2</u>
Total	165.7	100.0

Source: The Commission, based on ABC, MIU and VFD data.

*Publishes regional and local newspapers only.

†See second footnote to Table 4.1.

4.22. Taking all local, regional and national newspapers together, the Trinity/Mirror Group proposed merger would increase Mirror Group's overall share of the UK newspaper market (see Table 4.2) from 16.5 to 21.6 per cent. As a result, Trinity/Mirror Group would become the largest publisher, but only slightly ahead of News International plc (News International) at 19.7 per cent. DMGT's share would be about 16.8 per cent, so that the top three would account for 58 per cent of the total UK market (an increment of 5 per cent).

4.23. RIM currently accounts for 2.1 per cent of this wider market. Were it to merge with Mirror Group, the combined group would have an 18.6 per cent share, and the top three suppliers would account for 55 per cent of the total newspaper market in the UK.

4.24. Tables 4.1 and 4.2 aggregate newspaper products of widely differing editorial and geographic coverage and frequency of publication. It should be noted that the data concern circulation and distribution only—ie a quantity rather than value measure of market share—though this has been the approach adopted in previous MMC reports on proposed newspaper mergers. Within the industry itself, particular attention is paid to circulation and distribution figures for individual titles, as well as the comparative performance of titles of similar types. Publishers' market shares and the order in which they appear in the rankings in Tables 4.1 and 4.2 may not necessarily coincide with market shares and the order derived

from other rankings which might be used for this purpose, such as gross revenues, advertising sales or volume, or total newspapers printed (including copies returned unsold).

Effect of the proposed mergers on competition

Competition between newspapers and with other media

4.25. As indicated earlier, the MMC has examined and reported on newspaper markets on many occasions over the past 20 years, mainly but not entirely in the context of mergers: see Appendix 4.2. In the 1993 report on the supply of national newspapers (a monopoly inquiry; see Appendix 4.2, item B3), the MMC noted that newspapers in general—including both national and regional titles—served largely different consumer markets from other media such as television, radio and magazines. That is, they appeared to be not sufficiently close substitutes to be regarded as forming a unified or distinct market. Whilst noting that there was an element of overlap in advertising markets (see also paragraphs 4.101 to 4.110 in this report), the report also took the view that national newspapers represented a separate market from that of regional (and local) newspapers.

4.26. Moreover, it considered in some detail whether there were distinct markets within national newspapers, with particular reference to the so-called popular tabloids segment (*The Mirror* etc), the mid-market titles (*Daily Mail* etc) and the quality broadsheet segment (*The Daily Telegraph* etc). The report noted that there were similarities between titles within each of these segments in terms of general content, presentation and advertising carried (as well as cover prices), but that there appeared to be significant differences between different segments. Readership profiles seemed very different, for example with 80 per cent of readers of quality titles coming from the A, B and C1 socio-economic groups (SEGs), compared with only 20 per cent for the popular tabloids. Similarly, the quality titles attracted a far higher proportion of their revenues from advertising compared with the popular press, which relied more on cover price revenue and high circulation (sales of *The Sun*, for example, were and are more than five times greater than *The Times*). Indeed, each title in whatever segment has to an extent a unique character in terms of its product offering to consumers, in the same way as particular brands in other product markets may be seen as distinct from others.

4.27. Against that, however, the report concluded that each newspaper segment draws its readership from across a wide range of SEGs; consumers often buy newspapers at different times from different segments; and some of the advertising carried is also the same or similar in titles operating in different segments (ie there is competition for advertising between titles). Notwithstanding the degree of product differentiation across the full range of national titles, the MMC therefore concluded that these three identifiable segments were effectively linked by a chain of substitution on the demand side through the popular, mid-market and quality titles (and in this inquiry, Mirror Group told us that since the earlier report, the differences between these segments had become more blurred and that readers had increasingly crossed over from one segment to another). This was argued to be reinforced to an extent by the potential for supply-side substitution (most publishers—though not Mirror Group—have titles of two or more types, for example), though this may be constrained in practice by the strength of existing brands and the associated brand loyalty among consumers.

4.28. For these reasons, the MMC concluded that the different segments did not represent distinct markets, and therefore considered national newspapers as being the wider market of relevance. For the purposes of this report, we see no reason to adopt a different approach.

4.29. Turning to the nature and extent of competition among regional newspapers, the same underlying principles apply regarding demand and supply-side substitution, and these have been considered previously in various MMC merger inquiries, notably the Mirror Group/MIN case two years ago (see Appendix 4.2, item A33) and the much earlier United/Fleet merger in 1985 (see Appendix 4.2, item A16).

4.30. As regards regional daily titles (currently about 90 in total), the MMC has consistently taken the view that, despite some overlaps in the general market for display advertising, regional morning and evening titles compete only to a limited extent with national titles; but that they do, to varying degrees, compete with each other. The readership of regional morning and evening titles within a

given area is drawn from the same local population, of course, albeit that there may be differences in SEG readership profile (morning titles, we understand, are aimed at higher SEGs than either evening titles or the national popular press, see Appendix 4.3); and consumers sometimes purchase both, either regularly or on occasion. Trinity told us that morning newspapers tend to be more widely available within a particular region than evening newspapers, which tend to focus on a particular city (for example, Liverpool and Cardiff) and its immediate surrounds.

4.31. Advertisers are also likely to regard such newspapers as reasonably close substitutes, given their usually comparable area coverage and frequency of publication. As noted in previous reports, regional morning and evening newspapers are—except for Belfast in Northern Ireland (see paragraphs 4.39 to 4.71)—under common ownership, which may serve to constrain the vigorousness of competition between them for advertising, albeit that they remain substitute products or brands (as in the case, for example, of *The Sun* and *The Times*, both of which are owned by News International). Trinity told us, however, that—apart from in Scotland—regional morning and evening titles were not substitutable for advertisers.

4.32. We considered also whether regional-based Sunday newspapers (about ten titles) are closer to daily or weekly newspapers, and the extent to which they compete with national Sunday titles. On the latter question, we take the view that the different titles are more complementary than substitute products, particularly with respect to advertising markets. On the former question, their editorial content and advertising—as with national titles—seems in our view to be more akin to daily regional newspapers than to the weeklies. Trinity told us that regional morning and Sunday titles were closer substitutes than regional evening and Sunday titles. We note also that the Saturday editions of regional dailies—again, as with national titles—increasingly offer a similar product package to that of the Sunday titles, for example full-week entertainment listings, review sections and insert supplements. By and large, therefore, and noting the extent of product differentiation between different titles, we regard all regional daily and Sunday newspapers within a given circulation area to constitute a single market for the purposes of this report.

4.33. On the same reasoning, weekly titles, both paid-for (over 400 individual titles) and free titles (about 600 in total), appear to be more substitutes for each other (within a given area) than for other (daily) regional titles; they do not compete with national titles to any marked extent. That is, daily titles generally offer regional news and advertising, whereas weeklies are far more local in both their content and area of circulation/distribution (though Trinity told us that weekly titles compete for advertising with evening regional titles; see also paragraph 4.104). Paid-for and free weeklies, however, may represent reasonably close substitutes for both readers and advertisers where they operate in the same or overlapping geographic areas, albeit that free titles usually carry a much lower proportion of editorial content. There is also a clear potential for supply-side substitution between them, as evidenced by the fact that many free weeklies are produced by publishers of paid-for weeklies: others are produced by publishers of daily regional titles.

4.34. As explained earlier, and in more detail in Appendix 4.1, free titles expanded rapidly in the 1980s but again declined during the 1990s, in part reflecting the relative ease of entry and exit: free newspapers are delivered unsolicited, the volume being mainly or wholly at the discretion of the publisher. We note also that free weeklies are known to be used in some cases as ‘market spoilers’, in the sense that they may be unprofitable, but serve the purpose of dissuading entry by other publishers.

4.35. As noted above, television and radio serve different markets from newspapers, albeit that television has long offered both national, international and regional news to consumers; and radio also often provides an element of more local news. We note the increased news coverage in recent years in these media (as cable and satellite channels have expanded); and that further expansion is likely with the development of digital television and radio channels.

4.36. With regard to advertising markets (see also paragraphs 4.101 to 4.110 and Appendix 4.1), 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. As noted in the Mirror Group/MIN report (see Appendix 4.2, item A33), advertisers’ decisions about which newspaper(s) to use are determined by:

- (a) the cost per 1,000 circulation and readers;
- (b) the target market;
- (c) the geographic area to be covered; and
- (d) the readership profile of the newspaper(s), including the readership that reads a particular title to the exclusion of others (ie committed readership).

Advertising agencies therefore pay close attention to ABC circulation 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 for regional and local newspapers.

4.37. Advertising rates (per 1,000 readers) in regional and local newspapers are often significantly higher (often by a factor of 3) than in national titles, but there is evidence, we understand, that advertising in the regional/local press gives a higher consumer response (though Mirror Group told us during this inquiry that it did not believe this to be the case). While the regional editions of national newspapers are sometimes used by regional advertisers (for a big store launch, for example, or a special promotion), their usefulness for regional advertising generally is limited: the scope for cross-title packaging involving national and regional newspapers is correspondingly limited in most instances.

Regional/local area analysis

4.38. In this section, we examine newspaper markets and the effects of the proposed mergers separately in Northern Ireland, Scotland, and England and Wales (which together comprise the whole of the UK), distinguishing as necessary between national and regional daily newspapers, Sunday-only titles, and local weekly titles. Both Trinity and Mirror Group operate in each of these three geographic areas, but RIM's titles are limited to England and Wales (primarily in the Yorkshire and Lancashire areas: see paragraphs 4.87 to 4.97).

Northern Ireland

4.39. Northern Ireland accounts for just over 2 per cent of both the population of the UK and also its gross domestic product. Much of its 1.6 million or so population is concentrated in Belfast (by far the largest city) in the East, and Londonderry in the North-West. The religious/political divide in Northern Ireland is well documented: about 58 per cent of its people—and therefore actual or potential newspaper readers—are from the broadly Protestant/unionist community and about 36 per cent from the Catholic/nationalist community. We consider Northern Ireland to be a separate market, or series of markets, for the purposes of this report.

4.40. A previous MMC report on the proposed Century/TRN merger (see Appendix 4.2, item A20) considered this same market some ten years ago. Then, as now, the leading regional dailies in Northern Ireland were the *Belfast Telegraph* (an evening broadsheet, cover price 28p, moderate Protestant/unionist; see Table 4.3), the *News Letter* (a morning tabloid, cover price 35p, perceived as the voice of radical unionism) and *The Irish News* (the other morning newspaper, a broadsheet, cover price 35p, regarded as staunchly Catholic/nationalist). We note that the more committed consumers are to a particular religious or political editorial stance, the less is the effective competition between different daily newspapers both for readers and on cover price.

TABLE 4.3 Regional newspaper readership in Northern Ireland by religious community in 1998

	per cent			
	Catholic community	Protestant community	Other (various denomin- ations)	Total*
Trinity				
<i>Belfast Telegraph</i>	26	66	8	100
<i>Sunday Life</i>	36	59	6	100
Mirror Group				
<i>News Letter</i>	17	77	5	100
<i>The Mirror</i>	62	35	3	100
<i>Derry Journal</i>	85	10	5	100
Other				
<i>The Irish News</i>	92	6	2	100
<i>Londonderry Sentinel</i>	52	44	4	100
<i>Sunday World</i>	61	36	3	100

Source: The Commission, based on information (mainly TGI data) from Trinity, Mirror Group and *The Irish News*.

*Totals may not add up exactly because of rounding.

4.41. The *Belfast Telegraph* was previously owned for many years by TRN, but was subsequently acquired by Trinity when it bought up a number of TRN's titles and their associated assets in 1996 (see Appendix 4.2, item A30). It has long been by far the largest-selling regional newspaper—and the strongest brand—in Northern Ireland, with a daily circulation of about 130,000, mainly in Belfast, though it also covers Londonderry and the North-West generally (for which it produces a separate edition). Its Sunday sister newspaper is called the *Sunday Life* (100,000 circulation, launched in 1988; see paragraph 4.47). Both titles are profitable. Trinity also owns several free weekly titles (including the *Central Community Telegraph*, *North & Newtownabbey Community Telegraph*, *North Down Community Telegraph* and the *Suburban Community Telegraph*, each of which has a distribution of less than 50,000); as well as a paid-for advertising-only publication called *Ads for Free* (which is unprofitable: see paragraph 4.70). All Trinity's Northern Ireland publications are printed at its own plant in Belfast, which is the largest in Northern Ireland: see paragraph 4.54.

4.42. The smaller Ulster *News Letter* (current paid-for circulation about 34,000, widely spread within Northern Ireland, but particularly in rural areas) was previously owned by Century, but was purchased by Mirror Group in 1997. An abridged version—the *Belfast News Letter*—was until recently distributed free on four days each week within central Belfast (distribution about 54,000); and we generally use the term *News Letter* to include both versions. However, at the start of May 1999—during the course of our inquiry—Mirror Group replaced the *Belfast News Letter* with the *Belfast News*, a paid-for weekly with a similar distribution area, in order, it told us, to encourage sales of the daily Ulster *News Letter*.

4.43. Mirror Group also now owns the *Derry Journal*, a twice-weekly title and the largest paid-for regional in Northern Ireland, which it purchased in 1998. We note that Trinity also bid for the *Derry Journal*. In addition, Mirror Group—until recently—published three free weeklies, the *Journal Extra* (distributed in the Londonderry area), the *North Down News* and the *East Belfast News* (both distributed in the Belfast area). However, at the start of May 1999, during the course of our inquiry, Mirror Group relaunched the *Belfast News Letter* as a weekly free title (see previous paragraph); and decided also to cease distribution of the *East Belfast News*, because the distribution areas of the two titles were very similar. Each of Mirror Group's national titles (*The Mirror*, with a daily circulation of about 50,000 or so, the *Sunday Mirror* and *Sunday People*), as well as its Scottish titles (*Daily Record* and *Sunday Mail*) are circulated throughout Northern Ireland. Mirror Group's printing arrangements are considered in paragraph 4.55.

4.44. The other daily title, *The Irish News*, is independently owned (by the Fitzpatrick family) and its daily circulation (50,000 copies) is somewhat higher than that of the paid-for Ulster *News Letter*. Other publishers of regional (weekly only) titles in Northern Ireland include:

- (a) Morton Newspapers Group (Mortons) (which publishes the *Ulster Star*, a paid-for weekly, and more than a dozen other titles). This was for many years a family-owned company, but was bought in 1995 by Scottish Radio Holdings (an independent Scotland-based radio company which has regional newspaper interests in Scotland and elsewhere, but not in Northern Ireland apart from Mortons);
- (b) Northern Newspapers (*Antrim Guardian* and about ten other titles), owned by the Troy family;
- (c) NW Ireland Printing & Publishing (*Ulster Herald*, a paid-for weekly, and about six other titles), owned by the Lynch family;
- (d) Alpha (*Dungannon News*, a paid-for weekly, and several other titles); and
- (e) a number of other small, mostly family-owned, firms such as Nuachtain, Hodgett and Alexander, which undertake the printing of their own titles, as well as providing other print services (stationery etc).

4.45. As in the UK generally, newspapers as a whole in Northern Ireland have experienced a slow decline in paid-for circulation over the past decade (except for *The Irish News* which has increased its sales). Apart from weekly free titles, there have been no new newspapers launched in Northern Ireland over the past ten years (but see paragraph 4.47 regarding the *Sunday Life*).

4.46. Looking in more detail first at the regional daily and Sunday titles in Northern Ireland, Table 4.4 gives circulation figures and market shares. As shown in the table, Trinity's current share of dailies in Northern Ireland is 52 per cent and the proposed merger with Mirror Group would increase that to 80 per cent (an increment of 28 per cent): the only other regional daily is *The Irish News* with a 20 per cent share.

TABLE 4.4 Sales and market shares of regional daily and Sunday newspapers in Northern Ireland in 1998

	Total		Daily titles		Sunday titles	
	'000	%	'000	%	'000	%
Trinity						
<i>Belfast Telegraph</i>	785	46.5	785	51.9	0	0.0
<i>Sunday Life</i>	103	6.1	0	0.0	103	58.5
Total	888	52.6	785	51.9	103	58.5
Mirror Group						
<i>News Letter*</i>	426	25.2	426	28.2	0	0.0
Other						
<i>The Irish News</i>	302	17.9	302	20.0	0	0.0
<i>Sunday World</i>	73	4.3	0	0.0	73	41.5
Total†	1,689	100.0	1,513	100.0	176	100.0

Source: The Commission, based on ABC data.

*Based on the aggregation of the six-day circulation of the paid-for *Ulster News Letter* and the four-day distribution of the free *Belfast News Letter*; see paragraph 4.42.

†Totals may not add up exactly because of rounding.

4.47. In Sunday regional titles, Trinity's *Sunday Life* (launched in 1988) currently accounts for nearly 60 per cent of sales, the only other regional Sunday title being the *Sunday World*, a popular tabloid, which is the Northern Ireland edition of a Republic of Ireland newspaper of the same name.

4.48. The *Sunday News*, which had a circulation of nearly 30,000 some ten years ago (when still owned by Century), was closed in 1993 because it had become uneconomic, circulation having fallen to 20,000. During the 1980s, it had faced competition from the *Sunday World*: the launch of the *Sunday Life* in colour intensified that competition. Over the past year, however, the *Sunday News* has been re-introduced by Mirror Group as an inserted supplement to the *Sunday Mirror*, its national Sunday title. The proposed merger would not therefore lead to any change in Trinity's share in the Sunday regional market segment.

4.49. Taking dailies and Sunday titles together, Trinity's current share of 53 per cent share would rise following the proposed merger to 78 per cent.

4.50. To a limited extent, regional dailies compete with national dailies (see paragraph 4.30) and regional Sunday titles with the Sunday nationals. As shown in Table 4.5, Trinity's and Mirror Group's share of all dailies is currently 27 per cent and 26 per cent respectively: the proposed merger would therefore cause Trinity's share to rise to 53 per cent. News International's share is 18 per cent and that of *The Irish News* is just over 10 per cent.

TABLE 4.5 Sales and market shares of regional and national daily and Sunday newspapers (or publishers) in Northern Ireland in 1998

	Total		Daily titles		Sunday titles	
	'000	%	'000	%	'000	%
Trinity						
<i>Belfast Telegraph</i>	785	23.2	785	27.1	0	0.0
<i>Sunday Life</i>	103	3.0	0	0.0	103	20.9
Total	888	26.2	785	27.1	103	20.9
Mirror Group						
<i>News Letter*</i>	426	12.6	426	14.7	0	0.0
<i>The Mirror</i>	326	9.6	326	11.3	0	0.0
<i>Sunday Mirror</i>	48	1.4	0	0.0	48	9.8
<i>Sunday People</i>	42	1.2	0	0.0	42	8.5
Total	842	24.9	752	26.0	90	18.3
Other						
News International	658	19.4	529	18.3	129	26.2
<i>The Irish News</i>	302	8.9	302	10.4	0	0.0
United	237	7.0	225	7.8	12	2.4
DMGT	223	6.6	192	6.6	31	6.3
<i>Sunday World</i>	73	2.2	0	0.0	73	14.8
Total	164	4.8	110	3.8	54	11.0
Total†	3,387	100.0	2,895	100.0	492	100.0

Source: The Commission, based on ABC data.

*See first footnote to Table 4.4.

†Totals may not add up exactly because of rounding.

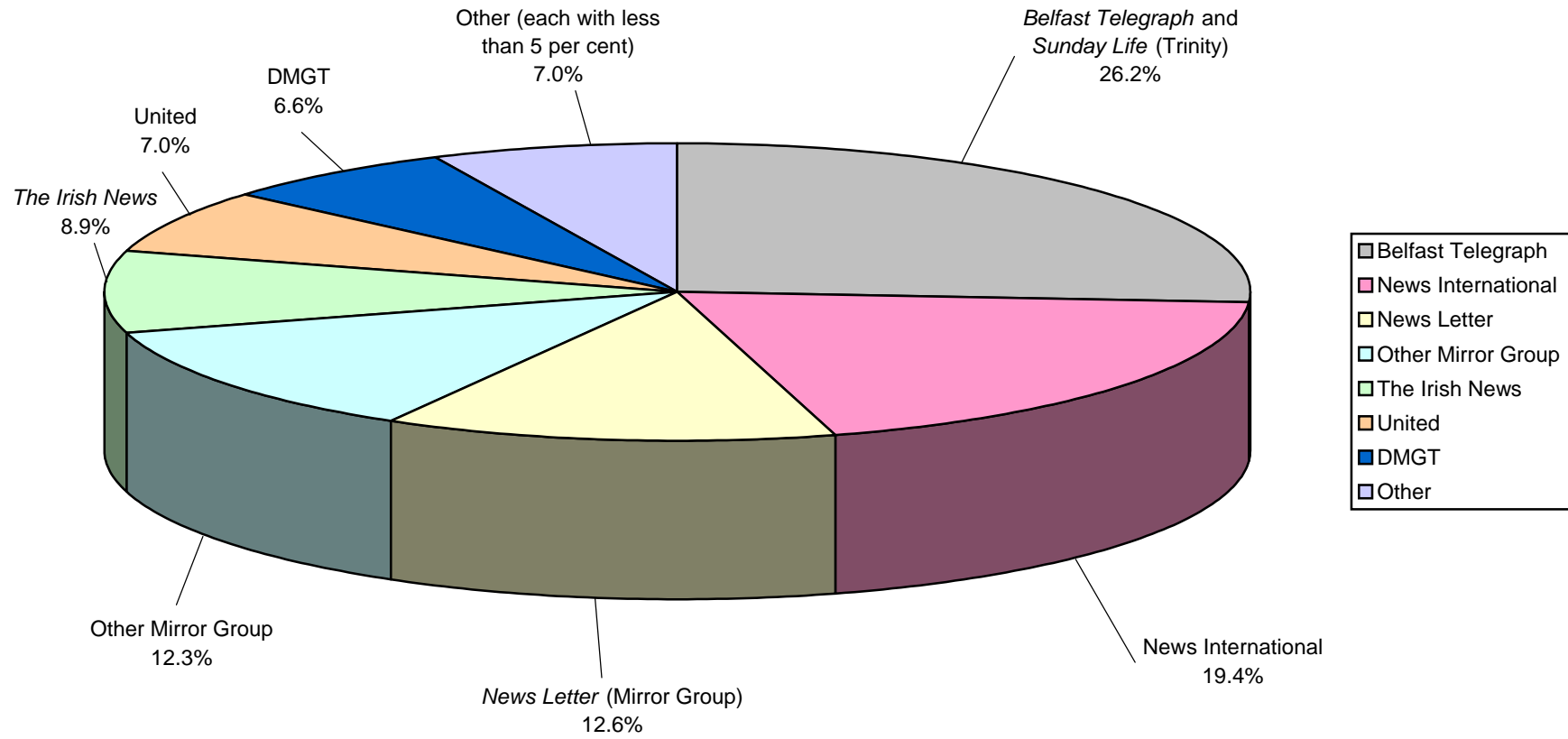
4.51. As regards Sunday titles, taking both regional and national titles together, Trinity's share is currently 21 per cent, arising from sales of its *Sunday Life* regional title. Mirror Group has two Sunday national titles, their combined share being 18 per cent. The *Sunday World's* share is nearly 15 per cent, whilst News International's titles account for 26 per cent. The proposed merger would therefore cause Trinity's share to rise to just over 39 per cent. Taking dailies and Sunday titles together (as also illustrated in Figure 4.4), Trinity's current 26 per cent share would rise following the proposed merger to 51 per cent. The next largest publisher would be News International with 19 per cent, followed by *The Irish News* (9 per cent), United (7 per cent) and DMGT (7 per cent).

4.52. As explained previously (see paragraphs 4.33 and 4.34), weekly paid-for titles compete with free weeklies, particularly for advertising revenue, but also for readership to an extent. There is also an element of overlap with regional dailies in the advertising market, though weekly titles are invariably local rather than regional, in terms of both content and area of circulation/distribution. Table 4.6 gives sales/distribution figures for all weekly newspapers/publishers in Northern Ireland. As indicated in the table:

- (a) Trinity currently has no paid-for weeklies, other than a limited circulation farmer-oriented title. Mirror Group's share (from sales of the *Derry Journal*) is just over 14 per cent, which would therefore represent their combined share. Mortons, with a 23 per cent share, is the leading supplier, followed by Northern Newspapers with 15 per cent.

FIGURE 4.4

Publisher sales of regional and national daily and Sunday newspapers in Northern Ireland in 1998



Source: The Commission, based on the data in Table 4.5.

- (b) Trinity's share in free weeklies is 46 per cent and that of Mirror Group is 27 per cent: their combined share would therefore be nearly 74 per cent. The main geographic areas of overlap are in and around Belfast, where Mirror Group's *East Belfast News* and *North Down News* overlap with Trinity's *Community Telegraphs*: in four postcode districts, they together account for over 95 per cent of the distribution of free weeklies, and for over 80 per cent in two other postcode districts. The only other publisher of free weekly titles is Mortons, with 26 per cent of the total in Northern Ireland as a whole.
- (c) Trinity's share in all weeklies taken together is slightly under 22 per cent compared with 20 per cent for Mirror Group: their combined share would therefore be 42 per cent. Mortons, at 25 per cent, is the only other publisher with a market share of more than 8 per cent.

TABLE 4.6 Sales/distribution and market shares of regional weekly newspapers (or publishers) in Northern Ireland in 1998

	Total		Weekly paid- for titles		Weekly free titles	
	'000	%	'000	%	'000	%
Trinity						
<i>Community Telegraphs</i> (four titles)	151	21.6	0	0.0	151	46.3
Mirror Group						
<i>Derry Journal</i>	52	7.4	52	14.0	0	0.0
<i>North Down News</i>	38	5.4	0	0.0	38	11.7
<i>Derry Journal Extra</i>	32	4.6	0	0.0	32	9.8
<i>East Belfast News</i> *	19	2.7	0	0.0	19	5.8
Total	141	20.2	52	14.0	89	27.3
Other						
Mortons	173	24.8	87	23.4	86	26.4
Northern Newspapers	55	7.9	55	14.8	0	0.0
Alpha	31	4.4	31	8.3	0	0.0
NW Ireland Printing & Publishing	28	4.0	28	7.5	0	0.0
Nuachtain	20	2.9	20	5.4	0	0.0
Hodgett	17	2.4	17	4.6	0	0.0
Alexander	15	2.1	15	4.0	0	0.0
Other	67	9.6	67	18.0	0	0.0
Total†	698	100.0	372	100.0	326	100.0

Source: The Commission, based on ABC and VFD data, together with estimates provided by Trinity.

*See paragraph 4.43.

†Totals may not add up exactly because of rounding.

4.53. Taking all newspapers together, Trinity and Mirror Group account for 25.4 and 24.1 per cent of the Northern Ireland market, making their combined share 49.5 per cent. News International has a 16.1 per cent share and *The Irish News* has a 7.4 per cent share of the market.

Printing capacity and distribution

4.54. As mentioned earlier, all Trinity's Northern Ireland titles are printed at its only plant there, which is located in Belfast and comprises modern, high-capacity presses, combined with colour and automated inserting facilities. Using these same facilities, Trinity also now prints all of News International's newspapers sold in Northern Ireland (ie *The Sun*, *The Times* and *Sunday Times*) as well as DMGT's *Daily Mail*.

4.55. All Mirror Group's Belfast titles (ie the *News Letter* etc), as well as the *Daily Record/Sunday Mail*, are printed at its Belfast plant, which consists of medium-capacity presses with colour (but no automated inserting facilities). Its Derry-based titles are printed on its smaller-capacity presses at Derry. Until about three years ago, its national titles (*The Mirror* and *Sunday Mirror*) were printed

under long-term contract at the *Belfast Telegraph* plant, which Trinity had recently acquired, having bought most of TRN. At that time, Mirror Group told us, the two parties found themselves unable to agree price terms for the continuance of the arrangement. As a result, Trinity terminated the contract with Mirror Group (after due notice), and switched to printing News International and DMGT titles. Mirror Group considered various printing options for its own national titles, and decided to switch to Mortons, there being few alternative contract printers in Northern Ireland with adequate capacity. Mirror Group told us that it is currently reviewing its strategy on future printing arrangements in Northern Ireland.

4.56. Hence, Mirror Group, News International and DMGT national daily/Sunday titles are all contract printed in Northern Ireland, whilst the United national titles and *The Independent* are contract printed in the Republic of Ireland. Other UK national titles (for example, *The Daily Telegraph*, *The Guardian* and the *Financial Times*) are printed on the UK mainland and flown over to Northern Ireland on a daily basis (by Reed Aviation, which is part-owned by Mirror Group).

4.57. As indicated earlier, the other smaller regional newspaper suppliers—including *The Irish News*—print their own individual titles on their own presses, which (apart from Mortons, and to a lesser extent Hodgett and Alexander) are typically low capacity, with no (or limited) colour or automated insert facilities.

4.58. As a result, Trinity and Mirror Group are currently the two largest printers of newspapers in Northern Ireland, and Mortons is the only other printer of substance. On the basis of circulation/distribution figures available (which does not take account of differences in the rate of capacity utilization), we estimate that Trinity controls about 52 per cent of total capacity, Mirror Group about 16 per cent, Mortons 16 per cent (of which Mirror Group's titles account for 11 per cent) and *The Irish News* 9 per cent. No other publisher accounts for more than 2 per cent. An effect of the proposed merger, therefore, would be to bring around 68 per cent of Northern Ireland's printing capacity under the direct control of the combined group, and a further 11 per cent would be accounted for through contractual arrangements. We note, however, that additional press capacity is available in the Republic of Ireland, mainly in Dublin but also, according to Trinity, in Dundalk which is just across the border.

4.59. As regards the physical distribution of newspapers to newsagents (and other outlets) in Northern Ireland, Trinity itself delivers the *Belfast Telegraph* in its own fleet of vehicles, and also undertakes the distribution of its free weeklies. Mirror Group's *News Letter* and *Derry Journal* and also *The Irish News*, on the other hand, are distributed by wholesalers: both currently use Wholesale Newspaper Services (WNS). Mirror Group's free weeklies are distributed by an independent contractor (Circular Distributors), and its national titles by independent wholesalers—Menzies and Easons—which also distribute the other national titles apart from those of News International, which uses its own wholesaling organization, called News Speed.

Advertising markets in Northern Ireland

4.60. Table 4.7 gives details of net advertising revenues accruing to regional newspapers in Northern Ireland, together with those of other relevant advertising media. As shown in the table, total advertising revenue in regional newspapers amounted to about £59 million in 1998. This has, we were told, grown reasonably strongly in real terms over the past few years (as elsewhere in the UK), and currently accounts for nearly half the total for all media (excluding national newspapers, outdoor advertising, direct mail and directories). As noted in Appendix 4.1, advertising represents a higher proportion of total revenue for regional newspapers (about 80 per cent, of which a high proportion is classified advertising relating to job vacancies, car sales and property for sale) than for national titles (on average 50 per cent, mainly in the form of display advertising, for example by national retailers).

TABLE 4.7 Regional newspaper and other media advertising revenues* and market shares in Northern Ireland in 1998

	Advertising revenue £m	Daily and Sunday titles %	Weekly titles %	Total newspaper %	Total media %
Trinity					
Daily	25.7	65.7	0.0	43.3	21.1
Sunday	3.5	9.0	0.0	5.9	2.9
Weekly paid-for	0.3	0.0	1.5	0.5	0.2
Weekly free	1.2	0.0	5.9	2.0	1.0
Total	30.7	74.7	7.4	51.8	25.2
Mirror Group					
Daily	5.4	13.8	0.0	9.1	4.4
Sunday	0.0	0.0	0.0	0.0	0.0
Weekly paid-for	3.4	0.0	16.8	5.7	2.8
Weekly free	0.3	0.0	1.5	0.5	0.2
Total	9.1	13.8	18.3	15.3	7.5
Other					
<i>The Irish News</i>	4.0	10.2	0.0	6.7	3.3
Other Sunday titles	0.5	1.3	0.0	0.8	0.4
Other weekly titles	15.0	0.0	74.3	25.3	12.3
Total regional newspapers	59.3	100.0	100.0	100.0	48.7
Other media†					
Television	50.0	0.0	0.0	0.0	41.1
Radio	6.0	0.0	0.0	0.0	4.9
Other‡	6.5	0.0	0.0	0.0	5.3
Total other media	62.5	0.0	0.0	0.0	51.3
Total§	121.8	100.0	100.0	100.0	100.0

Source: The Commission, based on Trinity and Mirror Group estimated data.

*All advertising revenue data are net of commission.

†Data exclude outdoor advertising (revenues of £7 million), directories (revenues of £6 million) and direct mail (no revenue figures available).

‡Includes *Auto Trader* (£2 million), cinema (£1.5 million) and other niche products, such as specialist magazines, recruitment guides etc (£3 million).

§Totals may not add up exactly because of rounding.

4.61. Within the regionals group, daily and Sunday titles account for two-thirds of the total advertising spend. Trinity and Mirror Group are by far the largest suppliers of such advertising space (which is inherently regionally oriented), with market shares of 75 per cent and 14 per cent respectively: together they account for 89 per cent. Trinity also provided data to us on its advertising revenues over time. These data showed that whilst advertising in its free weeklies had been static for some years (at about £1 million a year measured in 1990 prices), its revenues from the *Belfast Telegraph* and *Sunday Life* titles had increased in real terms in each of the last seven years.

4.62. *The Irish News* accounts for most of the rest, with just over 10 per cent. Its total advertising revenues, of which recruitment accounts for about 20 per cent, have also increased in real terms in each of the past five years and account for about 50 per cent of its total revenues. Its national display advertising is currently sold alongside that of Mirror Group's *News Letter* (through a London-based agency called Mediaforce), and is sold either separately, or as part of a combined package under a cooperative arrangement between the two titles. National display advertising currently accounts for nearly 8 per cent of *The Irish News*'s total advertising revenues, compared with just under 5 per cent prior to the arrangement becoming established. *The Irish News* expressed concern about the effects should that arrangement be terminated (in conjunction with its more general concerns about the proposed merger) on both its revenue and its commercial viability (see paragraph 6.34). Trinity, however, told us that it had no plans to terminate the existing arrangement, should the merger go ahead.

4.63. In weekly paid-for and free titles, on the other hand, advertising is far more local in nature and therefore often undertaken by advertisers that do not necessarily use the regional media. As shown in Table 4.7, the main parties' shares are more modest in the overall weeklies' advertising market, Trinity accounting for just over 7 per cent and Mirror Group for 18 per cent, though their shares in some

particular local markets (for example, Londonderry and East Belfast) are much greater. Other weekly titles (published by Mortons etc) appear collectively to account for just over 74 per cent of the total. Some of these weekly paid-for titles (for example, those within the Northern Ireland network) combine to provide a more region-wide coverage for advertisers, though the effectiveness of competition offered to the regional daily titles is limited in practice.

4.64. Taking all regional titles together—daily, weekly and Sunday newspapers—we estimate that Trinity’s current share of advertising revenues is about 52 per cent and Mirror Group’s about 15 per cent: together, they would account for some 67 per cent. *The Irish News* accounts for nearly 7 per cent and other weekly and Sunday titles taken all together account for just over 26 per cent.

4.65. Recruitment advertising (ie job vacancies) forms a major part of the advertising spend in regional/local newspapers, and this is affected in Northern Ireland by its Fair Employment legislation (which does not apply elsewhere in the UK). This legislation (the Fair Employment Act (Northern Ireland) 1989) was introduced to combat religious discrimination in employment and a Code of Practice has been established, which offers guidelines on employment practice applying to the public sector and to all other employers with ten or more staff. These guidelines require such employers to ensure that job vacancies are not advertised in publications likely to be read only or mainly by one religious community (unless they are taking affirmative action), ie that the balance of advertising reach is broadly even-handed as between the Protestant and Catholic communities (as noted earlier, Northern Ireland comprises about 58 per cent Protestants and 36 per cent from the Catholic community).

4.66. Among the regional daily titles, only the *Belfast Telegraph* satisfies these conditions, and—as we were told by Mirror Group and *The Irish News*—it therefore enjoys a competitive advantage over other individual titles in attracting recruitment advertising. Such advertising accounts for nearly 30 per cent of the *Belfast Telegraph*’s total advertising revenues (both display and classified), which themselves account for nearly [\approx] per cent of its total revenues. Trinity told us, however, that the *Belfast Telegraph* did not enjoy a competitive advantage as a result of the Fair Employment Act, and that its recruitment advertising revenues were in line with those of other evening titles such as the *Evening Chronicle* (Newcastle). We note that recruitment advertisements in the *Belfast Telegraph* are sold only in combination with the *Sunday Life*, which includes a higher proportion of readers from the Catholic community than does the *Belfast Telegraph*.

4.67. Mirror Group told us that its *News Letter* title on its own faced a competitive disadvantage relative to the *Belfast Telegraph* in this area and it therefore attracted only limited recruitment advertising. When combined with its national *The Mirror* title, it could offer an appropriate mix of readers from the two main religious communities, but such package sales had not been unduly successful, because recruitment advertising was dominated by the regional/local newspapers, and the *Belfast Telegraph* in particular. *The Mirror* and *Sunday Mirror/People* are, we were told, the only national titles for sale in Northern Ireland which include locally-sourced advertising, though their current yearly revenues from such advertising are relatively modest, ie *The Mirror* (about £[\approx] million) and *Sunday Mirror/People* (together about £[\approx] million). Taken together, these revenues constitute only about 2 per cent of total advertising revenues in the daily and Sunday regional titles in Northern Ireland. More generally, however, a leading advertising agency told us that Mirror Group’s takeovers of the *News Letter* and *Derry Journal* had stimulated competition in newspaper advertising markets in Northern Ireland. Prior to that time, the *Belfast Telegraph* had adopted a ‘hard rate-card policy’ whereby it was not willing to negotiate discounts, but it had softened that approach since the acquisitions.

4.68. Paid-for weekly newspapers are also affected by the advertising guidelines under the Fair Employment Act, since they are read either predominantly by members of the Protestant community or predominantly by members of the Catholic community. Advertisers of job vacancies had often, therefore, to place their advertisement in two different titles at the same time (for example, the mainly Catholic-read *Derry Journal* and the mainly Protestant-read *Londonderry Sentinel*), in order to ensure a balanced reach. Inevitably, this tends to increase the costs to advertisers, with a corresponding increase in the weekly newspapers’ advertising revenues.

4.69. Turning to other (non-newspaper) advertising media, Table 4.7 shows that television advertising—inherently display-type rather than classified—is second only to newspapers as a whole, and it accounts for just over 40 per cent of all advertising revenue. The next largest individual category is radio, with nearly 5 per cent of the total. We consider the extent of advertising substitutability between newspapers, television, radio and other media, including so-called new media, in paragraphs 4.106 to

4.110. The structure and balance between different advertising media in Northern Ireland appears to be much the same as in the UK as a whole (see Appendix 4.1).

4.70. Other established advertising media (including cinema, *Auto Trader* car magazine and other niche products such as specialist magazines and recruitment guides) now account for just over 5 per cent of total advertising spend in Northern Ireland, compared with about 3 per cent ten years ago (see the Century/TRN report, Appendix 4.2, item 20). Trinity told us that television, radio and these other media—and increasingly the free-ads publications such as *LOOT* (called *Buy & Sell* in Northern Ireland) and Internet advertising—represented the main threats to its advertising base. Indeed, Trinity told us that it had launched its own loss-making *Ads for Free* publication to fight off *LOOT/Buy & Sell* in the Northern Ireland advertising market and ensure that it was not profitable, in order to protect its own newspaper advertising and circulation market share.

4.71. A leading advertising agency told us, however, that regional newspapers in Northern Ireland represented the mainstream advertising media in practice, and that other media were either separate markets (for example, television, cinema, radio and outdoor advertising); or small and specialized niche markets (for example, specialist magazines and new media advertising). Similarly, *The Irish News* told us that competition from these other media was limited in effect, and that regional newspapers were in a position not only to maintain their advertising revenues but also to expand their share of the advertising market.

Scotland

4.72. Scotland is, of course, a country in its own right—now with its own Parliament—and accounts for about 8.5 per cent of UK population and gross domestic product. Much of its 5 million or so population is concentrated in the central lowlands, and indeed nearly half live in the greater Glasgow (or wider Strathclyde) area. Accordingly, we consider Scotland to be a separate market, or series of markets, for the purposes of this report.

4.73. In our evaluation of Scottish newspaper markets, we have naturally adopted the same approach to product market definition and competition considerations as outlined earlier in this chapter. In Scottish markets, the main areas of overlap between Trinity (RIM does not operate in Scotland) and Mirror Group are in weekly titles, rather than daily/Sunday titles, though the two overlap to an extent in advertising markets.

4.74. As mentioned earlier (see paragraphs 4.13 to 4.15), in addition to its national titles Mirror Group owns both the *Daily Record*—a morning tabloid—and its sister newspaper, the *Sunday Mail*. The *Daily Record* is by far the largest-selling daily newspaper in Scotland, with a daily circulation of about 650,000. Although largely regional in its editorial and advertising content (and more than 90 per cent of its sales are in Scotland), it also has characteristics similar to popular national dailies such as *The Sun* and *The Mirror*. We note that advertising in the *Daily Record* accounts for 46 per cent of its total revenues, compared with 39 per cent for *The Mirror* (and 69 per cent for the *News Letter*, Mirror Group's regional daily in Northern Ireland). The *Sunday Mail* is the best-selling regional Sunday title in Scotland, with a circulation of nearly 800,000. Mirror Group's only other Scottish title is *The Glaswegian*, a free local weekly (weekly distribution of about 200,000), which is distributed mainly in the Strathclyde area.

4.75. Trinity owns one regional daily title, the *Paisley Daily Express*, which has a total weekly circulation of only about 50,000. Its main interests, however, are in local weekly newspapers and it publishes some 30 paid-for and free titles (see Appendix 3.5).

4.76. Other major publishers of daily/Sunday regional titles in Scotland include SMN, a subsidiary of SMG (which also has television interests in Scotland), Scotsman Publications and D C Thomson. Other major publishers of local weekly titles include Johnston Press, Eastern Counties Newspapers and Scotsman Publications.

4.77. Table 4.8 shows the 1998 sales and market shares in Scotland of regional daily and Sunday titles (or their publishers). As shown in the table, Mirror Group is by far the largest publisher of regional dailies with nearly 50 per cent of the market, reflecting the high sales of the *Daily Record*. Were this to be considered a national rather than a regional title (see paragraphs 4.13 to 4.15), Mirror Group's share would be far smaller and SMN (publisher of *The Herald*, a quality broadsheet, and the *Evening Times*)

would be the largest publisher with more than 20 per cent of the market, followed by Scotsman Publications and D C Thomson, each with more than 15 per cent. With respect to Sunday titles, Mirror Group's *Sunday Mail* is again the largest (with a market share of 46 per cent), the other main title being the *Sunday Post* (owned by D C Thomson) with just over 44 per cent.

TABLE 4.8 Sales and market shares of regional daily and Sunday newspapers (or publishers) in Scotland in 1998

	Total		Daily titles		Sunday titles	
	'000	%	'000	%	'000	%
Trinity						
<i>Paisley Daily Express</i>	54	0.6	54	0.7	0	0.0
Mirror Group						
<i>Daily Record</i>	3,897	39.7	3,897	48.2	0	0.0
<i>Sunday Mail</i>	796	8.1	0	0.0	796	45.9
Total	4,643	47.8	3,897	48.2	796	45.9
D C Thomson	1,548	15.8	784	9.7	764	44.1
SMN	1,235	12.6	1,185	14.7	50	2.9
Scotsman Publications	1,108	11.3	985	12.2	123	7.1
DMGT	1,054	10.7	1,054	13.0	0	0.0
Other	122	1.2	122	1.5	0	0.0
Total*	9,814	100.0	8,081	100.0	1,733	100.0

Source: The Commission, based on ABC data.

*Totals may not add up exactly because of rounding.

4.78. Sales of the Mirror Group's *Daily Record/Sunday Mail* appear to displace those of its national titles. As shown in Table 4.9, the market shares of *The Mirror* and *Sunday Mirror* are far less than elsewhere in the UK. Trinity and Mirror Group together account for 34 per cent of all daily/Sunday newspapers sold, though Trinity itself (through the *Paisley Daily Express*) accounts for less than 1 per cent. Other major publishers include News International, with an 18.6 per cent share, and DMGT, with just over 12 per cent.

TABLE 4.9 Sales and market shares of regional and national daily and Sunday newspapers (or publishers) in Scotland in 1998

	Total		Daily titles		Sunday titles	
	'000	%	'000	%	'000	%
Trinity						
<i>Paisley Daily Express</i>	54	0.3	54	0.4	0	0.0
Mirror Group						
<i>Daily Record</i>	3,897	25.2	3,897	30.1	0	0.0
<i>Sunday Mail</i>	796	5.1	0	0.0	796	31.5
<i>The Mirror</i>	420	2.7	420	3.2	0	0.0
<i>Sunday Mirror</i>	34	0.2	0	0.0	34	1.3
<i>Sunday People</i>	56	0.4	0	0.0	56	2.2
Total	5,203	34.3	4,317	33.4	886	35.1
News International	2,876	18.6	2,444	18.9	432	17.1
DMGT	1,908	12.3	1,797	13.9	111	4.4
D C Thomson	1,548	10.0	784	6.1	764	30.2
SMN	1,235	8.0	1,185	9.2	50	2.0
Scotsman Publications	1,108	7.2	985	7.6	123	4.9
United	890	5.8	831	6.4	59	2.3
Other	643	4.2	541	4.2	102	4.1
Total*	15,465	100.0	12,938	100.0	2,527	100.0

Source: The Commission, based on ABC data.

*Totals may not add up exactly because of rounding.

4.79. Turning to the Scottish markets for weekly titles, Table 4.10 gives sales figures and market shares for both paid-for and free local weeklies. Trinity publishes some 30 individual titles (see

Appendix 3.5 for details) and as shown in the table, it is the largest supplier of both paid-for weeklies (with a market share of nearly 33 per cent) and also free weeklies (16.4 per cent share). Mirror Group publishes only one free weekly, *The Glaswegian*, which has an 11.4 per cent market share. Taking Scotland as a whole, therefore, an effect of the proposed merger would be to increase Trinity's share in free weeklies from 16.4 to 27.8 per cent; and its overall share in weeklies from 21.5 to 29.3 per cent.

TABLE 4.10 Sales/distribution and market shares of local and regional weekly newspapers (or publishers) in Scotland in 1998

	Total		Weekly paid-for titles		Weekly free titles	
	'000	%	'000	%	'000	%
Trinity	562	21.5	270	32.4	292	16.4
Mirror Group	<u>203</u>	<u>7.8</u>	<u>0</u>	<u>0</u>	<u>203</u>	<u>11.4</u>
Trinity/Mirror combined	765	29.3	270	32.4	495	27.8
Johnston	348	13.3	168	20.2	180	10.1
Eastern Counties	307	11.8	18	2.2	289	16.2
Scotsman Publications	282	10.8	0	0	282	15.9
Scottish Provincial	168	6.4	112	13.4	56	3.1
Dunfermline Press Group	125	4.8	35	4.2	90	5.1
Clyde & Forth	137	5.2	68	8.2	69	3.9
DMGT	107	4.1	0	0	107	6.0
Aberdeen & District						
Independent	100	3.8	0	0	100	5.6
Scottish County Press	87	3.3	28	3.4	59	3.3
Other	<u>186</u>	<u>7.1</u>	<u>134</u>	<u>16.1</u>	<u>52</u>	<u>2.9</u>
Total*	2,612	100.0	833	100.0	1,779	100.0

Source: The Commission, based on ABC and VFD data, together with estimates provided by Trinity.

*Totals may not add up exactly because of rounding.

4.80. Within the Glasgow area, there is a direct overlap between *The Glaswegian* and Trinity's weekly titles (mainly the *East End Independent*—a free title—and the paid-for *The Rutherglen Reformer*). In some four postcode districts (G31, G32, G69 and G73), they together account for virtually 100 per cent of circulation/distribution, and for 72 per cent in another district (G72). We note that Mirror Group's other national and regional titles—including, of course, the *Daily Record*—are also sold in these districts.

4.81. Other significant publishers of weekly titles, in Scotland as a whole, include Johnston, which has 13 per cent of the total weekly circulation/distribution; Eastern Counties, which has 12 per cent; and Scotsman Publications, which has about 11 per cent.

4.82. As regards advertising, Table 4.11 provides estimates of regional media revenues and market shares in Scotland. As shown in the table, total advertising revenues in regional newspapers amounted to about £237 million in 1998, about two-thirds of which was in the daily titles. In that segment, Mirror Group accounted for nearly 27 per cent, SMN for 26 per cent, and three other publishers (Scotsman Publications, D C Thomson and DMGT) each had shares of more than 10 per cent. Trinity's share is less than 1 per cent and arises from its *Paisley Daily Express* title.

TABLE 4.11 Regional media advertising revenues* and market shares in Scotland in 1998

	Advertising revenue £m	Daily and Sunday titles %	Weekly titles %	Total newspaper %	Total media %
<i>Trinity</i>					
Daily	1	0.6	0.0	0.4	0.2
Weekly paid-for	22	0.0	33.7	9.3	4.4
Weekly free	<u>2</u>	<u>0.0</u>	<u>3.1</u>	<u>0.8</u>	<u>0.4</u>
Total	24	0.0	36.8	10.1	4.8
<i>Mirror Group</i>					
Daily	36	21.0	0.0	15.2	7.1
Sunday	10	5.8	0.0	4.2	2.0
Weekly free	<u>2</u>	<u>0.0</u>	<u>3.1</u>	<u>0.9</u>	<u>0.4</u>
Total	48	26.8	3.1	20.3	9.5
SMN	45	26.2	0.0	19.0	8.9
Scotsman Publications	32	14.8	10.0	13.5	6.3
D C Thomson	30	17.5	0.0	12.7	6.0
DMGT	20	10.7	2.6	8.4	4.0
Johnston	12	0.0	18.4	5.1	2.4
Other	<u>25</u>	<u>3.5</u>	<u>29.1</u>	<u>10.5</u>	<u>5.0</u>
Total regional newspapers	237	100.0	100.0	100.0	47.0
<i>Other media†</i>					
Television	215	0	0	0	42.7
Radio	32	0	0	0	6.3
Other‡	<u>20</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4.0</u>
Total other media	<u>267</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53.0</u>
Total§	504	100	100	100	100.0

Source: The Commission, based on Trinity and Mirror Group estimated data.

*All advertising revenue data are net of commission.

†Data exclude outdoor advertising (revenues of £36 million), directories (revenues of £5 million) and direct mail (no revenue figures available).

‡Includes Auto Trader, cinema (£5.0 million) and other niche products, such as specialist magazines, recruitment guides etc.

§Totals may not add up exactly because of rounding.

4.83. In the weeklies segment, however, Trinity's titles account for nearly 37 per cent of advertising revenues, whereas Mirror Group (*The Glaswegian*) accounts for only 3 per cent. Other substantial publishers include Johnston (18 per cent) and Scotsman Publications (10 per cent).

4.84. For regional/local newspapers as a whole, Mirror Group accounts for 20 per cent of advertising revenues and Trinity for 10 per cent: together they account for 30 per cent. Three other publishers (SMN, Scotsman Publications and D C Thomson) each account for more than 10 per cent of the total. Other media account for just over half of all advertising, as in the rest of the UK (see Appendix 4.1).

4.85. SMN expressed concern to us that the proposed Trinity/Mirror Group merger would give the combined group an unfair advantage in newspaper advertising markets, particularly in the Strathclyde area (see paragraphs 6.16 to 6.19). It argued that many of the larger advertisers that use the *Daily Record* also advertise in weekly newspapers, and that the merged group could therefore offer a 'one-stop shop' to advertisers which competitors could not match. Trinity, however, argued that there was limited commonality between advertisers in the *Daily Record*, where the advertising focus is region-wide, and the weeklies, which offered a strictly local focus.

4.86. We note that the top ten advertisers in the *Daily Record* (including Arnold Clark, Scottish Power, Dixons and Asda) are largely retail and other organizations which operate throughout Scotland,

and may well be seeking region-wide advertising coverage. Nonetheless, each has a series of local businesses (retail stores, car showrooms etc) and they may also therefore consider advertising in the local press. About 9 per cent of the *Daily Record's* advertising is in recruitment, where there may also be an overlap with the more local press.

England and Wales

4.87. In our evaluation of the newspaper markets in England and Wales, we have naturally adopted the same approach to product market definition and competition considerations as outlined earlier in this chapter. In these areas, the main overlaps are between Mirror Group's national titles and the regional daily and Sunday titles published by Trinity and RIM.

4.88. Earlier in this chapter (see paragraphs 4.18 to 4.33), we examined the effects of the proposed transfers on concentration in the UK as a whole. In accord with that analysis, the market share data presented in this section should be viewed in the context of the limited competition that exists between national titles and the regional daily and Sunday newspapers (see paragraphs 4.30 to 4.32). Moreover, we have excluded weekly titles from our analysis because they do not compete directly with national titles (see paragraph 4.33).

4.89. As explained earlier, Mirror Group publishes several national newspapers, which are sold throughout the UK; and also some regional and local titles, which circulate only in the Midlands. Its three national titles include one daily (*The Mirror*) and two Sunday titles (the *Sunday Mirror* and the *Sunday People*), which are published in six regionalized editions and sold in areas corresponding to the ITV regions in England and Wales. As mentioned earlier, the main regional aspects of these editions are television listings, but there is also some regional sports and entertainment coverage, and some limited advertising with a regional focus. In addition, on one day a week, *The Mirror* also contains a regional listings section, which offers limited opportunities for display and classified advertising.

4.90. Trinity publishes a number of regional and local newspapers in England and Wales including eight daily titles (three morning and five evening newspapers) and two Sunday titles from its five publishing centres (Cardiff, Newcastle, Liverpool, Teesside and Huddersfield): it does not publish any national newspapers. Figure 4.5 shows the circulation areas of all daily and Sunday newspapers owned by Mirror Group and Trinity (and also those of RIM).

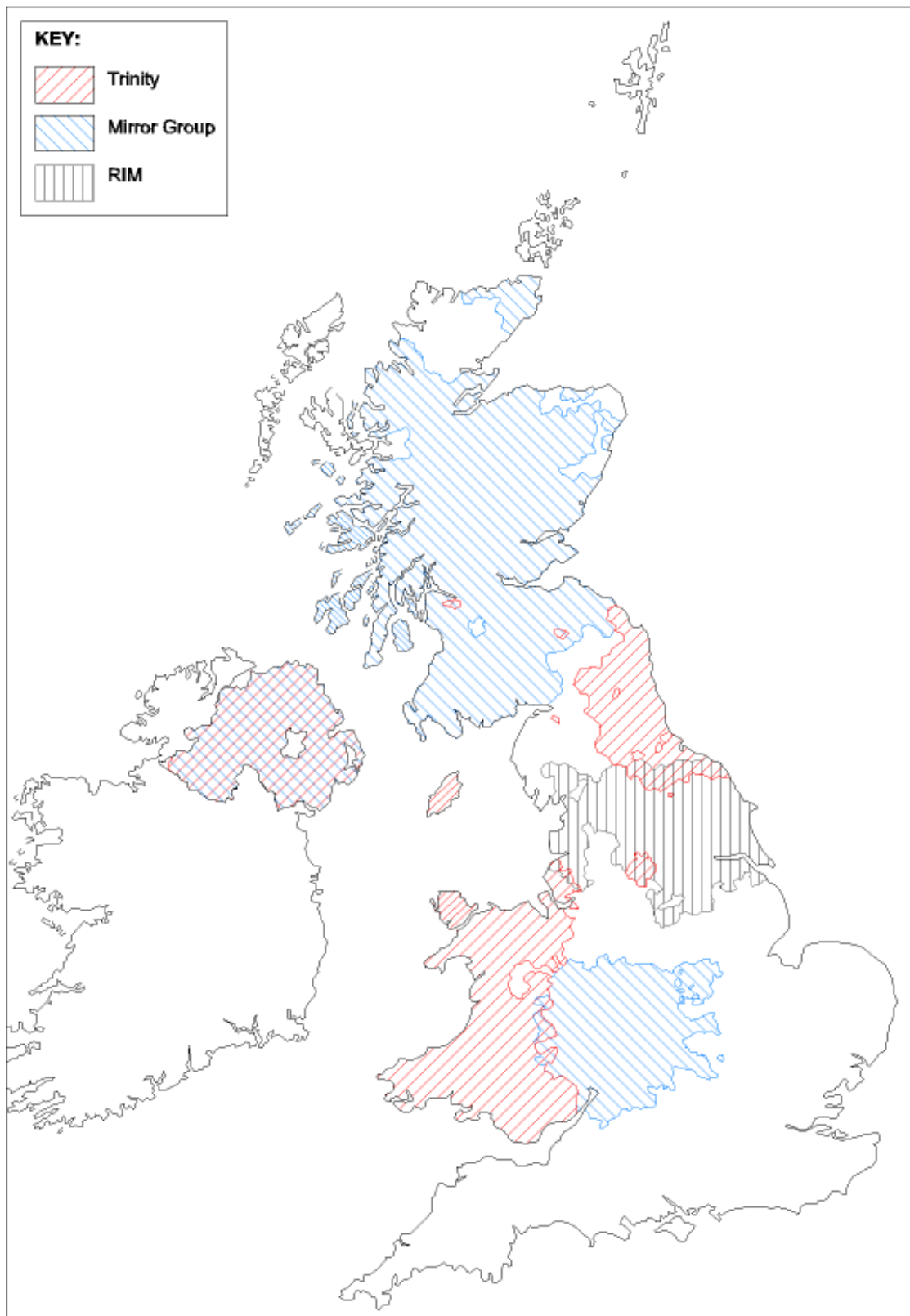
4.91. For the purposes of our analysis, we have considered the increases in concentration of daily and Sunday titles in the postcode areas in which Trinity's daily titles are sold. On this basis, there is no overlap between the geographic areas of Trinity's and Mirror Group's regional titles. However, inclusion of the circulation area of Sunday titles results in a small area of overlap: Trinity's *Wales on Sunday* area includes sales of 100 or so copies of Mirror Group's *Sunday Mercury* (which has a total circulation of almost 150,000 copies).

4.92. As regards the national titles, Table 4.12 shows the increase in concentration arising from the overlap of Mirror Group's national titles with the daily and Sunday regional titles published by Trinity in the following four areas of England and Wales (which are delineated by the circulation areas of Trinity's daily titles):

- (a) South Wales, incorporating *The Western Mail*, *South Wales Echo* and *Wales on Sunday*, all published in Cardiff;
- (b) North-West, incorporating the *Daily Post* and *Liverpool Echo*, both published in Liverpool;
- (c) Huddersfield in Yorkshire, incorporating *The Huddersfield Daily Examiner*, published in Huddersfield; and
- (d) North-East, incorporating *The Journal*, *Evening Chronicle*, *Sunday Sun* and *Evening Gazette*, all published in Newcastle and Teesside.

FIGURE 4.5

**Daily and Sunday regional newspaper circulation areas:
main parties to the proposed mergers**



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

TABLE 4.12 Sales and market shares of daily and Sunday newspapers sold in each of the areas surrounding Trinity's publishing centres in England and Wales, in 1998

	Estimated weekly circulation '000	Percentage share		
		Trinity	Mirror Group	Combined
South Wales				
Daily	4,793	16.9	17.0	33.9
Sunday	<u>796</u>	<u>6.9</u>	<u>25.8</u>	<u>32.7</u>
Total	5,589	15.4	18.3	33.7
North-West				
Daily	5,985	23.5	21.4	44.9
Sunday	<u>911</u>	<u>0.6</u>	<u>35.9</u>	<u>36.5</u>
Total	6,896	20.4	23.4	43.8
Huddersfield				
Daily	1,442	15.2	18.1	33.3
Sunday	<u>200</u>	<u>0.0</u>	<u>33.8</u>	<u>33.8</u>
Total	1,642	13.3	20.1	33.4
North-East				
Daily	6,759	20.9	15.4	36.3
Sunday	<u>1,089</u>	<u>10.5</u>	<u>30.1</u>	<u>40.6</u>
Total	7,848	19.5	17.4	36.9

Source: The Commission, based on Trinity data from the MIU.

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

4.93. As shown in the table, the proposed merger would result in an increase in the concentration of ownership in daily and Sunday titles in each of the four areas as follows: South Wales (from 18.3 to 33.7 per cent), North-West (from 23.4 to 43.8 per cent), Huddersfield (from 20.1 to 33.4 per cent) and North-East (from 19.5 to 36.9 per cent). The higher level of concentration in the North-West—particularly in Liverpool—is due largely to the relative weakness in the region of *The Sun*, which suffered a decline in its circulation following its coverage of the Hillsborough disaster in 1989.

4.94. RIM publishes a number of regional and local newspapers in England, including nine daily (one morning and eight evening) titles from publishing centres in Leeds, Sheffield, Harrogate and Dewsbury (all in Yorkshire) and Preston, Blackpool, Wigan, Burnley and Lancaster and Morecambe (all in the North-West): it does not publish any national newspapers. As shown in Figure 4.5, there is no geographic overlap between the circulation areas of Mirror Group's and RIM's regional titles, nor are they adjacent.

4.95. Table 4.13 sets out the increase in concentration in the RIM area, resulting from the overlap of Mirror Group's national titles with the following regional daily titles published by RIM:

- (a) *Yorkshire Evening Post* (circulating in Leeds, Wakefield and Harrogate) and *Yorkshire Post*, which is published in five editions, circulating in Sheffield and South Yorkshire, York and North Yorkshire, Hull and East Yorkshire, Bradford and the Pennine and West Riding areas (including Leeds, Huddersfield and Wakefield);
- (b) *Lancashire Evening Post* and *Wigan Evening Post*, circulating in Preston and Wigan;
- (c) *The Star*, *Barnsley Star*, *Rotherham Star* and *Doncaster Star*; and
- (d) *The Gazette*, circulating in Blackpool, Fleetwood and Lytham St Anne's.

TABLE 4.13 Sales and market shares of daily and Sunday newspapers sold in the RIM area, in 1998

	Estimated weekly circulation '000	Percentage share		
		RIM	Mirror Group	Combined
Daily	14,021	16.1	17.8	33.9
Sunday	<u>1,913</u>	<u>0.0</u>	<u>34.6</u>	<u>34.6</u>
Total	15,934	14.2	19.8	34.0

Source: The Commission, based on RIM data from the MIU.

4.96. As shown in the table, the proposed merger would result in an increase in the concentration of ownership of daily and Sunday titles in the RIM area from 19.8 to 34.0 per cent.

4.97. For comparison purposes, Table 4.14 sets out equivalent data for the area of overlap between Mirror Group's national titles and its regional daily and Sunday titles in the Midlands (the MIN area) and the area of overlap between DMGT's national titles and its regional daily titles which serve the East Midlands (the DMGT area). These areas of overlap have been considered in previous MMC reports (see Appendix 4.2, items A33 and A29).

TABLE 4.14 Sales and market shares of Mirror Group and DMGT in daily and Sunday newspapers sold in the MIN and the DMGT areas, in 1998

	Estimated weekly circulation '000	Percentage share
MIN area		
Daily	9,510	31.8
Sunday	<u>1,375</u>	<u>36.2</u>
Total	10,885	32.4
DMGT area		
Daily	9,602	38.9
Sunday	<u>1,352</u>	<u>12.9</u>
Total	10,954	35.7

Source: The Commission, based on Trinity data from the MIU.

Cover prices

4.98. As explained in an earlier MMC monopoly report (see Appendix 4.2, item C3), whilst there is a linkage between newspaper cover prices and advertising rates, the linkage is modest in practical effect because the other influences on advertising rates and cover prices are largely independent of one another. Cover prices are determined, for each individual title, by the publishers concerned and are in effect recommended retail prices. These are almost always observed in the market—there is virtually no price competition among retail outlets.

4.99. As noted in the earlier report, overall demand for newspapers is relatively insensitive to the level of real prices, ie it is price inelastic, partly because newspapers are relatively low-cost items (mostly in the 30p to 60p range); and partly because of consumer inertia arising from brand loyalty to particular titles—which publishers naturally seek to foster. Nonetheless, rival titles within particular market segments, particularly the popular and mid-market national segments, may be sensitive to each other's prices.

4.100. Reflecting these demand influences, cover prices tend for the most part to change rather infrequently, and active price competition between titles and publishers is, with some exceptions, rare among the national titles and almost non-existent in the regional press. The two main exceptions involve *The Times*, which we note continues to be priced well below its rival quality broadsheets; and *The Sun* and *The Mirror* which have been engaged in cover price wars over some years.

Advertising in the UK

4.101. As indicated earlier and also in Appendix 4.1, advertising media as a whole include printed media, such as newspapers (both national and regional/local), magazines, directories and direct mail; established broadcast media (television, radio and possibly cinema); other established media (for example, outdoor/transport); and so-called new media such as Internet advertising and other digital format media (interactive digital television). In considering these media and most particularly whether they represent the same or different markets, account needs to be taken of the nature and distinctive characteristics of the medium, the demands of advertisers (distinguishing between display and classified) and the extent of economic substitutability between what seem at first sight to be technical alternatives.

4.102. Looking first at newspapers—the main focus of this inquiry—there are a number of ways that advertising in newspapers is bought and sold. Two types of external organization deal with newspapers in relation to advertising:

- advertising agencies, which produce copy and purchase advertising space (both display and classified) on behalf of clients wishing to advertise; and
- advertising sales houses contracted to sell advertising space (both display and classified) on behalf of a number of newspaper owners, primarily to agencies but also directly to clients.

4.103. The former will seek to obtain the best price terms for their advertising clients, whereas the latter's aim is to obtain business for publishers from both advertising agencies and other business customers. Not all publishers, however, use advertising sales houses: some prefer to employ their own national and regional sales teams to sell advertising primarily to business clients. Furthermore, many classified advertisements are placed by individuals in direct contact with newspapers.

4.104. We explained earlier (see paragraphs 4.30 to 4.33) the reasons, in terms of both readership and advertising, why national newspapers may be regarded as a largely separate market from that of regional/local newspapers. The latter may also be subdivided into regional dailies on the one hand, which offer advertisers a wide-area coverage or reach, and local weeklies on the other, which typically focus on advertising related to a particular town (though Trinity told us that weekly titles compete for advertising with evening regional titles). The extent of overlap between these two categories is usually limited since:

- (a) it is unusual for particular advertisements to be targeted at more than one or two localities; and
- (b) advertisers wishing to advertise locally usually have little interest in region-wide advertising packages.

Regional and local newspapers may therefore be considered as largely separate advertising markets: indeed, they are more often complements than substitutes.

4.105. As regards other printed media, the regional editions of national newspapers offer only limited competition to regional and local newspapers with respect to display advertising and virtually no competition with respect to classified advertising. But for the latter, the regional/local press face competition from advertising-only publications such as the paid-for *Auto Trader*, specialist property journals and more general publications which usually carry advertising free (such as *LOOT*). Directories such as *Yellow Pages* and *Thomson's Local Directories* are also widely distributed and are used by advertisers placing longer-term, informative advertisements.

4.106. For region-wide coverage, advertisers also have the option of using local commercial radio stations and television (Mirror Group itself owns Live TV, a national cable television channel distributing news, information and entertainment). As explained in Appendix 4.1, television and radio have increased their share of overall advertising over time, whilst that of the regional/local press has declined substantially.

4.107. The extent to which television, radio and regional/local newspapers compete for advertising has been considered in a number of previous MMC reports, notably in the reports last year on the Johnston/Home Counties proposed merger and that between Capital and Virgin (see Appendix 4.2, items A34 and B4). In the latter report, it was concluded that these three media were separate economic markets because of the limitations on substitutability between them. The choice of which to use was said to be dictated largely by creative considerations and the overall strategy of the advertising campaign for a particular product or service. Television and the press, for example, are particularly good for developing brand images because of the visual nature of these media. Radio, on the other hand, is an effective medium for certain types of products, but may often be used to support a television or press campaign and to reinforce the message: to that extent, radio is more a complement to the other two media than a substitute. Much of the advertising in the regional/local press, of course, is classified rather than display.

4.108. In addition, these qualitative differences between television, radio and the press are reflected in very different pricing arrangements, which makes price comparisons extremely difficult. This lack of price transparency is likely to reduce the ability of advertisers and agencies to react consistently to price changes. We note also that notwithstanding the decline in both its circulation and share of total advertising, the regional/local press has managed to increase the level of its advertising revenues expressed in real terms over the past five years or so (see Appendix 4.1), and that it has been consistently profitable.

4.109. Similar considerations apply to the development of the new media, notably Internet advertising and interactive digital television. At this time, both are in their relative infancy in the UK (and elsewhere), though they clearly offer a new scope and wider opportunities for advertisers as a whole. To that extent, they may also present a new competitive threat to the advertising revenues of regional and local newspapers, though the scale of impact—and perhaps also its direction (see next paragraph)—is inevitably difficult to judge.

4.110. We note, for example, the extraordinary growth in connections to the Internet at the present time, that some forecasts suggest that the proportion of the UK population using the Internet will increase from under 20 per cent currently to 60 per cent or more within ten years, and that trade on the Internet will increase tenfold or more within five years. Trinity has itself argued that the Internet (and also interactive television) will become a substantive threat to the advertising revenue base of the regional/local press (see also paragraph 5.99). But other parties that gave evidence to us took a different view. *The Irish News*, for example, told us that the new media were in their infancy and not a major threat to the newspaper business. Mr David Montgomery went further, arguing that the Internet offered great commercial opportunities for regional newspapers, because they were uniquely placed to exploit the further potential of classified advertising. They were already, he told us, the main providers of advertisements for job vacancies, car sales, property etc, and were therefore best placed to expand these services on the Internet. We note also that a number of the main regional newspaper groups (including Trinity, DMGT, Newsquest and RIM) have established an on-line database of classified advertisements (called ADHunter) in order to develop these opportunities.

Barriers to entry

4.111. In assessing the possible effects on competition of the two proposed mergers, we considered, as in previous merger inquiries, how easy it is for new newspapers to enter the relevant markets at the national level, and also the local or regional levels. As regards national newspapers, an earlier inquiry (see Appendix 4.2, item B3) concluded that entry barriers were extremely high because launch costs—and the financing of initial losses—were high (and largely represented sunk costs); and because of the difficulties faced by new entrants of overcoming consumer inertia and the brand loyalty to existing, well-established titles. For the purposes of this report, we see no reason to take a different approach.

4.112. With respect to local and regional titles, 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 were relatively easy, the threat of new entry would be a continuing competitive restraint on the commercial activities of existing newspaper publishers in any given area.

4.113. In the case of free newspapers, market entry appears to be relatively low cost, using desk-top publishing technology and contract printing. Successful launches in the past suggest that a strongly targeted local weekly free newspaper can gain reader and advertiser acceptability reasonably quickly. On the face of it, the initial capital requirements for setting up such a new newspaper appear modest and many publishing activities can also be contracted out, notably the printing and physical distribution of the newspapers. However, the cost of sustaining or expanding a presence in the market can be higher than that of entry alone, mainly because of the need to finance losses in the early years (as considered in earlier reports: see Appendix 4.2, items A22 and A32).

4.114. The behaviour and reputation of incumbents will also influence the ease of entry. Established titles and publishers can respond to new entrants in a variety of ways, for example by cutting their advertising rates or launching new titles (ie 'market spoilers'). We note that Trinity itself referred to its operating areas as 'franchise areas' which it sought to protect. The expectation of such a response could of itself deter potential entrants, or reduce the chances of commercial success were entry to take place (as considered in the Trinity/TRN report; see Appendix 4.2, item A30). We note that in recent years the number of new newspapers has been more than offset by the number of newspapers that have closed.

4.115. Entry into paid-for regional/local newspaper markets is more costly and difficult. We were told in an earlier inquiry (see Appendix 4.2, item A30), for example, that it took about a year for a newly-launched paid-for title to overcome brand loyalty to existing titles and gain credibility with readers; and a further year for it to become accepted by advertisers. Even then, the chances of survival are not always high, and it is often easier to buy existing titles which are already credible and accepted by readers. Both credibility and acceptability are important because without them advertisers—by far the major source of revenue for regional and local newspapers—are reluctant to buy advertising space. The need to establish the credibility of a new title applies just as much to existing publishers as it does to new publishers wishing to start a new title.

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