5 Views of the main parties

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Introduction

5.1. In this chapter we summarize the evidence put to us by Mirror Group, RIM and Trinity in their written submissions and at hearings we held with each of them.

Views of Mirror Group

The rationale for the proposed acquisitions

5.2. Mirror Group said that the bids by RIM and Trinity needed to be seen in the context of a general background of consolidation of the regional press and changing ownership of a large number of regional newspaper businesses. These developments were taking place in response to the increasingly competitive environment and the need for cost savings, greater efficiencies and significant investment in the future of the business.

5.3. If either RIM or Trinity were to acquire Mirror Group, it would no doubt expect to derive certain cost savings from the operation of an enlarged group; for example, through sharing premises, increased purchasing power (especially for newsprint and ink, but also for other common goods and services) and savings in head office costs. Mirror Group believed that the potential cost savings would be greater (in percentage terms) for RIM than for Trinity, because RIM did not presently enjoy anything like the same economies of scale as were available to Trinity or Mirror Group. However, the extent to which either RIM or Trinity would realize the potential cost savings would depend on how it integrated its operations with those of Mirror Group.

5.4. It seemed that RIM intended to merge its existing regional newspaper business with Mirror Group's regional newspaper businesses, but that otherwise the structure of the enlarged company would be similar to that of Mirror Group at present. The headquarters of the enlarged group would be at Mirror Group's Canary Wharf offices in London. Trinity, however, had said that it intended to accommodate the Mirror Group businesses within its existing regionally-based structure and each activity would operate with considerable autonomy. The headquarters of the enlarged group would be in Chester with a nominal base only in London for operational (ie non-head-office) functions, principally the national newspapers and Live TV. Mirror Group commented that if that was indeed how Trinity envisaged the structure of the enlarged group, it would be unlikely to maximize the potential cost savings available from the merger.

5.5. An important issue for Mirror Group was RIM's and Trinity's lack of significant experience or expertise in managing national (as opposed to regional) newspapers. In relation to RIM, this concern might be met if its intention was to bolt on its regional newspaper business to the Mirror Group business, leaving management of Mirror Group's national titles largely unaffected. Under Trinity's proposals, the national titles would also be left largely unaffected, but Mirror Group feared that their relative importance would be downgraded within the Trinity structure, because they would be treated merely as another division reporting to the group head office. There was a risk that less money and senior management time would be devoted to the national titles under such a structure. The intention to retain Chester as the company's headquarters tended to support this view.

5.6. In Mirror Group's opinion, Trinity was the financially stronger of the two groups. As a public company, it was able to make a share and cash offer for Mirror Group. RIM would have to arrange substantial borrowings to fund a cash offer that stood any chance of being accepted by Mirror Group shareholders, which would mean fewer resources available to invest in the business. Depending on the level of their bids, therefore, it seemed to Mirror Group that RIM was more likely than Trinity to be financially stretched by the acquisition.

Editorial policy

5.7. Mirror Group told us that it supported diversity of the press and was committed to the accurate presentation of news and free expression of opinion. It had a long-standing policy that its national titles (and the *Daily Record* and the *Sunday Mail* in Scotland) should generally adopt a left of centre stance politically. That policy was part of the strength and heritage of the titles. It did not extend to any other Mirror Group title.

5.8. In particular, the left of centre policy did not apply to the *News Letter* in Northern Ireland. Before Mirror Group acquired that title in 1996, it had long been recognized as drawing its readership predominantly from the Protestant community and as having a unionist editorial stance, although it had begun to attract an increasing number of readers from the Catholic community. Mirror Group had fully recognized the need to maintain the *News Letter*'s political stance. In 1997 its editor had initiated certain shifts of emphasis in the title's policy. These decisions had been taken without reference to the Mirror Group board, although the board had been supportive of them retrospectively. Mirror Group said that the *News Letter*'s stance had become progressively more moderate during the time it had owned the title.

5.9. Mirror Group said that the editors of its national titles had genuine editorial freedom. There was no regular vetting by management of editorials before they went to print. Management might ask to see exceptionally sensitive editorials in advance but no more than a handful each year was reviewed in that way. The editors of Mirror Group's regional titles exercised almost complete editorial freedom and were not required to follow a common editorial line. Their responsibility was to ensure that the content and profile of their titles reflected the views of the communities they served and did not contain anything obscene or unlawful. Within those parameters, they were free to maintain and develop the local character of their titles as they saw fit.

5.10. Editors of Mirror Group's national titles were appointed following a joint recommendation by the Chairman and Chief Executive, which was voted on by the main board including the non-executive directors. Similarly, the main board of Mirror Group decided the dismissal of any editor. The board was not involved in the appointment of editors to the regional titles. No new appointment had been made at any of MIN's four major titles since Mirror Group had acquired them, but it was expected that any appointment of an editor would be made by the head of the group's regional newspapers division in consultation with the Chairman and Chief Executive. For other individual regional titles, editors were appointed by the head of regional newspapers division, who was also responsible for monitoring the quality of the titles and their financial performance.

5.11. Mirror Group had no reason to believe that the degree of independence allowed by either RIM or Trinity to the editors of regional newspapers differed materially from its own current practice.

5.12. Mirror Group was, however, concerned about the consequences for its national titles of being acquired by a regional newspaper proprietor with little, if any, relevant experience or expertise. It told us that running a national title required very different skills from those required to manage a regional newspaper business. For example, managing a national title like *The Mirror* required main board executive directors to undertake day-to-day management responsibilities for such matters as printing, distribution, marketing and legal issues. Political skills were needed in order to manage what could at times be a difficult relationship with the government of the day. In contrast, day to day, management responsibilities for running regional newspapers tended to be devolved to the editor and local management, with main board directors performing head office functions.

5.13. The editor of *The Mirror* emphasized to us that there were much greater political pressures on national titles than on regional titles and decisions on, for example, whether or not to publish particular stories had to be taken very quickly. Some of these decisions could not be taken by the editor alone because of the commercial or legal implications for the company. He needed, therefore, direct access, often at short notice, to the Chief Executive and other directors. For that reason, he was particularly concerned by Trinity's apparent intention to locate the head office for the merged group in Chester.

5.14. Mirror Group was concerned to ensure that its acquisition by RIM or Trinity would not undermine the political stance of its national titles. It said that this was important because they were alone among popular newspapers in having a long-standing left of centre stance. It was also concerned to ensure that the national titles would be provided with the support they needed, in terms of continued input of management expertise and financial commitment.

Concentration of ownership

5.15. Mirror Group said that there was a trend in the media industry to consolidate. Media companies were competing in an increasingly global market and the UK needed larger publishing companies in order to be able to compete with News Corporation and other international groups. Publishing was a mature industry that derived its top line revenue from circulation and advertising. Companies like Mirror Group were looking to invest in products that would help them maintain circulation levels. Consolidation was seen as leading to greater efficiency and cost savings that could be used for such investment. Mirror Group's acquisition of MIN was one example of successful consolidation. MIN had benefited from additional investment whilst at the same time resources had been released to support Mirror Group national titles. That had enabled the group to invest £13 million in *The Mirror* in 1998, most of which had been used to add value by introducing extra magazine supplements, listings guides and more pages for news, features and sport.

5.16. Mirror Group recognized that concentration of ownership could reach a point where it would be a threat to diversity of opinion and editorial independence. It did not believe that either of the proposed mergers would have that effect given the extent of competition, both nationally and locally, from other newspapers and other forms of media.

RIM

5.17. Mirror Group noted that the proposed acquisition by RIM would not result in any concentration of ownership of national newspaper titles. With regard to regional and local titles, the acquisition would increase RIM's share of circulation to nearly 12 per cent if the *Daily Record* and the *Sunday Mail* were regarded as national titles or to about 18.5 per cent if they were regarded as regional titles. The latter was a higher share than had been considered by the MMC in any previous newspaper inquiry, but Mirror Group was not aware of any significant public interest detriment that would arise solely from that level of concentration. It pointed out that there was no geographical overlap between its regional and local titles and those of RIM.

5.18. There remained the question of overlaps between Mirror Group's national titles and RIM's regional titles. All but one of RIM's daily titles were evening newspapers, which competed only to a limited extent, if at all, with the regional editions of Mirror Group's national titles. The exception was the *Yorkshire Post*, a title with a significantly different readership profile from that of *The Mirror*: 50 to 60 per cent of readers of the *Yorkshire Post* were in the ABC1 group compared with 32 per cent of readers of *The Mirror*. If any RIM daily titles were in fact regarded by some readers as being in competition with the national press, those readers had a choice each day between the relevant RIM title and the complete range of national titles, a situation that would be unchanged by the proposed merger. Mirror Group submitted, therefore, that the merger would not lead to any significant concentration of national titles and regional dailies in the RIM area and that common ownership of these titles would not give rise to any public interest issue.

Trinity

5.19. Trinity's acquisition of Mirror Group would not result in any concentration of ownership of national newspapers. Whether or not the *Daily Record* and the *Sunday Mail* were treated as regional titles, the acquisition would give Trinity a considerably higher share of the regional newspaper market in the UK than any other group, and it would be a higher share than had been considered by the MMC in any previous newspaper merger inquiry. Mirror Group was unaware, however, of any significant public interest detriment that would arise solely from that level of concentration.

5.20. With regard to concentration at regional and local level, the only significant overlaps in circulation of Mirror Group and Trinity non-national titles occurred in Scotland and Northern Ireland.

5.21. In Scotland, Mirror Group submitted that there was very limited competition, if any, between the *Daily Record* (circulation 676,000) and Trinity's *Paisley Daily Express* (circulation 9,000). Apart from their respective sizes, a large number of buyers of the *Daily Record* regarded it as their main newspaper; Mirror Group thought it unlikely that the *Paisley Daily Express* would be the main newspaper of many of its readers. Similarly, Mirror Group thought it reasonable to assume that competition for readers between the *Daily Record* and Trinity's weekly titles was very limited. There might be some competition between Mirror Group's free weekly *The Glaswegian* (distribution 200,000) and Trinity's weekly titles, some of which were distributed in the Glasgow area, but Mirror Group told us that *The Herald* (a morning daily with a circulation of about 270,000) and the *Evening Times* (an evening daily with a circulation of about 350,000) were of much greater competitive significance in Glasgow. SMN, a subsidiary of SMG, published both those titles. It seemed to Mirror Group, therefore, that the overlap between the parties' titles in Scotland did not give rise to any serious issue.

5.22. Mirror Group recognized that if the merger with Trinity were to go ahead then Trinity would control the only weekly titles with any significant penetration in four postcode districts in and around Glasgow (G31, G32, G69 and G73). Mirror Group provided details of other titles circulating in each of those districts and said that it considered the *Evening Times* to have a sufficiently strong presence to maintain a significant level of competition for readers and advertisers.

5.23. With regard to the overlap in Northern Ireland, Mirror Group said that newspapers in Belfast were inseparable from the politics of Northern Ireland. The Ulster edition of the *News Letter* was perceived as the voice of radical unionism, even though its editorial stance had been more moderate in recent times. It circulated mainly to the farming community but had some limited sales in greater Belfast. *The Irish News* was the voice of the Catholic community and the *Belfast Telegraph* had a distinct bias towards the Protestant community but managed to bridge the political divide. The Belfast edition of the *News Letter*, an abridged version of the Ulster edition distributed free in Belfast, had been introduced to attract revenue from advertisers who wished to reach ABC1 readers. It was known that people from the Catholic community would not buy the Ulster edition of the *News Letter* because of its political stance. Hence the Belfast edition had been distributed to certain middle-class areas in Belfast where people from both communities lived.

5.24. Mirror Group recognized that freedom of expression was a specially sensitive issue in Northern Ireland. It was important to ensure that the editorial independence of the *News Letter* and the *Belfast Telegraph* would be maintained, but Mirror Group had no reason to believe that common ownership of the two titles by Trinity would interfere with such independence or that Trinity would want to change the existing political stance of the *News Letter*. Mirror Group had itself successfully combined ownership of the *News Letter* with that of the *Derry Journal* though the two titles were at different ends of the political spectrum.

5.25. Commenting on the question of overlaps between its national titles and Trinity's regional titles, Mirror Group said that the extent of competition for readers between regional morning, evening and Sunday titles and the national press varied from title to title. Regional editions of *The Mirror*, the *Sunday Mirror* and the *Sunday People*, based on ITV regions, were circulated in the Trinity area. The main regional features of these editions were television listings, but there was also some regional sports reporting and the ability to incorporate advertising with a regional focus. Trinity's main morning titles were the *Daily Post*, published in Liverpool, and *The Journal*, published in Newcastle upon Tyne. These titles had more regional and local coverage and a narrower focus than the Mirror Group national titles. Although some readers would regard them as an alternative to a Mirror Group title or other national daily, in the main they were likely to be bought in addition to a national daily. Mirror Group said that even if some readers regarded any Trinity titles as being in competition with the national press, including Mirror Group titles, those readers had a choice each day between the relevant Trinity title and the complete range of national titles. That situation would not be affected by the proposed acquisition.

5.26. Mirror Group concluded that the proposed merger would result in no significant concentration of ownership of national titles and regional daily titles in the Trinity area. It would therefore give rise to no public interest issues.

Effects on advertisers

5.27. The acquisition of Mirror Group by either RIM or Trinity would not result in any concentration of advertising sales in the national press. In the case of an acquisition by RIM, there would be no increase in concentration in the regional press either. An acquisition by Trinity would lead to some degree of concentration in Scotland and Northern Ireland.

Scotland

5.28. Mirror Group said that its Scottish titles circulated mainly in Glasgow, where Trinity's titles had modest sales. Although they might provide limited competition to Mirror Group's titles there was plenty of competition for advertising from other titles, most notably *The Herald*, *The Scotsman* and the *Evening Times*. By themselves, these titles would continue to provide effective competition to Trinity if it were to acquire Mirror Group's Scottish titles. Moreover, other forms of advertising would continue to exert pressure on rates; for example, advertising-only publications such as *Scottish Supermart* and *ScotAds*, local radio such as Radio Clyde, Forth FM and Scot FM and outside poster sites.

Northern Ireland

5.29. Mirror Group reiterated that the politics of Northern Ireland meant that the main Belfast newspapers appealed to different parts of the community. It recognized that the degree of control that an enlarged Trinity group would have over newspaper advertising in Northern Ireland was a potentially sensitive issue and that some competition would be lost, but commented that there would still be strong competition for advertising from other media as well as newspapers.

5.30. We invited Mirror Group to comment on evidence put to us that a combination of its and Trinity's titles in Northern Ireland would be able to offer an attractive package to advertisers wanting to reach both the Protestant and Catholic communities, with the effect of reducing substantially the advertising revenue of *The Irish News*. We had been told, in support of this argument, that the all-adult net reach of Mirror Group and Trinity titles together in Northern Ireland was 65 per cent and that the all-adult net reach of these titles plus *The Irish News* was only 3 per cent more, thus giving advertisers little incentive to advertise in *The Irish News* in addition to a Mirror Group/Trinity package. Mirror Group believed that concern about a threat to *The Irish News* had been overstated. It said that if advertisers wished to reach the nationalist community they were far more likely to use *The Irish News* than *The Mirror*. Although a package of *The Mirror* and the *Belfast Telegraph* might be attractive, local advertising agencies (and the competition authorities) would not tolerate any attempt at conditional selling. It would be possible for Mirror Group to introduce extra pagination into the Northern Ireland edition of *The Mirror* and the *Sunday Mirror* so that they could carry run of paper advertisements as well as additional locally-sourced advertisements. However, the yield obtained for the local advertising might be insufficient to cover the cost of the extra newsprint and would thus make the exercise uneconomic.

UK as a whole

5.31. Mirror Group also commented on the relationship between the sale of advertising in its national titles and in the regional titles of RIM and Trinity. It told us that it generally published its main national titles in six regional editions, each covering one or more ITV regions. The regional editions differed from each other as regards television listings, sports reporting and regional display advertising. Also, in certain regions, the Friday edition of *The Mirror* was sold with the *A List*, a regional entertainment guide. The *A List* also carried some regional display and classified advertising.

In effect, the main national titles offered six regional advertising editions, although some further regional changes were made where production requirements allowed. It followed that in all areas where RIM's and Trinity's titles circulated they faced some competition from Mirror Group for regional advertising. Mirror Group told us, however, that in reality the great majority of advertising in the regional editions of its national titles was by major national advertisers. It suggested that an advertiser or agency wishing to achieve national coverage would not find a single RIM or Trinity title, or even a combination of RIM or Trinity titles, to be an acceptable substitute for a national title. Mirror Group suggested also that few, if any, advertisers or agencies wishing to place advertising in a single regional edition of a Mirror Group title would find a combination of one or more titles of RIM or Trinity an acceptable alternative.

5.32. The value of advertising placed in the regional editions of Mirror Group's national titles was relatively small. Advertising in all regional editions (ie throughout the UK) and in the southern regional edition (which was outside the RIM and Trinity areas) together accounted for over 90 per cent of revenue from display advertising and over 80 per cent of classified advertising. The remainder was spread thinly across all other regional editions of its national titles. Mirror Group said that, in selling advertising in the national titles, the merged group would continue to face fierce competition from the other national dailies, all of which published regional editions of their own titles, and the proposed acquisitions would not affect local competition for advertising sales from other local newspaper groups and other local advertising media, including local television and radio, directories, the Internet and outdoor poster sites.

Remedies

5.33. We invited Mirror Group to comment on a number of hypothetical remedies that we might recommend in the event that we found that either or both of the proposed mergers might be expected to operate against the public interest.

5.34. Mirror Group said that there was no reason why it should not continue as an independent company if we were to recommend prohibition of either or both of the mergers. It was not actively seeking a buyer.

5.35. With regard to other options, Mirror Group doubted whether disposal of some or all of its national titles would be feasible, given their close integration with the Scottish and MIN businesses and the disentangling that would have to be done. For example, it had integrated finance, advertising production and IT functions which now covered the national and the regional titles. The process of unpicking these arrangements could be highly damaging to the national titles because of the disruption and uncertainty it would entail. Also, if any disposal were to deprive the national titles of the efficiency and synergies they achieved as a result of being part of a large newspaper group, Mirror Group would be concerned about whether funds would still be available for investment in the titles and whether their long-term viability would be assured. If the national titles were disposed of to a regional newspaper publisher other than RIM or Trinity then that transaction also would raise questions about the new owner's ability to manage the titles. If, however, they were bought by a national newspaper proprietor then potentially serious issues of concentration and the preservation of the titles' political ethos would arise. Mirror Group did not, therefore, consider that disposal of some or all of its national titles would be an appropriate remedy for any public interest detriment that we might identify.

5.36. Although the sale of its titles in Northern Ireland (but not the regional editions of *The Mirror*, the *Sunday Mirror* and the *Sunday People*) would be feasible, Mirror Group did not believe that such a disposal would be warranted by public interest issues. It said that if the sale of the *News Letter* were to be required, it would be important to ensure that it went to a buyer with sufficient resources to keep it going, otherwise disposal might eventually lead to the loss of a competitor for Trinity. Mirror Group recognized the fears and perceptions in Northern Ireland about common ownership of the *News Letter* and the *Belfast Telegraph* and suggested that maintaining a separate office for the *News Letter*'s editor and journalists might improve the perception of its continued independence. A further step might be to make the editor and management accountable to Trinity's head office rather than to its existing local management in Belfast. This separation from the *Belfast Telegraph* could also be extended to the advertising department of the *News Letter* if there were serious concerns about the advertising function under common ownership.

5.37. We put to Mirror Group a hypothetical proposition that acquisition by Trinity should be conditional on the sale of a number of weekly titles to ensure that its total share of circulation/distribution in Strathclyde did not exceed 25 per cent, to remedy any adverse effects of the merged group's dominance in the newspaper advertising market in that area. Mirror Group did not believe that such a recommendation could be justified. It said that there was little competition for advertising between the *Daily Record* and weekly newspapers. The *Daily Record* saw itself as competing with SMN titles. There was also a full panoply of other competitors, such as local radio, and the merger would have no effect on this. Mirror Group agreed that disposal of Trinity's *East End Independent* and *The Rutherglen Reformer* might be feasible if there were issues concerning Trinity's virtual monopoly of the weekly newspaper market in four Glasgow postcode districts, but it believed that any such issues were very marginal.

5.38. With regard to possible behavioural remedies, Mirror Group said that an undertaking not to close any of its titles, or, where appropriate, any competing title, for a specified period would have the drawback that any clearly unprofitable titles might have to be kept in existence. This would interfere with decisions that were part of the management of any regional newspaper business.

5.39. Mirror Group doubted whether an undertaking to preserve editorial independence, though acceptable in theory, would be sufficient to deal with any serious concerns. It would be difficult to monitor and experience had shown that editorial boards appointed for the purpose tended not to be very effective.

5.40. Mirror Group also saw problems with undertakings to preserve the political stance of some Mirror Group titles, in particular *The Mirror* and the *News Letter*. There was a danger that some politicians would regard undertakings of that kind as a commitment always to support a specific political party. This was likely to result in increased political pressures on editors. Furthermore, a requirement to maintain a current political stance seemed incompatible with undertakings to maintain editorial independence, since there might be occasions when the editor judged that it was right for a newspaper to take a different stance. Moreover, as a practical matter, it was not clear how a newspaper's political stance could be monitored. Mirror Group would have grave concerns if such an undertaking were to be recommended.

Views of RIM

The rationale for the proposed acquisition

5.41. RIM said that the rationale for the proposed acquisition was to create a media company able to revitalize Mirror Group's national titles and to develop further RIM's regional titles; to enable staff to achieve their individual aspirations; and to deliver a return for RIM's investors. The acquisition would provide opportunities for expansion, leading to operational efficiencies and other cost savings.

5.42. RIM believed that Mirror Group's regional newspaper businesses would complement its own regional businesses and that the Mirror Group regional titles would benefit from the focused experience of its most senior operational executives, who had held senior positions at MIN and subsequently at Mirror Group.

5.43. RIM also intended to improve the trend in sales of Mirror Group's UK national titles by enhancing their content and product value, which it believed would have a more lasting effect on sales than short-lived promotions or price-cutting. It intended to invest substantially in the national titles to bring about improvements in content, increase the number of editorial pages and enhance each newspaper's magazine supplements. It said that *The Mirror*, after having been starved of investment for some time, had recently received an investment in editorial content and pagination and as a result its sales had stabilized. At the same time it had moved slightly up-market and had readjusted its position to be more in line with the values of New Labour. RIM thought that *The Mirror*'s position was now broadly right and did not plan to make substantial changes, though it would sharpen its focus on its market and would increase investment.

5.44. The Mirror Group Sunday titles had received no recent investment and the circulation of each of them was falling faster than that of any other Sunday newspaper. RIM commented that the titles were unclear in their positioning and that the cross-over readership from *The Mirror* to the *Sunday Mirror* was very low.

5.45. As a private company backed by substantial institutional shareholders, the merged group would be shielded from short-term market pressures experienced by listed companies and would be well placed to make the necessary investment to build readership of the national titles in the longer term. RIM intended to introduce a straightforward management structure and greater management continuity at Mirror Group, in particular ensuring that editors and journalists had greater stability and certainty than over the past seven years during which 16 editors had been hired and fired for the national titles alone. It believed that managerial and editorial stability would help make the national titles more consistent and attractive.

5.46. RIM's existing management team would be strengthened and augmented following the acquisition. [*Details omitted. See note on page iv.*] The merged company would be run from Mirror Group's London headquarters because national newspapers, whilst they would make up only about 30 per cent of the combined business, were the most difficult and competitive market and would require the closest attention. RIM did not believe that the national titles could be run from outside London.

5.47. We put to RIM concerns that had been expressed to us about the ability of regional newspaper publishers to manage national titles. RIM recognized that the two sectors were different. National daily titles operated in a more directly competitive market than regional dailies and the management approach adopted needed to reflect this. RIM said that it had the advantage of senior managers who had worked for Mirror Group and had an appreciation of the national newspaper market. It would also hope to retain much of the existing Mirror Group management. The Chief Executive of the merged company would be able to devote most of his time to the national titles because RIM and MIN already had strong and successful management teams that would continue to run the regional businesses. RIM was confident that it would be able to improve the commercial performance of the national titles. On the editorial side, it would ensure that excellent editors were in post and give them the tools to develop the newspapers. RIM would want to simplify reporting lines and clarify accountability within Mirror Group. A Managing Director would be appointed to whom the management team including editors would report on a day-to-day basis. Editors would have their own budgets for which they would be accountable, and exceptional expenditure would be referred to the Managing Director.

5.48. RIM had identified cost savings from the acquisition, but was committed to retaining and developing all of Mirror Group's existing national, regional and local titles. It had no plans to close any titles as a result of the merger or to make any changes to the regional editions of the national titles. It intended, however, to review a number of Mirror Group's non-newspaper interests.

5.49. We put to RIM suggestions made to us that the effect of its staffing programme in UPN, which it took over in February 1998, had been to cause a severe reduction in editorial standards. We had also been given an internal memorandum written by the Chief Executive in relation to this issue. RIM told us that it had in fact looked for and achieved a 10 per cent head count reduction, but that this included only five journalists and one sales position. The cuts had primarily involved a reduction in administrative and support costs. However, RIM pointed out that additional editorial and sales staff had been recruited to support relaunched titles in Preston and Blackpool and that in fact the total number of journalists employed across the whole company had actually increased. Candover, RIM's main shareholder, said that in its view the basis for growth of a newspaper business was the strength of its editorial. When it decided at some future date to sell its share of the business it would need to be able to show that progress had been made in increasing circulation and on the editorial side. The only way to make money out of newspapers was to serve customers better, so the notion that Candover would invest heavily in Mirror Group's titles and then cut the editorial was a fanciful one.

Editorial policy

5.50. RIM told us that its policy was to allow individual editors autonomy over the content and political balance of its titles. This approach made sound business sense, since any title that failed to reflect issues of importance to its readers was likely to lose readership in its core circulation/distribution area, which would in turn lead to a decline in advertising and circulation revenues. The management of RIM had made no attempt, either overt or covert, to interfere with the freedom of editors to edit and was not aware of any complaints to the contrary from editors. The editor of the *Yorkshire Post* confirmed to us that since the title had been acquired by RIM the Chief Executive and management team had not interfered in any way with editorial decisions. The advertising/editorial ratio of each title was also determined locally. Individual editors were responsible for dealing with any libel or Press Complaints Commission issues raised by editorial content in their respective titles. RIM presented evidence that titles it owned had taken different positions in relation to various issues.

5.51. Editors of RIM's existing titles were appointed and removed by centre Managing Directors in consultation with the Chief Executive. Since RIM had acquired these titles there had been only three senior editorial departures, two on retirement and one to another job outside RIM. The three resulting vacancies were filled by candidates from within RIM although one of the vacancies created by the internal appointments (the editorship of the *Lancashire Evening Post*) was filled by a candidate from outside.

5.52. As a company, RIM's track record of editorial independence was relatively brief, but its non-executive Chairman, Sir Norman Fowler MP, and its senior operational management, in particular the Chief Executive, had had considerable experience of the newspaper industry, including Mirror Group and MIN. They could demonstrate a strong record of supporting editorial independence.

5.53. RIM recognized that local information was the unique selling point for regional and local newspapers and that they needed local reporting strength and community involvement in order to provide distinctive coverage. RIM provided this through nine local publishing centres, each with its own dedicated editorial team headed by an editor who was responsible for all the titles published in his centre. The only exceptions were the *Yorkshire Post* and the *Yorkshire Evening Post*, each of which had its own editor.

5.54. If RIM were to make a successful bid for Mirror Group it would extend its current policy of editorial independence to Mirror Group's regional titles and would retain the existing regional or local focus of each title acquired. This would reflect not only RIM's commitment to devolving editorial control but also the economics of regional newspaper publishing, which required titles to reflect local and regional interests and concerns in order to survive.

5.55. The editors of Mirror Group's national titles would be granted full editorial independence within the context of RIM's commercial objectives. RIM envisaged that the Chief Executive and the Managing Director of Mirror Group operations would appoint editors. The proposed dismissal of any editor would be referred to the RIM board.

5.56. RIM assured us that it would not contemplate interfering with the broadly left of centre stance of the national titles. The clear distinction between the ownership and management of the titles would mean that there would be no proprietor/owner figure able to interfere personally in their editorial stance. Furthermore, the interest of the investor owners was in making a return on their investment, not in influencing the content of the titles. It would be commercial folly to take newspapers that had a sympathetic left wing audience and try to turn them into right wing Conservative newspapers. This would simply risk losing a significant part of the core readership of each title, thus causing a decline in circulation, and therefore advertising revenues, which would be unacceptable to management and shareholders. The national titles might need to change over time to reflect changes in society but RIM had no intention of changing their political stance.

5.57. We put to Sir Norman Fowler concerns expressed to us that he would seek to influence the political stance of the Mirror Group national titles. Sir Norman said that *The Mirror* was, and should remain, a flourishing independent newspaper of the left. There would be no shift in its position if it were acquired by RIM. He said that as non-executive Chairman of MIN and now of RIM he had never interfered with editorial independence or brought any political influence to bear on the newspapers within the group. The editors concerned would verify this. He emphasized that a non-executive Chairman was not an owner and, in his view, did not have a political relationship with editors. His role was entirely separate from that of the Chief Executive. He had no ambitions to interfere in the politics of the Mirror Group titles or to attempt to influence editors on such matters as how to advise readers to vote: to do so would be entirely contrary to his beliefs about how newspapers should be run. As evidence of his non-interference in editorial policy, he told us that although he had played a leading part in John Major's campaign for re-election as leader of the Conservative Party, *The Birmingham Post*, then part of MIN, had supported John Redwood. We suggested that in terms of public perception it might be in RIM's interests to insulate Sir Norman from control of the Mirror Group management. RIM confirmed that Sir Norman would have no executive or managerial functions in the merged company. He would not be a member of the Mirror Group management board or of any other RIM executive board and would chair only the main strategic board. Sir Norman also pointed out that he would be standing down from the Shadow Cabinet at the next reshuffle, and a public announcement to that effect was made during the course of our inquiry, on 14 May 1999.

5.58. RIM told us that, conversely, the merged company would have no wish to impose the political standpoint of *The Mirror* on any of its regional/local titles, which had to reflect the interests and viewpoints of their local communities in order to survive. RIM did not believe that a national political stance was readily applicable to regional or local issues and in any event it would be entirely contrary to its approach to managing newspapers to impose a view on any title.

5.59. We invited RIM to comment on allegations put to us that its employment practices were not those of a company in tune with the Labour Government or of a management that could be expected to uphold the political stance of *The Mirror*. It had specifically been suggested that RIM had used the opportunity of job cuts to dismiss an active trade unionist at the Sheffield *Star*. RIM strongly denied that it had any indefensible employment practices. It believed that its practices were not dissimilar from those of Mirror Group. It met all its legal obligations and would comply with the Employment Relations Bill if it became law. RIM denied that it was hostile to trade unions. It did not recognize them for collective bargaining purposes, but nor did many other regional and national newspaper companies. RIM emphasized that it had inherited the current position in relation to union recognition when it took over its newspaper titles from UNM in 1997, and the position had not changed since the acquisition. It confirmed that if unions were recognized in any part of Mirror Group it would not change those arrangements after the merger. RIM said that one trade union official in Sheffield (a text sub-editor) had been made redundant, but that was because his job had disappeared as a result of the upgrade to a system of full page make-up on screen using page editors rather than text sub-editors.

Market definition

5.60. RIM considered that the media market embraced a growing range of different media and that it was largely outdated to regard newspapers as the dominant source of information or as the dominant advertising medium. Alternative sources included local radio stations, local television, the Internet and many specialist and niche publications. RIM suggested that newspapers were in competition for readers with anything that demanded the leisure time of their customers.

5.61. Within what might be termed the newspaper market, competition at regional level was best judged by the number of printed products produced by different owners within a market place, and the market place would be defined differently by titles. The *Yorkshire Post*'s market place, for example, would be a broader area than that of the *Yorkshire Evening Post*, which circulated primarily in Leeds. Within the market place of either of those titles there was a multiplicity of competing publications, some produced by mainstream publishers and others that served a very small and specialist market.

5.62. Nationally, competition was largely segmented demographically, so that, for example, *The Mirror* did not compete in any real sense with *The Times*. It competed within the red-top tabloid market, where its rivals were *The Sun* and *The Star*. RIM did not believe that *The Mirror* competed directly with any regional newspaper. Although there was some competition between national and regional dailies, with a small overlap of advertising customers, there was duplicated readership. About 50 per cent of *Yorkshire Post* readers also bought a national daily, because they bought the two types of newspaper for different reasons. RIM did not, therefore, see national and regional daily titles as head-to-head competitors.

Concentration of ownership

5.63. In RIM's view, concentration of ownership had led to a renaissance in the regional newspaper industry by putting titles into the hands of committed publishers who had enabled them to start stabilizing sales and gain a share of advertising in a very competitive market. Concentration had been in readers' and advertisers' interests because commercially weak newspapers tended to cut back on editorial, which was a heavy expense that did not directly bring in revenue. There was no evidence of less diversity or lower journalistic standards as a result of consolidation: on the contrary, the quality of regional titles had improved in recent years.

Effects at national level

5.64. At the national level the merger would give RIM a market share in the circulation/distribution of all regional/local newspapers (excluding all Scottish national titles) of 12 per cent and it would remain the fourth largest publisher of regional/local newspapers in the UK. A large number of smaller publishers would remain. On alternative bases for calculating market share, RIM's share would be higher: 18.6 per cent if all newspapers (national, regional and local) were considered and 17.8 per cent if all regional/local newspapers (including all Scottish national titles) were considered.

5.65. RIM submitted that, regardless of the approach followed in measuring market shares, the proposed merger would not raise any appreciable competition or other public interest issues at national level. Unlike Mirror Group, RIM published no UK national daily titles or Scottish national daily titles. There was no overlap between Mirror Group's and RIM's regional and local newspapers. With regard to the overlap between Mirror Group's national titles and RIM's regional/local titles, RIM's core area represented only a small proportion of the circulation area of Mirror Group's national titles. There would be no commercial rationale for the merged group to change its strategy for the national titles, whose main competitors were other national newspapers, as a consequence of a minor overlap in readership with the RIM titles. The commercial pressures on RIM's newspapers to focus on the local communities they served would be unaffected by the merger since national titles were poor sources of regional and local news.

5.66. RIM believed there was little possibility that the proposed merger would adversely affect national competition for advertisers. Advertising on a national basis in the regional/local press was administratively complex and more expensive than advertising in the national press, so in practice there was only limited competition between the two. Display advertisements placed by national and provincial agencies made up only some 9 per cent of RIM's advertising revenue from its daily titles.

Effects at regional/local level

5.67. As far as regional/local newspapers were concerned, there was no overlap between the total RIM area and total Mirror Group area. Nor were their areas contiguous. No concentration of ownership of regional/local titles would therefore arise in any region or locality of the UK as a result of the merger. RIM submitted, therefore, that its acquisition of Mirror Group's regional/local titles raised no competition or other public interest issues.

5.68. RIM concluded that the overlap between its area and the circulation area of Mirror Group's national titles was limited to *The Mirror* and the daily titles published by RIM, since daily national titles could not realistically be said to compete with weekly regional/local titles and RIM published no Sunday newspapers. The overlap was further limited by the fact that RIM published only one regional morning daily, the *Yorkshire Post*. The principal geographic overlap was between the Yorkshire and Lancashire (North-West) editions of *The Mirror* and the daily titles published by RIM in those counties. RIM submitted that the overlap raised no appreciable competition or other public interest issues because of the limited competition for readers and advertisers between national and regional/local newspapers.

5.69. In support of its arguments, RIM provided a detailed account of the differences between its daily titles and the regional editions of *The Mirror*. The editorial content in the regional editions of the latter was almost exclusively of a national or international nature. The only regional features were television listings, occasional sports and entertainment coverage and a facility to incorporate advertising (including situations vacant) with a regional focus. In addition there was a weekly regional listings section. In contrast, the *Yorkshire Post*, RIM's only daily morning title, had a strong emphasis on regional and local news, with only three journalists, out of a total of 35, specifically dedicated to national news. Typically, more than 50 per cent of news articles in the *Yorkshire Post* had a local or regional character as opposed to 37 per cent with a national emphasis and 13 per cent with an international emphasis. In the case of sport, 61 per cent of articles were of a local or regional character.

5.70. The regional editions of *The Mirror* were determined purely by the ITC licence areas for ITV channels rather than by a culturally coherent region, whereas the circulation area of the *Yorkshire Post* was specifically determined by its target audience in Yorkshire. Furthermore, the readership of *The Mirror* was targeted at and largely read by those in SEGs C2, D and E (68 per cent of all readers) whilst the *Yorkshire Post* was targeted more at those in SEGs A, B and C1 (66 per cent of all readers). In addition, 61 per cent of *Yorkshire Post* readers were over 45 years old compared with 52 per cent of *The Mirror*'s readers.

5.71. Although RIM's regional/local evening newspapers gave some attention to national and international events, typically more than 74 per cent of news articles in the *Yorkshire Evening Post* had a local or regional character, rising to 81 per cent in the case of articles about sport. The same pattern was found in RIM's other evening titles in the region. Consequently, there was little potential for overlap between these titles and the regional edition of *The Mirror*. As well as the regional coverage, an important selling point of evening newspapers was that, unlike national dailies, they provided up-to-date news in different editions throughout the afternoon and evening.

5.72. Readership profiles also supported the argument that daily evening titles were different products from the national dailies. In contrast to *The Mirror*, RIM's daily evening titles attracted a representative spread of readers from across the social spectrum. This was because with a limited effective distribution area regional evening titles needed to attract a broad range of readers and they were not, therefore, targeted at a particular SEG in the same way as national dailies.

5.73. RIM concluded on the basis of the analysis above that its daily titles were an entirely different product from *The Mirror* and were not in competition for readers with the regional editions of *The Mirror* with which they overlapped. RIM said that its conclusion was supported by recent surveys, which indicated that the majority of readers of its daily titles also read a national daily title; for example, 60 per cent in the case of *Yorkshire Evening Post* readers. This suggested that readers did not regard national daily titles and regional dailies as substitutes for each other.

5.74. There was also limited competition for advertisers between national and regional/local newspapers. The differences in geographical coverage, content and readership profiles between *The Mirror* and RIM's daily regional/local titles were reflected in the relative appeal of different titles to advertisers. Those seeking national coverage would not choose a regional or local title, because it could offer only limited geographical coverage. Conversely, those wanting to advertise in relation to a particular locality would be seeking the highest audience within their catchment area at minimum cost and would therefore opt for a daily regional/local title, especially as *The Mirror* was unable to offer regular regional advertising. Purely regional, as opposed to local, advertising was in RIM's experience only a small proportion of the total market.

5.75. RIM told us that most advertising carried in its daily titles was local. Accordingly, the proportion of advertising in its area that might be affected by an overlap with Mirror Group's national titles was very small. Furthermore, the merger would offer little scope to increase the proportion of advertising sold on a regional basis through, for example, cross-title selling of national and regional packages. This was because there was little demand for regional advertising and the geographical coverage and target markets of regional/local titles were different from those of national titles. Although RIM currently offered cross-title packages, take-up was low despite attractive pricing. Mirror Group did not offer cross-title packages between its national and regional titles and derived only a small percentage of its advertising revenue from cross-regional packages. Following the merger, RIM would expect the advertising policies of its regional/local titles to continue to focus on their local areas.

5.76. RIM commented that national and regional/local advertisers required different types of advertising. National advertising tended to be in display format whereas local advertisers tended to require a classified advertisement. RIM told us that for Mirror Group's national titles 87 per cent of advertising revenue came from display advertising and 13 per cent from classified advertising, whereas for its regional/local titles the split was about 60 per cent classified and 40 per cent display. In RIM's daily titles in 1998 classified advertisements had accounted for about 74 per cent of advertising revenue.

5.77. RIM concluded that the merger would not confer a position of market power on the combined group in respect of the sale of advertising in the RIM area. Furthermore, there were significant competitive constraints within the area. First, there was competition from other daily titles: 66 per cent of the circulation of daily titles published in RIM's area and 56 per cent in its core area would be available as an alternative source of advertising. Secondly, there was competition from more than 120 weekly newspaper titles (paid-for and free) in the total RIM area. Thirdly, there was competition from the increasing number of 'pick-up' publications, free advertising publications and business directories. Fourthly, newspapers competed for advertising revenue with commercial radio stations, local commercial television stations (including cable stations), poster sites, transport banners, local cinemas and the Internet.

Effects in Scotland

5.78. We put to RIM the concerns of other parties that the acquisition of Mirror Group's Scottish titles would lead to diminished coverage of the Scottish scene, either in quantity or quality. RIM said that the *Daily Record* and the *Sunday Mail* were both very strong brands on which it wanted to build. It saw enhanced opportunities for growth arising from the establishment of the Scottish Parliament and strengthening of national identity. The proportion of Scottish news in the *Daily Record* was around 70 to 80 per cent and this seemed likely to increase in future, although the balance between Scottish and non-Scottish content would be a matter for the editor to decide. RIM intended to run the Scottish business through a dedicated management team based in Glasgow.

Effects in Northern Ireland

5.79. There were no overlaps between RIM and Mirror Group in Northern Ireland. RIM assured us that it was alive to the political sensitivities involved in newspaper publishing there. If it acquired Mirror Group, the business in Northern Ireland would continue to be run by its own existing management. It had no plans to change the editor of the *News Letter*, who was best placed, along with the Managing Director, to be finely attuned to the political dimensions and changes. RIM had no plans for closures or substantial changes in respect of any of the Mirror Group titles in Northern Ireland, including the regional edition of *The Mirror*. It was possible that spare printing capacity at the *Derry Journal* might be used for the benefit of *The Mirror*, the *Sunday Mirror* and the *Sunday People* in Northern Ireland and the Republic of Ireland.

Effects on employment and efficiency

5.80. RIM told us that it expected to achieve a number of cost savings as a result of the merger. These would arise principally from reduced administrative costs and increased purchasing power. Corporate costs associated with being a listed company would disappear and savings would arise from the streamlining of central services and administrative and financial support services. RIM expected increased purchasing power to result in savings on newsprint and other materials cost. Further details are given in paragraph 3.123.

5.81. Savings at head office level would inevitably lead to a small number of redundancies. [

Details omitted. See note on page iv.

] It intended to ensure that, so far as possible, any redundancies were kept to a minimum and were voluntary. Every effort would be made to offer the staff affected new positions within the company. RIM had no plans to reduce staffing in the editorial and commercial areas.

Remedies

5.82. We invited RIM to comment on a number of hypothetical remedies that we might recommend in the event that we found the merger might be expected to operate against the public interest.

5.83. RIM believed that prohibition of the merger would be entirely unjustified. It would be extremely concerned by such a recommendation and would have to consider what further action it might take. An alternative recommendation for disposal of Mirror Group national titles would have the same effect as prohibition of the merger as far as RIM was concerned: the transaction would not go ahead.

5.84. We invited RIM to consider a number of behavioural remedies, the first of which was an undertaking not to close any Mirror Group titles within a specified period. RIM said that it had no plans to close any titles, but economic circumstances could change and in some cases closure was the only solution for a title that had become unprofitable. It would be prepared to give an undertaking on the lines suggested only if the time limit proposed was acceptable.

5.85. RIM said that it would be prepared to give undertakings to preserve editorial independence and the existing political stance of certain Mirror Group titles, in particular *The Mirror* and the *News Letter*. It emphasized, however, that in its view no such undertakings were necessary because its acquisition of Mirror Group would pose no threat to editorial independence or the political stance of its titles.

Views of Trinity

The rationale for the proposed acquisition

5.86. Trinity told us that the proposed acquisition of Mirror Group was compatible with its strategy of acquiring contiguous regional newspaper assets and new regional franchises and extending the range of its business activities. The combined entity would have a strong balance sheet and cash flow, and would be large enough to give the Mirror Group national titles greater stability and be able to compete in an environment increasingly dominated by substantial international companies. One advantage to Trinity of acquiring the national titles was the broader revenue base that would result, with more revenue derived from circulation and display advertising sales and less from classified advertising sales, which were affected heavily by the economic cycle, particularly in the case of recruitment advertising. Ownership of the national titles would also give Trinity another type of news resource together with additional distribution and marketing resources that would help it develop new media opportunities.

5.87. Trinity envisaged that the registered office for the enlarged company would remain in Chester, where many head office functions would be carried out. There would also be a corporate office in London in which the Chief Executive, Finance Director and Chief Operating Executive would spend a significant amount of time. Trinity intended to explore how much of the infrastructure, such as printing and distribution, could be shared by the national and regional titles whilst maintaining the identity of the individual titles. It was possible that some of the editorial resources of the Mirror Group national titles, for example *The Mirror*'s picture library, could be shared by Trinity's regional titles, but any sharing of editorial material would need careful handling in order to maintain the distinctive voice of each newspaper.

5.88. In response to comments that running a national title required different management skills from those required to run regional newspapers, Trinity said that it had demonstrated its ability to put businesses together and operate and develop a large group. Although it had not run a national newspaper before, it had successfully managed a paper and packaging business in the UK and newspaper businesses in the USA and Canada, thus showing that it could run enterprises different from UK regional newspaper businesses. It was Trinity's policy to allow managers and editors to run their newspapers in accordance with their business plans and budgets and this policy would be applied to the Mirror Group national titles. It was not Trinity's intention to become directly involved in national newspapers in the editorial sense, but the editors of national titles would raise important issues with the Chief Executive, as was currently the case. The Chief Executive of Trinity was confident that he and his senior colleagues in the enlarged group would be able to devote enough time and attention to the national titles since the structure and culture for running the regional titles (which would amount to 70 per cent of the combined business) was well established. He envisaged that a management board would be established for the Mirror Group national titles. He recognized that the Chief Executive of a national newspaper group would face different political and other pressures from those experienced in regional and local newspapers, but believed that he, and the enlarged group team, had relevant experience and abilities to deal with them. Furthermore, he would expect to be working with existing executive directors, managers and editors from Mirror Group who were used to such pressures.

5.89. As yet, Trinity had no specific plans for the development of the national titles beyond those already in place. Mirror Group's rejuvenation strategy seemed to be working in terms of increasing circulation and returning *The Mirror* to its traditional ethos. The current plans for development of the national Sunday titles seemed broadly sensible. If the acquisition went ahead, Trinity would need to talk to the management and editors of the titles concerned before being in a position to evaluate opportunities.

Editorial policy

5.90. Trinity confirmed that its editorial policy, as described to the MMC in previous inquiries, was to agree broad editorial and advertising policies with the editorial and commercial management of its newspapers, based on the perceived needs and requirements of the readers and advertisers in the communities where the newspapers were published and at whom the newspapers were aimed. The effect was that each individual title's editorial stance and content resulted from a continuing dialogue between the editor and local management. The Trinity group had no editorial director and did not attempt to control editorial policy centrally because it believed that regional and local newspapers delivered the best returns to shareholders if their editorial style and content were relevant to the areas they served. Local, not central, management was best placed to determine what was relevant.

5.91. In its previous investigations, the MMC had found no grounds for questioning Trinity's commitment to editorial independence and accurate presentation of news. Trinity said that its policy in this respect had remained consistent and there was nothing to call into question the MMC's earlier conclusions. It believed that its editorial record spoke for itself and that issues would continue to be treated sensitively and impartially after the acquisition of Mirror Group.

5.92. As evidence of editorial independence, Trinity told us that titles within the group did not necessarily follow a common line. It gave the example of Liverpool, where the *Daily Post* broadly supported the views of the Conservative Party whilst the *Liverpool Echo* was inclined towards the Labour Party. We heard from the editor of the *Evening Chronicle* in Newcastle that in the three years she had been in post the commercial management of Trinity had never sought to influence the title's political stance or to limit her independence as an editor. The editor of the *Belfast Telegraph* told us that this had also been his experience.

5.93. Trinity assured us that it intended to maintain the current left of centre political orientation of Mirror Group's national titles (including the *Daily Record* and *Sunday Mail* in Scotland). It thought there would be little commercial sense in acquiring those titles only to change their ethos.

Market definition

5.94. The market share information presented to us by Trinity in respect of regional/local newspaper circulation/distribution differentiated between morning and evening titles, Sunday titles, paid-for weeklies and free weeklies. Trinity commented, first, that in the Mirror Group/MIN report the MMC had viewed regional evenings as not necessarily competing with morning titles. Secondly, regional mornings typically circulated over a much broader area than regional evening titles. Thirdly, Sunday titles had a wider coverage than the regional mornings whereas most local paid-for weekly titles focused on a single community. Trinity emphasized that, whilst it was analytically appropriate to split titles into these categories, the resultant market share figures might not reflect actual markets since many of the titles concerned could not sensibly be viewed as substitutable products by either readers or advertisers.

5.95. In Trinity's view, it was difficult to arrive at an appropriate market definition. It suggested that newspapers were an industry operating in a range of consumer market places and competing with a range of other media including radio, television, niche publications and the Internet.

Concentration of ownership

5.96. Trinity did not believe that the increase in its share of the overall newspaper market in the UK to 21.5 per cent as a result of the proposed acquisition should give cause for concern. In support of that view, it referred to the very different nature of Mirror Group's national titles and Trinity's regional dailies and the geographical spread of Trinity's daily centres.

5.97. The acquisition of Mirror Group's regional titles would increase Trinity's overall share of the regional/local newspaper market in the UK to 19.5 per cent if the *Daily Record*, *Evening Standard*, *Sunday Mail* and *Sunday Post* were excluded from the calculation and 24 per cent if they were included. Trinity did not believe that these levels should cause concern because they were, in a sense, aggregations of a large number of diverse publications and market places. There would be no commercial advantage in reducing the diversity of products: even if the entire regional press was owned by one person, it would make economic sense to maintain a range of diverse titles that matched the market needs of individual communities. Furthermore, the regional press would be competing for advertising in the national market place, which was extremely competitive and where regional newspapers' share of national advertising had been declining.

Competition from other media

5.98. Trinity believed that the way to protect diversity in the press was to allow committed, well-managed newspaper groups to grow and make acquisitions. This would allow them to compete effectively against opposition from other media that had no public interest obligations. Even if further consolidation were to take place, however, Trinity believed that there would continue to be a wide range of weekly and small daily proprietors who would serve very local markets. In response to suggestions that the greater strength of consolidated businesses would enable them to be more competitive in advertising rates and cover prices, thus deterring new entry, Trinity said that the barriers to entry had been raised by the competition from sources other than newspapers. Anyone thinking of launching a newspaper, paid-for or free, would need to take account of competition from free access to the Internet and from targeted publications such as those directed at young people, or specialist advertising papers such as *LOOT* and *Auto Trader* and new free pick-up publications that were often available from petrol stations and supermarkets. A particular example was UNM's sale of all its regional newspaper businesses followed by the launch of a series of such products designed to capture the motors and property market.

5.99. Trinity said that it was clear from experience in the USA and forecast trends in the UK that digital interactive services were potentially a major threat to regional and local newspapers. Classified advertising was particularly vulnerable because digital networks were able to store and search comprehensive databases on demand. Trinity was also conscious that, unlike print, the Internet was a medium with low entry barriers, as evidenced by the proliferation of entrants. All Trinity businesses now had web sites, typically carrying a large selection of private used-car, property and recruitment advertisements from the newspaper, together with news stories and a range of local information and other services. The regional press's classified advertising base was valuable in attracting readership and similarly was of significant value on the Internet in driving 'eyeballs'. As a result, the provision of low-cost or no-cost advertising on the Internet was a reality: for example, *Yell*, part of *Yellow Pages*, had been giving away web pages. Such initiatives could eventually make the economics of advertising in a newspaper unattractive. There was also strong competition from many international and national niche publishers, ranging from global companies such as Microsoft and Yahoo to UK brands such as *LOOT* and *Auto Trader*. In response to these threats, Trinity had formed alliances with a number of other regional publishers to enhance their Internet offerings.

Effects in England and Wales

5.100. On the basis of figures showing Trinity/Mirror Group's shares of circulation, first in the overall circulation area of the daily titles in Trinity's Cardiff, Huddersfield, Liverpool and Newcastle and Teesside centres and secondly in the core area for each centre, Trinity submitted that there was no overlap of its and Mirror Group regional titles in these areas. Inclusion of the whole of the Sunday circulation would result in a very small overlap.

5.101. In respect of the overlaps between Mirror Group's national titles and Trinity's regional daily titles, Trinity said that the resultant levels of concentration in the daily centres listed above was not materially different from that arising in the context of the MMC's Mirror Group/MIN inquiry. (The only exception was Liverpool, where the merged group would have a higher proportion of daily newspaper sales because of the relatively weak sales in the region of News International's *The Sun*.) Furthermore, the overlapping titles served quite different reader and advertiser interests: the local/regional editorial and advertising content of regional editions of *The Mirror*, the *Sunday Mirror* and the *Sunday People* was minimal compared with that of Trinity's regional daily titles and the national/international content of the Trinity titles was consistently relatively small. Trinity maintained that readers and advertisers did not consider its regional daily titles and Mirror Group's national titles to be substitutable products. On the basis of its analyses, Trinity did not believe that any adverse public interest effects of the acquisition had been identified in its centres in England and Wales.

Effects in Scotland

5.102. Trinity said that Mirror Group's main Scottish titles, the *Daily Record* and the *Sunday Mail*, were effectively the national morning and Sunday titles for Scotland. In addition, there were Scottish editions of *The Mirror*, the *Sunday Mirror* and the *Sunday People*. Trinity had no titles comparable with the *Daily Record* or the *Sunday Mail*. It owned a range of paid-for and free weekly titles with circulation/distribution in south, west and central Scotland and the *Paisley Daily Express*, a morning title with circulation of just over 9,000 copies. Trinity's weekly titles were all local products covering postcode districts that in aggregate comprised only some 37 per cent of households in Scotland.

5.103. Referring to the debate in the Mirror Group/MIN report about whether the *Daily Record* and the *Sunday Mail* should be categorized as regional or national titles, Trinity said that certain features of those titles went to substantiate a Scottish national, as opposed to regional, characterization. In particular, the *Daily Record*'s circulation was substantially greater than that of any regional morning title, its financial profile (ie the ratio of cover price to advertising revenue) was similar to that of a national title and its penetration was consistently high across a vast area (almost 95 per cent of its circulation was in areas where its penetration was greater than 10 per cent) whereas regional morning titles typically had a low penetration across a wide area. The editorial content of the *Daily Record* was focused on Scotland and national/international news whilst Trinity's regional and local titles were focused on the communities they served. Furthermore, the *Daily Record* carried substantial volumes of advertising of the type placed in the national press, with the regional and local press being used as an up-weight for particular local activities such as store openings, but did not carry many of the birth, marriage and death notices and other lineage advertisements associated with regional morning titles. Trinity commented, however, that the need to pigeonhole the *Daily Record* into one or other category might well be irrelevant, given that its function and coverage, with regard to most readers and advertisers, were clearly different from those of Trinity's weekly titles in Scotland.

5.104. We put to Trinity the concerns of other parties that its acquisition of Mirror Group's Scottish titles would lead to diminished coverage of the Scottish scene, either in quantity or quality. Trinity said that it had no intention of reducing the coverage of Scottish news and issues. It would make no sense to do so, since the titles' success rested on their ability to deliver Scottish news and their knowledge and understanding of Scotland.

5.105. Market share data revealed that the only overlap between Trinity's titles and Mirror Group's in the daily morning sector was in the small local market served by the *Paisley Daily Express*. The principal aggregation in market shares following acquisition of Mirror Group would arise in the weekly free sector from the addition of *The Glaswegian* (a free weekly title) to Trinity's free titles. Trinity told us that *The Glaswegian* was distributed in 22 postcode districts within the Glasgow area, in five of which one or more Trinity titles (paid-for or free) was also circulated/distributed. Only two of these titles, the *East End Independent* and *The Rutherglen Reformer*, had a significant proportion of their circulation/distribution within the overlap area and *The Glaswegian* had a relatively small proportion of its distribution in those postcode districts. With the exception of a very small proportion of the circulation of a Johnston Press paid-for title, there were no competing weekly products in four out of the five postcode districts, but the *Evening Times*, published by SMN, had in excess of 10 per cent penetration in each of them.

5.106. The proposed acquisition raised questions about its effects on advertisers in Scotland, for example whether Trinity would be able to raise overall advertising rates charged to advertisers currently using each of Trinity's and Mirror Group's titles. It might also be thought that advertisers regarded an advertising package across the range of Trinity titles in Scotland as an alternative to advertising in the *Daily Record*, in which case placing the *Daily Record* in Trinity's hands would reduce competition for advertising. Trinity found, however, that since 1997 only two advertisers had used all of its weekly titles as a group (with the same advertisement in each title). Given the limited household coverage of those titles compared with the *Daily Record*'s coverage, Trinity maintained that they could not be viewed, even in the aggregate, as an alternative mass market advertising vehicle to Mirror Group's Scottish titles.

5.107. Trinity had carried out an analysis of advertising common to its weekly titles and the *Daily Record* over a one-week period. For the purposes of the analysis, it had taken the two largest weekly titles in the two largest regions, the *Hamilton Advertiser* and the *Ayrshire Post*, on the basis that they were the most likely to be carrying relevant advertising. The exercise revealed only nine advertisers common to both a Trinity title and the *Daily Record*. Four of those advertisers had placed advertisements in all three titles, with only one of them placing the same advertisement across all three titles. Furthermore, only two advertisers had placed broadly the same advertisement in the two weekly titles. Trinity maintained that this evidence substantiated the fact that, as well as serving different readership audiences, the titles also served different advertiser needs: advertisers with broad regional requirements did not seek to meet them through Trinity's local products (which were as a result restricted as to the type of brand sales messages that they could credibly communicate). Conversely, advertisers with local requirements would not usually seek the broad coverage offered by Mirror Group's products.

5.108. We invited Trinity to comment on MMS data indicating that 32 per cent of display advertisers in the *Daily Record* in 1998, responsible for 64 per cent of that title's total display advertising revenue, had also advertised in a group of ten local weeklies (three of which belonged to Trinity). It had been put to us that because of this extent of common advertising, a combination of Mirror Group's all-Scotland titles and Trinity's local titles would be able to offer advertisers a package that no competitor could match. This was particularly the case in Strathclyde, in relation to which specific concerns had been raised. Given the high level of penetration that would be achieved by the merged group's titles in that area, it had been suggested that advertisers targeting Strathclyde would have little option but to use one of those titles and would be deterred from advertising elsewhere by the perceived inconvenience of dealing with multiple publishers.

5.109. It had also been suggested that since Strathclyde contained approximately half of Scotland's population, any anti-competitive consequences of the merger there would have repercussions for the rest of Scotland: most advertisers sought exposure in Strathclyde and would be inclined to use the merged group, because of its combination of Scotland-wide and local titles, as a one-stop shop for all newspaper advertising in Scotland.

5.110. Commenting on the MMS data, Trinity said that it was not surprising to find that some display advertisers were common to the *Daily Record* and a number of local titles, but given the difference in coverage of these different titles they would tend to be serving different advertising needs. The *Daily Record* would be used for ongoing mass campaigns whereas local titles would be used, for example, for specific store promotions. Trinity also commented that looking at data relating to a year would distort the picture since an advertiser using the *Daily Record* in January and a local title in November would appear to be an overlapping advertiser, whereas the buying decisions in each case would be entirely separate. Furthermore, the advertisements in question would generally be bought separately since advertising agencies' buying was typically split between regional and national budgets (with the *Daily Record* treated as a national title by the agencies).

5.111. Trinity did not believe that the MMS data supplied to us conflicted in any way with its own analysis and conclusions (see paragraph 5.107). MMS data for a single month (March 1999), relating only to the three Trinity titles in the database, revealed 28 advertisers common to the *Daily Record* and the Trinity titles (11.3 per cent of *Daily Record* advertisers for the period). Furthermore, many of the 28 advertisers did not advertise in all three of the Trinity titles (only 16 were common to the *Daily Record* and the *Hamilton Advertiser*, for example), which supported Trinity's view that advertisers did not in practice buy advertising in its titles as a package together with advertising in the *Daily Record*.

5.112. With regard to Strathclyde, Trinity said that it could see no advantage from an advertising perspective to common ownership of its current weekly titles and the *Daily Record* because they would rarely appeal to the same types of advertisers. Mirror Group's free title *The Glaswegian* had a mass circulation with different geographical coverage to the Trinity local titles (there was overlap in only five postcode districts) and Trinity did not believe there was direct competition between them.

5.113. Commenting on the suggestion that the merged company would be able to offer advertisers a one-stop shop in Strathclyde, Trinity said that SMN was already in a position to do this with its two daily titles. In addition overall Strathclyde coverage would best be achieved currently by advertising in the Trinity weekly titles and *The Glaswegian*. If a Strathclyde package were in demand, Trinity would expect to see some demand for advertising across its weekly titles, but there was no evidence of this (see paragraph 5.107). The addition of *The Glaswegian* was therefore unlikely substantially to increase the attractiveness of a Strathclyde package to advertisers.

5.114. Trinity's weekly titles were present in 114 postcode districts in Scotland, with 10 per cent plus penetration in 102 of them. Trinity said that weekly competitors existed in 73 postcode districts and that there were only four postcode districts where a combination of Trinity titles and the *Daily Record* had no significant competition from either a daily or weekly competitor. There was also significant competition from niche publications such as *Auto Trader* and *Scottish Supermart*.

5.115. In conclusion Trinity said that its weekly titles published in Scotland served local readers and advertisers, in contrast to the far broader appeal of Mirror Group's *Daily Record* and *Sunday Mail*. In most of the area where the Trinity titles overlapped with *The Glaswegian* there was an effective competing publication. Trinity did not therefore consider that the proposed acquisition raised substantial public interest issues in Scotland.

Effects in Northern Ireland

5.116. Trinity recognized that the merger gave rise to potentially sensitive issues in Northern Ireland. It believed, however, that the history of its involvement in newspaper publishing in the UK, analysis of competition in Northern Ireland and the changing political environment weighed in favour of common ownership of its and Mirror Group's titles.

The newspaper market

5.117. Trinity submitted data indicating that its share of the total newspaper market in Northern Ireland, taking account of the UK national titles, would increase from just under 27 per cent to around 49 per cent following the merger, a figure that Trinity pointed out was not out of line with other parts of the UK. Within the regional/local newspaper market its overall share would increase from 46.5 per cent to just over 64 per cent. The only overlap between Trinity and Mirror Group at regional/local level was in free weekly newspapers.

5.118. Trinity maintained that the daily newspaper market in Northern Ireland was highly competitive, with two regional morning titles, an evening title and regional editions of the UK national newspapers as well as the presence of Republic of Ireland national titles. In addition, there was a vibrant weekly newspaper industry that provided comprehensive coverage of all the major conurbations and areas outside greater Belfast.

5.119. In the daily market the acquisition would bring Trinity's evening title the *Belfast Telegraph* and Mirror Group's morning title the *News Letter* under common ownership. Trinity said that it did not have a detailed understanding of the circulation area for the *News Letter* (Ulster edition) paid-for title. Available postcode data related only to the Belfast edition, a free title that ceased publication during the course of our inquiry. Trinity commented that when the *News Letter* launched the free edition into Belfast in 1990, the circulation of the *Belfast Telegraph* had not been substantially affected. This suggested that readers did not view the two titles as substitutes for each other. Similarly, the circulation of the Ulster edition of the *News Letter* had not been detrimentally affected by the launch of the free Belfast edition, which suggested that the Ulster edition did not have significant sales within the area of the Belfast edition, the core circulation area of the *Belfast Telegraph*. Trinity believed, therefore, that the strength of the *News Letter* lay in the rural areas of Northern Ireland as against the *Belfast Telegraph* in greater Belfast. Trinity also pointed out that over 63 per cent of *Belfast Telegraph* readers also read a morning title. It concluded that the *Belfast Telegraph* and the *News Letter* could not be regarded as directly competing titles. It commented that Northern Ireland was the only part of the UK where the regional morning and evening titles were not under the same ownership.

5.120. Another important feature of the *News Letter* was its Saturday supplement, *Farming Life*. Trinity believed that this represented a significant part of the *News Letter*'s advertising revenue and supported the circulation figure, in the sense that a significantly higher Saturday circulation boosted the title's average circulation for the week. It was possible that the title would be loss-making without the supplement. Competition came from *Farm Week*, published by Mortons, *Ulster Farmer* published by Observer Newspapers and Trinity's *Farm Trader*, [*Details omitted. See note on page iv.*]

5.121. An increase in share of the Sunday market would result from bringing together Trinity's *Sunday Life* and the Northern Ireland editions of the *Sunday Mirror* and the *Sunday People*. The Sunday market in Northern Ireland comprised two regional titles (the *Sunday Life* and the independently published *Sunday World*) together with editions of the UK and Irish national titles. Trinity said that this would not change following the proposed acquisition. The Sunday market would continue to remain competitive, with the *News of the World* being the largest of the national titles (with almost 100,000 copies sold in Northern Ireland) and only marginally smaller than the *Sunday Life*.

5.122. Trinity commented on areas of overlap between its titles and Mirror Group's weekly titles in Northern Ireland. First, in the Derry area the *Belfast Telegraph* and the *Sunday Life* overlapped with Mirror Group's *Derry Journal* and *Journal Extra*, weekly titles based in Londonderry with over 90 per cent of their circulation/distribution in two postcode districts. Although there was some penetration of those districts by the Trinity titles, it represented only about 5 per cent of their respective circulations and it was clear that neither of them was a substitute for the weekly titles published for and focused on Londonderry. Given the different nature of its titles from those of Mirror Group, Trinity did not believe that they were in competition. It quoted the conclusion of independent focus group research that the *Derry Journal*'s position as the main local title seemed secure for the foreseeable future. Trinity also drew attention to competition from Mortons, a publisher of paid-for and free weekly titles in the Derry area. These factors led Trinity to conclude that the transfer of the Mirror Group's Derry titles would not operate against the public interest.

5.123. The second area of overlap was North Down, where Mirror Group published a free weekly title, the *North Down News*. Trinity's *Belfast Telegraph* and *Sunday Life* circulated in the three post-code districts where the Mirror Group title was distributed, but copies sold there amounted to only 8 per cent and 6 per cent of their respective total circulations. A Trinity free weekly title, the *North Down Community Telegraph*, was also distributed in the area. However, in each of the three postcode districts there was competition from at least one paid-for weekly title published by D E Alexander.

5.124. Mirror Group had until recently distributed two free titles in the Belfast area, the *News Letter* (Belfast edition) and the *East Belfast News*, which overlapped with a Trinity free title, the *Community Telegraph*. From the beginning of May 1999, however, publication of the *East Belfast News* had been discontinued and the Belfast *News Letter* replaced by a new free weekly title, the *Belfast News*. Trinity, having reviewed the first copy of the new title, still believed, on the basis of the editorial and advertising content, that the *Belfast News* was not a community free newspaper but was an attempt to bolster the *News Letter* from an advertising perspective, which had been the purpose of the Belfast *News Letter*.

5.125. Trinity's *Community Telegraph* had been the only free competitor to the *East Belfast News*. The *Ulster Star*, a paid-for title published by Mortons, had a limited presence in the area. Trinity believed that Mortons would be well placed to launch a free title in this area, should Trinity act in a manner that encouraged advertisers to seek an alternative vehicle.

Historical background

5.126. Trinity said that the *News Letter* had traditionally served the Protestant community and *The Irish News* the Catholic community, with around 90 per cent of the readership of each title coming from its respective community. Consequently, the majority of *The Irish News*'s sales had been in the South and West of Northern Ireland (together with West Belfast and Londonderry) whereas the *News Letter* had been stronger in the rural areas of the North and East. The *Belfast Telegraph* had a fairly broad spread of sales but its main strength was in the areas in and directly surrounding Belfast, where over 70 per cent of its copies were sold. These three titles had been able to operate successfully in their respective niches. Historically, the *Belfast Telegraph* had taken a broadly middle of the road position whilst the morning titles held positions towards the two extremes. Trinity believed, however, that the changing political environment was forcing the morning titles to move to a much broader middle ground, as evidenced by the *News Letter*'s favourable treatment of the Good Friday agreement and joint press campaign with *The Irish News* in the run-up to the agreement.

5.127. Trinity told us that the *Belfast Telegraph* had been widely regarded during the troubles in Northern Ireland as the most balanced and objective local news leader. Many of the newsworthy events had given it opportunities for strong coverage of breaking news. As the troubles had subsided, however, the Northern Ireland news agenda had become similar to that of the rest of the UK and the expanded evening television and radio current affairs programmes were also reducing demand for the evening newspaper. (Trinity said that the BBC was indeed committing significant resources, seemingly disproportionate to the scale of the audience, to its news activities in Northern Ireland.) The morning titles' ability to reflect the views of opposed interest groups had in the past protected them from competition from other media, but this advantage was being eroded in the changing political circumstances. The *News Letter* now found itself in more direct competition with the UK national titles, especially as many were printed locally at the same time as the regional titles and included local news and sports coverage.

Editorial policy

5.128. Trinity assured us that it was committed to continuing the *News Letter* as a vigorous title editorially independent from the *Belfast Telegraph* and with its distinctive ethos and values maintained.

This would be the commercially sensible thing to do as well as being important for the preservation of diversity in the press and the free expression of opinion. It pointed out that the *Belfast Telegraph* and the *Sunday Business Post* (also owned by Trinity) had taken conflicting positions on the Good Friday agreement, with the former being in favour of the agreement and the latter taking a negative view. Trinity emphasized that the normal pattern of regional newspaper ownership in the rest of the UK was for morning and evening newspapers in regional centres to be under common ownership.

5.129. We asked Trinity to comment on views put to us that there would be commercial pressure on the *News Letter*, under Trinity's ownership, to take a less overtly unionist line as advertisers and business generally were more comfortable with the neutral stance of the *Belfast Telegraph*. Trinity commented that the *Belfast Telegraph* had been boycotted from time to time by advertisers who did not like its moderate editorial line. Leaving that aside, it would not make commercial sense to change the *News Letter*'s editorial stance in response to pressure from advertisers, since the consequence would be a loss of circulation.

5.130. Trinity told us that the *News Letter* would maintain its own editorial management separate from the *Belfast Telegraph*. No decision had been taken on whether or not the two titles would be located in the same building, which would allow some sharing of facilities. Trinity did not believe that physical separation was intrinsically necessary to editorial independence, but recognized that this was a sensitive issue requiring careful consideration. We raised with Trinity concerns about the pressures to minimize costs by bringing the *News Letter* into the same premises as the *Belfast Telegraph* and sharing staff, perhaps to the extent of having a single news room. It had been put to us that if that happened, the *Belfast Telegraph*, as the more commercially successful title, might be expected to be dominant so that over time its ethos would extend to the *News Letter*, which would then lose its distinctive voice. Trinity drew attention to its Liverpool, Newcastle upon Tyne and Cardiff centres where in each case a morning, an evening and (except in Liverpool) a Sunday title were located in the same building, in the case of Liverpool sharing a news team. The titles concerned, for example Liverpool's *Daily Post* and the *Liverpool Echo*, had taken quite different views on a number of key issues and there was no evidence of drift towards common positions. Trinity also told us that the editorial position of the *News Letter* had moved much closer to that of the *Belfast Telegraph* in recent years, with the two titles expressing very similar editorial views. This convergence of view had come about under separate ownership. Trinity agreed that editorial ethos and current editorial views were distinct issues. It assured us that it would wish to maintain the ethos of the *News Letter*.

5.131. We put to Trinity the concern raised by other parties that if it acquired the *News Letter* there would be no further joint initiatives with *The Irish News* on peace and reconciliation. Trinity said that it hoped the two titles would be able to work together in a number of ways in future. Cooperation on specific initiatives would be a decision for the respective editors. It was important that the *News Letter* would be entirely distinct from the *Belfast Telegraph* and could involve itself in different issues. The *Belfast Telegraph* had in the past refrained, for the most part, from taking part in campaigns with the morning titles because the editor strongly believed that it needed to preserve its perceived position as an independent and objective reporter of events.

Effects on competition for readers and advertisers

5.132. We asked Trinity to comment on suggestions made to us that its dominant position in Northern Ireland would enable it to drive competitors, especially *The Irish News*, out of business through such means as predatory cover pricing and advertising rates. Trinity said that it had never been involved in predatory pricing. It had no wish to see *The Irish News* or the weekly newspapers fail and did not believe that the merger would drive them out of business since they all served distinctive markets. With regard to the particular situation in Londonderry, the *Belfast Telegraph*, the *Derry Journal* and the *Londonderry Sentinel* all attracted different readerships, and this was recognized by advertisers. It was unlikely that Trinity's acquisition of the *Derry Journal* would have any effect on the *Londonderry Sentinel*'s advertising sales.

5.133. With regard to advertising, Trinity said that the market in Northern Ireland was highly competitive, with a wide range of alternative media available in every sector as well as strong weekly newspapers in all the major towns outside Belfast. Trinity faced competition from *Auto Trader* in the motor car sector and from *Buy & Sell* in the private classified sector. There were also niche titles specializing in property and recruitment advertising. All these products were tough competitors. In addition, after the merger Trinity would continue to experience significant competition from *The Irish News* and from UK and Irish national newspaper titles, which would ensure that advertising rates remained competitive. Competing media also included television and radio. Trinity commented that UTV, the commercial television station, was a more realistic alternative for advertisers wishing to cover Northern Ireland than the regional stations elsewhere in the UK were for particular cities.

5.134. It had been put to us that competition for advertising between Mirror Group titles and Trinity titles had led to a reduction in rates and that further reductions would be unlikely if the merger went ahead. Trinity said that the pressures on advertising rates were from a range of competitive activity, not just from Mirror Group. Competition generally had been much more vigorous over the past two years and Trinity's rate policy was a reflection of a radically changing market, with strong competition from specialist publications and other media. The intensity of competition, particularly from *Buy & Sell* in Belfast, was why Trinity had continued publishing *Ads for Free*, which was currently running at a loss, although that was not untypical of such products as they had to build up credibility and circulation. *Ads for Free* was designed to protect the *Belfast Telegraph*'s private classified base and its readership and to prevent *Buy & Sell* from becoming established without competition, a situation that had been allowed to take place elsewhere in the UK with negative implications for the established newspaper titles. This was important because experience had shown that, by capturing private advertising, products like *Buy & Sell* had taken readers away from regional evening titles.

Effects on The Irish News

5.135. We invited Trinity to comment on concerns expressed to us that the advertising package currently offered jointly by *The Irish News* and the *News Letter* to London advertising agencies would be terminated if the merger went ahead. Trinity said that it would be happy for the package to continue if *The Irish News* so wished. There seemed no reason to discontinue it, especially as it provided a different opportunity for advertisers from that offered by the *Belfast Telegraph*.

5.136. We also asked Trinity to comment on fears expressed by *The Irish News* that its continued viability would be threatened by Trinity's dominance of the newspaper advertising market in Northern Ireland. The threat was seen as coming not so much from a combination of the *Belfast Telegraph* and the *News Letter*, both of which were viewed as being orientated towards the unionist community, but from the combination of the *Belfast Telegraph* and the Northern Ireland edition of *The Mirror*, a newspaper which had strong circulation in the nationalist community. The combination of Mirror Group and Trinity daily and Sunday titles would enable advertisers to reach 65 per cent of the adult population of Northern Ireland. The net reach of these titles plus *The Irish News* would be only 3 per cent more, so advertisers who were able to come to a satisfactory arrangement with the merged group would have little incentive to buy advertising from *The Irish News*.

5.137. Trinity did not dispute the figures quoted by *The Irish News*, but felt that they did not represent the whole story. It commented that the *Belfast Telegraph* and *The Mirror* together had a net reach in the Catholic community of 44 per cent whereas the two together plus *The Irish News* had a net reach of 60 per cent, highlighting both the different readerships and the continuing importance of *The Irish News* to advertisers. Trinity denied that the future of *The Irish News* would be seriously threatened by the merger, for the following reasons:

(a) *The Irish News* had only a 12 per cent penetration of the Northern Ireland market overall. Its strength lay in the Catholic community, where it achieved a 31 per cent penetration, highlighting the fact that 91.7 per cent of its readers were from the Catholic community.

(b) A *Mirror/News Letter* package was already theoretically able to provide 33 per cent penetration of the Catholic community and 30 per cent overall, a higher penetration than *The Irish News* could provide, but this had not prevented the current joint initiatives by *The Irish News* and the *News Letter*.

(c) *The Irish News*, an upmarket broadsheet, was a very different product from *The Mirror* and would be read by a different part of the Catholic community. It was unlikely that advertisers would see *The Mirror* as an adequate substitute for *The Irish News*, given the latter's up-market readership profile and long-entrenched position.

(d) National tabloids such as *The Mirror* did not work well as local recruitment media. People looked for job vacancies in regional or local newspapers.

(e) Offering a cheap package to encourage advertising in both the *Belfast Telegraph* and *The Mirror* would not be commercially sensible, as it would reduce the advertising yields of the respective titles.

(f) Trinity had no intention of forcing advertisers who wanted to advertise in one of its titles also to advertise in another. Conditional packages of that sort did not work. The only current example (recruitment advertising in the *Belfast Telegraph* and *Sunday Life*), which Trinity had inherited from TRN, was being undermined [*Details omitted. See note on page iv.*].

(g) As *The Mirror* was a national title, there were practical problems in greatly increasing the amount of Northern Ireland-sourced advertising, in particular display advertising, that it carried.

(h) To achieve a perceived package of all Trinity/Mirror Group titles would be extremely expensive to an advertiser without massive discounts, but such discounts would be unattractive to the publisher, in this case Trinity/Mirror Group. Furthermore, it would not be an attractive solution for advertisers, given the different products and markets involved.

(i) Trinity had no wish to try to put *The Irish News* out of business.

The future of the News Letter

5.138. Trinity commented that the *News Letter* found itself in a changed political environment and under pressure from competing media. In these circumstances, its long-term survival might best be ensured in the hands of a committed and well-resourced newspaper group. Trinity had the necessary financial viability and had demonstrated its commitment to newspaper publishing in Northern Ireland and its understanding of the issues involved. If the merger went ahead, it would aim to use common services and overheads to allow the *News Letter* to produce high-quality news whilst remaining editorially independent of the *Belfast Telegraph*. Trinity believed that it had the ability to do more to develop the *News Letter* than Mirror Group had done simply because it had greater resources on the ground in Northern Ireland.

Effects on employment and efficiency

5.139. Trinity expected the merger to result in some staff reductions in areas where there was clear central duplication, for example head office purchasing and some finance and human resource management functions. On the most extreme model, the reductions would be unlikely to exceed 100 to 200 out of some 10,000 staff in the merged group and would not involve editorial resources.

5.140. With regard to industrial relations, Trinity told us that trade union recognition issues were determined by its local businesses, a policy that would not be changed by the acquisition. Trinity would not seek to alter collective bargaining arrangements already in place in the Mirror Group businesses acquired.

5.141. Trinity would acquire additional printing capacity from Mirror Group. It was not planning any closure of capacity but intended to review the arrangements for its and Mirror Group's titles to see if some relocation of printing would be commercially desirable. It intended to honour existing contracts to print for other publishers, for example its contract to print for News International in

Northern Ireland. In the medium term it would have to consider the most appropriate printing arrangements for its enlarged portfolio, and installation of a new press in Northern Ireland might be justified.

5.142. Trinity told us that it currently had no plans to alter any of its or Mirror Group's existing titles. It would consider [

Details omitted. See note on page iv.

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Remedies

5.143. We invited Trinity to comment on a number of hypothetical remedies, in the event that we found the merger might be expected to operate against the public interest.

5.144. Trinity believed that prohibition of the merger would be damaging to the press in general and to the interests of maintaining diversity of opinion in the UK. It would in effect be saying that committed publishers could not grow through acquisition in order to compete effectively in a changing world. Prohibition would cause Trinity to think very carefully about whether to continue investing in the regional press in the UK.

5.145. We suggested that one alternative to prohibition might be disposal of some or all of Mirror Group's national titles. Trinity said that the national titles were an integrated business and divestment of one or more of them would change the dynamics of the business's profitability. It was difficult to see how it could be split and how value could be ascribed to different parts. The merger would therefore become a fundamentally different proposition that Trinity would have to reconsider.

5.146. In respect of Northern Ireland, we invited Trinity to comment on the hypothetical remedy of disposal of each of the *News Letter*, the *Derry Journal* and the Mirror Group free titles. Any such disposals should take place within six months of completion of the merger to a buyer, and on terms, acceptable to the DTI. Trinity said that such disposals would not fundamentally individually change its view of the value of the transaction. However, it would need to consider all divestment requirements in the round before being able to assess the impact of such divestments on its current proposals. With regard to disposal within six months of completion, Trinity said that this requirement should be subject to any additional time needed for regulatory consent.

5.147. With regard to the *News Letter*, Trinity said that if divestment were to be required it would be preferable for the ultimate owner of the *News Letter* to be a substantial company, which reduced the options available and might also raise public interest issues. Trinity had concerns that an independently-owned *News Letter* with its current circulation levels would not be viable in the medium term in an increasingly competitive market.

5.148. With regard to the *Derry Journal*, Trinity did not believe that the addition of weekly titles in Derry to its existing portfolio of Belfast-based titles was against the public interest or would impact on advertisers given the nature of the *Derry Journal* and Trinity's existing titles (see paragraph 5.122). Trinity accepted that a disposal was achievable. It noted that the Derry titles had only recently been bought for some £20 million and were therefore of some scale. With regard to the Mirror Group free titles, Trinity had indicated that it would be willing to divest those in and around Belfast.

5.149. From Trinity's point of view, disposal of all of Mirror Group's titles in Northern Ireland would not be an acceptable remedy if this included the Northern Ireland editions of *The Mirror*, the *Sunday Mirror* and the *Sunday People*, since this would go to the heart of the transaction and would effectively undermine the national titles as these editions were an integral part of the overall competitive position with the other nationals.

5.150. We invited Trinity to comment on divestment of the *Belfast Telegraph*, the *Sunday Life* and the *Community Telegraph*s. Trinity said that such a remedy would be unacceptable. It was difficult to see how it could sell its business in Northern Ireland at a price that would not dilute earnings, given the importance of the business to Trinity as a whole and the fact that it would be a forced sale. There would be considerable uncertainty about the impact of the disposals on the profit and loss account of the merged company. The loss of such a substantial profit stream out of Trinity's regional newspaper business would mean that the national newspaper business would constitute an increased proportion of the merged company, thus altering the balance of the proposed acquisition and possibly making it less attractive to shareholders. These issues would necessarily make Trinity rethink its plans to acquire Mirror Group and, indeed, could result in Trinity's share price declining, resulting in the terms of any offer being unattractive to Mirror Group's shareholders, particularly given the competing cash offer from RIM.

5.151. We put to Trinity an alternative behavioural remedy that had been suggested to us, namely that it should be required to undertake to maintain entirely separate managements, premises and editorial and other staff for the *News Letter* and the *Belfast Telegraph*. Trinity stated that it did not object to maintaining a separate building for editorial but noted that by so doing it would be more difficult for the *News Letter* to benefit, if it wanted to, from Trinity's existing resources in Belfast. Trinity believed that the commercial side of the business could be co-located without concerns being raised regarding the editorial ethos. However, it accepted that this might not be viewed as sufficient. It would like to retain the flexibility to combine back office activities such as accounts, advertisement production and general administration as well as maintaining flexibility over printing. Indeed, Trinity told us that it was currently in the process of combining all the accounts functions of its existing businesses. It also asked us to consider the fact that if further savings on property and infrastructure could be achieved without detriment to the ethos of the *News Letter*, they would allow it to further enhance the title, including editorially.

5.152. In the case of the overlap in the weekly market in the Glasgow postcode districts G31, G32, G69 and G73, Trinity did not believe that it was necessarily in the public interest to dispose of titles. [*Details omitted. See note on page iv.*]

5.153. We put to Trinity a remedy proposed by another party: that the merged group's share of circulation/distribution of weekly regional and local titles should be reduced to 25 per cent, by the divestment of titles in the greater Glasgow area. Trinity said that it saw no justification for such a remedy as *The Glaswegian* was distributed for the most part in a different area from where Trinity's existing titles were distributed. If disposal of titles were to be required, it foresaw considerable difficulty in achieving this without running into competition problems, since the natural buyer, certainly of *The Glaswegian*, would be SMN. Trinity also observed that whoever acquired *The Glaswegian* would have more than 25 per cent of an area defined as Glasgow and that Trinity would itself have to dispose of some of its existing titles in Strathclyde to achieve a share of less than 25 per cent in that area. Furthermore, it saw no justification for looking only at weekly titles. Both SMN, who published two dailies and a Sunday title, and a whole range of alternative advertising media, including niche products, competed in the Strathclyde area.

5.154. We invited Trinity to consider a number of behavioural remedies either in conjunction with or as an alternative to disposals. It saw no problems in principle with giving undertakings not to close any Mirror Group titles or competing Trinity titles within a specified period. It also said that it would be willing to undertake to preserve the editorial independence of the Mirror Group titles. With regard to an undertaking to preserve the existing political stance of certain Mirror Group titles, in particular *The Mirror*, the *Daily Record* and the *News Letter*, Trinity said that on the face of it this would conflict with an undertaking to preserve editorial independence, given that its editors were given maximum flexibility within broad parameters agreed with operational, not central, management. It would need to know the precise terms of the undertaking envisaged. It would have no difficulty, however, in confirming that it was committed to maintaining the traditional ethos of *The Mirror*, the *Daily Record* (as newspapers of the left of centre) and the *News Letter* (as a strong voice for unionism).