

**News Communications & Media plc  
and  
Newsquest (Investments) Limited/Johnston  
Press plc/Trinity Mirror plc**

A report on the proposed merger



COMPETITION COMMISSION

**News Communications &  
Media plc  
and  
Newsquest (Investments)  
Limited/Johnston Press plc/  
Trinity Mirror plc**

A report on the proposed merger

**Presented to Parliament by the Secretary of State for  
Trade and Industry by Command of Her Majesty  
April 2000**



## Members of the Competition Commission as at 8 March 2000

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

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

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

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

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Part I

# **Summary and Conclusions**

# 1 Summary

## Introduction

1.1. The Competition Commission was required to investigate and report on whether any of the proposed transfers of the newspaper titles and related assets of News Communications & Media plc (Newscom), set out in the terms of reference (Appendix 1.1), to Newsquest (Investments) Limited, a subsidiary of Newsquest plc (Newsquest), itself a subsidiary of Gannett Co Inc (Gannett), to Johnston Press plc (Johnston) and to Trinity Mirror plc (Trinity Mirror), may be expected to operate against the public interest. In the rest of this report, we use 'the Commission' to refer to the Competition Commission or the Monopolies and Mergers Commission as the context requires.

## Summary

1.2. On 10 December 1999 Newscom published 97 daily and weekly local titles, in the South and West of England and in South Wales. Newsquest publishes 186, all of them in England. Johnston publishes 179, in England and Scotland. And Trinity Mirror publishes 197 local and regional daily and weekly titles, in all parts of the UK.

1.3. On 24 November 1999 Gannett approached Newscom and indicated that it would be willing to make an offer for its shares. Newscom's board rejected the offer because they felt it undervalued the company. On 10 December Gannett announced that it was seeking the Secretary of State's consent to acquire Newscom's newspapers and related assets. Johnston sought the Secretary of State's consent on 16 December, and Trinity Mirror did so on 20 December.

1.4. In considering whether any of the transfers may be expected to operate against the public interest, we are required to take into account the need for accurate presentation of news and free expression of opinion. In doing so, we have considered the would-be bidders' attitude towards editorial freedom in the local and regional newspapers that they publish. We accepted the commercial argument that, to attract and retain readers, editors must be free to make decisions on the content of their newspapers and on the line they take on local issues. So, if a publisher were to dictate or standardize the editorial content of its titles, or to impose a uniform style or approach, it would risk losing readers, and thus, returns from advertising and, for paid-for titles, circulation. We found no evidence of a lack of accuracy in reporting news by any of the would-be bidders, nor did we find anything that led us to doubt their commitment to editorial freedom. There was no suggestion that they had introduced standardized editorial products or were likely to do so. We concluded that the proposed transfers may be expected not to operate against the public interest in relation to accurate presentation of news or free expression of opinion.

1.5. If any of the would-be bidders were to acquire Newscom, then (on the definitions we have used) its share of the total circulation and distribution of regional and local newspapers would increase by around 4 per cent. This would lift Trinity Mirror's share marginally above

25 per cent. We did not believe that the national concentration arising from any of the proposed transfers would adversely affect advertisers, nor would it affect cover prices, given the importance of maximizing readership in order to enhance revenues in the competitive market in which the local and regional press now operates. This has low barriers to entry, particularly for free titles, and goes beyond newspapers to include advertising-only publications, as well as existing and emerging electronic media. We concluded that the proposed transfers may be expected not to operate against the public interest by reason of concentration at national level.

1.6. The only proposed transfer which might have significant implications because of regional concentration would be the one to Trinity Mirror, in relation to south-east Wales. But we did not believe that it, or either of the other proposed transfers, would raise regional concerns additional to, or distinct from, those raised about accurate presentation of news and free expression of opinion, or concentration at local level. We concluded that the proposed transfers may be expected not to operate against the public interest as a result of concentration at regional level.

1.7. At the local level, we examined areas where both a Newscom newspaper and one of a would-be bidder had household penetration rates over 10 per cent. Using a range of analytical criteria, we found no significant overlaps between daily newspapers or Sunday newspapers—only between weeklies, both paid-for and free. The most significant of these occurred in parts of Wiltshire, for a transfer to Newsquest; in and around Banbury, for a transfer to Johnston; and in the South Wales Valleys and parts of the south coast of England, for a transfer to Trinity Mirror. After analysing the size, scale and significance of each of these overlaps, we concluded that the proposed transfers may be expected not to operate against the public interest as a result of concentrations at the local level.

1.8. If any of the would-be bidders were to acquire Newscom, efficiencies would be achieved through rationalizing central functions, removing the costs that arise from its being a public company, combining the purchasing of newsprint and other materials, and the better use of printing resources. While there would be limited, non-journalist, job losses primarily in head and back-office areas, we concluded that the proposed transfers may be expected not to operate against the public interest on the grounds of efficiency, employment, training, trade union recognition, or the capacity of any of the would-be bidders to absorb a further acquisition.

1.9. Thus we concluded that none of the proposed transfers may be expected to operate against the public interest.