

5 Views of the main parties

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Introduction

5.1. In this chapter we summarize the views put to us by Newscom, Newsquest, Johnston and Trinity Mirror in their written submissions and at hearings we held with each of them.

Views of Newscom

Background to the proposed transfers

5.2. Newscom said that the proposed transfers were indicative of the continuing consolidation in the regional and local newspaper sector, which had been accelerated by the decisions of media companies such as EMAP, Pearson, Reed International and United News & Media to divest their regional newspaper interests in the 1990s. Newscom had a positive attitude to consolidation and believed that it was inevitable; regional and local newspaper groups needed a larger profile in the market place in order to compete against an increasing variety of broadcasting, print and electronic media. Newscom believed that consolidation was also driven by the investment markets. Given the right mix, economies of scale and efficiencies could be achieved through greater purchasing power and increased choice of production facilities. It expected to see further consolidation over the next three to five years because the regional newspaper business was very profitable and was also a stepping stone to the exploitation of new media, especially the Internet.

5.3. The consolidated regional press was in the hands of press managers, whereas it had previously been owned by television companies and magazine publishers. Newscom believed that better newspapers were being produced as a result, because the present owners were focused on the regional press and understood that local and regional newspapers needed to reflect the interests and concerns of the communities they served.

5.4. Newscom believed itself to be an attractive acquisition target because it had a solid, efficiently run business with margins rising steadily. It had a strong senior management team and provided good training and development. It had recently consolidated its printing operations and two of the three print centres were virtually new. Just over 200 staff had been shed towards the end of 1999, mainly as a result the closure of print centres at Dursley and Plymouth. Newscom thought that synergies would be available to the potential bidders, for example in the use of printing capacity.

5.5. Newscom's strategy was to maintain its independence by growing its business. It had not sought offers and did not welcome the unsolicited expressions of interest that had given rise to our inquiry. It believed, however, that the proposed transfers would not be significant in terms of availability of choice to the consumer, and did not expect that any of them would operate against the public interest.

Concentration of ownership

5.6. Newscom did not have strong views on where, if at all, the line should be drawn on further concentration at national level. It accepted that it might be unhealthy for the entire UK regional press to be in common ownership, but thought that that was a highly unlikely situation. It did not believe that ownership by four or five different companies would be dangerous given the extent of competition from other publications and other media, and the low barriers to entry. The market was essentially local and there was no great commercial advantage in owning newspapers in, for example, Aberdeen as well as Southampton. New competition was entering local markets all the time.

5.7. Newscom thought that concerns about concentration reflected an outdated view of local and regional newspapers, from a time before local radio, multiple television channels and the Internet existed. Penetration by local and regional titles was considerably weaker than it used to be, with very few daily titles achieving 50 per cent or more penetration. This suggested that people were using other sources of news and advertising quite extensively. The market should perhaps be redefined to take account of this change.

Newsquest transfer

5.8. Commenting on the overlap between its titles and those of Newsquest in Swindon and west Wiltshire, Newscom said that the three titles concerned (the *Swindon Messenger*, the *Devizes, Melksham & Vale of Pewsey News* and the *West Wiltshire Advertiser*) were all [38] titles whose future was currently under review. They were free titles that Newscom considered to be of marginal significance. If Newsquest acquired them, it might look at a number of possibilities such as merging them with its own titles or repositioning them as niche publications. If it retained the *Swindon Messenger* in its present form, it seemed very likely that it would have a journalist focusing entirely, or very largely, on the Swindon area, as was the case under Newscom's ownership. Newscom did not consider that any of its paid-for titles in the area would be at risk from a transfer to Newsquest.

Johnston transfer

5.9. Newscom said that the potential overlaps in Hampshire had been examined in the PSN report (see Appendix 4.1, item A35) and the position had not changed since then. Competition from other media, including *Friday-Ad*, would effectively prevent Johnston from exploiting its position as sole supplier of local newspapers in Fareham and Hamble Bursledon.

5.10. Commenting on the increased dominance of Johnston in the Portsmouth/Southampton area if the transfer went ahead, Newscom said that attempts to put up advertising rates or get away with lower standards of service in the area would rebound on Johnston. It commented that the opportunities afforded by consolidation to offer new advertising packages usually encouraged advertisers or their agents to demand higher discounts for their greater spend.

5.11. Newscom did not believe that any titles in Hampshire would be vulnerable to closure if they were transferred to Johnston. It had itself already replaced the *Solent Advertiser* with a local edition of the *Southampton Advertiser*.

5.12. In Oxfordshire, Newscom's free *Banbury Cake* overlapped with Johnston's free *Banbury Guardian*. Newscom described the *Banbury Cake* as the third player in the market and a relatively marginal title. However, it believed that it might have a stronger chance of survival with Johnston, who might be able to lend it resources, than with Newscom, where it was some distance from other centres and was therefore resourced at arm's length. Newscom believed that *Friday-Ad* and other advertising-only publications would prevent Johnston from exploiting its powerful position in Banbury.

Trinity Mirror transfer

5.13. Newscom said that a transfer of its titles to Trinity Mirror would be no threat to diversity and free expression of opinion in South Wales. It did not believe that Trinity Mirror would use its local and regional newspapers to push a political line. Its management had enough experience to realize that this would put the titles at risk and open up opportunities for competitors. Several regional newspaper groups were dominant in particular areas but none of them used their position for political ends.

5.14. In the South Wales Valleys, Newscom's free *Campaign* series overlapped with Trinity Mirror's paid-for weekly titles. Newscom saw scope for Trinity Mirror to put the paid-for and free titles together and develop attractive advertising packages. Despite the poor economic performance of the area, Newscom believed that the titles would survive and that the proposed transfer was not a threat to them.

5.15. Newscom thought that the small community magazines owned by Trinity Mirror in Dorset, Somerset and Wiltshire were of little significance in the context of the proposed transfer. They were serving a very small market and Newscom envisaged that they would continue.

Effects on advertisers and readers

5.16. Newscom told us that it operated its local or centre advertisement sales departments under a portfolio sales structure, with each sales representative selling the full range of titles published within his

or her centre. In most instances the sales department was structured into categories of sales responsibility. Newscom thought that these operational arrangements would be unlikely to change as a result of any of the proposed transfers.

5.17. Newscom's national sales department operated from offices in London and Manchester and was responsible for selling to national advertisers and their advertising agencies located outside Newscom's marketing area. The national sales department also serviced a few large national clients located within Newscom's area. Newscom had no knowledge of the three prospective buyers' plans for its national advertising operations, but believed that each of them had the capacity to absorb national sales within its existing arrangements.

5.18. Newscom's advertising policy had the objective of offering customers a service designed to generate the maximum response from readers in a cost-effective manner. Its guidelines ensured that:

- (a) the production of advertisements was in a manner specified by the customer, in accordance with the codes of practice of the Advertising Standards Authority and The Newspaper Society;
- (b) customers were supplied with research and information on Newscom products and markets that would assist them in making their purchasing decision;
- (c) all advertisers' complaints or concerns were addressed promptly and efficiently;
- (d) all customer information was treated as confidential;
- (e) publications were produced to a high standard of print quality; and
- (f) publications were circulated or distributed in accordance with Newscom's current published statements, independently audited by ABC and VFD.

5.19. Newscom said that local newspapers faced competition for local advertising from a wide range of print media (paid-for and free newspapers, advertising-only and niche publications, local directories) and other media, such as commercial radio and television. At present it lost advertising revenue primarily to other print media, but it saw the Internet as a growing threat, for example in recruitment advertising. As for national advertising, Newscom believed that the market power of national advertisers prevented local newspaper groups from exploiting any increase in local market coverage resulting from changes in ownership.

5.20. Newscom had held no discussions with Newsquest, Johnston or Trinity Mirror about changes they might make to its title or policies. It believed that there would be little change to most of its titles if any of the three companies acquired Newscom. Where overlaps occurred, it was possible that weaker free titles would either be incorporated into stronger publications or have their publishing strategy refocused. Some Newscom publications might be included in sales packages offering advertisers a new combination of titles.

5.21. Assuming that none of the prospective buyers intended materially to change the publishing configuration of the titles acquired, Newscom did not expect any of the transfers to have adverse effects on the quality of its titles, or on choice or price to readers or advertisers.

Accurate presentation of news and free expression of opinion

5.22. Newscom told us that it had a comprehensive editorial policy (see Appendix 5.1), which covered a wide range of ethical and operational issues and was designed to ensure that all its newspapers aspired to the highest editorial standards. In response to concerns about the group editor functions being remote because carried out from head office, Newscom had replaced the group editor role with a new position of senior editor, currently held by the editor of the *Daily Echo* in Bournemouth, one of its larger titles. The senior editor provided coordination and advice but was not there to approve the line taken by individual editors, who were responsible for taking their own decisions. An editor's direct reporting line was to the local general manager or managing director.

5.23. Newscom considered Newsquest, Johnston and Trinity Mirror to be focused, successful companies with a proven record of editorial investment. It knew of no concerns about the editorial policies of the three companies, or those of Newsquest's parent company Gannett, and had no reason to believe that those policies could have an adverse effect on the editorial freedom of Newscom's titles or could undermine choice for readers. Neither did it believe that if any of the three parties were to acquire Newscom, the support currently available to editors would be reduced or there would be less or inferior news coverage.

5.24. Given the policy of editorial independence that existed in each of the three companies, Newscom considered that none of the proposed transfers would have an adverse effect on the accurate presentation of news and free expression of opinion.

Effects on employment

5.25. Newscom did not believe that any of the proposed transfers would lead to fewer journalists being employed, mainly because the regional press had already taken the opportunities afforded by new technology to shed jobs. Commenting specifically on the future of the *South Wales Argus*, it said that the number of journalists there (around 55) was typical of evening titles in the UK and it did not see this changing if it came into common ownership with a contiguous title. The same numbers of journalists, editing staff and electronic staff would be needed to produce the newspaper. Attempts to combine the sub-editing of different newspapers had failed in the past and Newscom doubted whether it would be tried again.

5.26. Nor did Newscom believe that any of the transfers would lead to less training for journalists. In its view, a commitment to training was essential to the success of the business. It currently had around 60 trainees throughout the group and was reviewing its training to arrive at a coherent strategy.

5.27. With regard to appointments, Newscom did not have a specific policy of employing Welsh journalists in Wales, but it did try to employ journalists who were local to the area served by the particular title, whether in England or Wales. There was some shared feature content across titles where there was no need for a local element, but Newscom did not believe that this had led to any significant reduction in numbers of journalists employed.

5.28. Newscom said that it did not recognize any trade union for the purpose of collective bargaining (or for any other purpose) within its newspaper and magazine publishing divisions. Within its magazine printing division, Southernprint (Web Offset) Limited recognized the Graphical, Paper and Media Union (GPMU) for collective bargaining purposes and was covered by the British Print Industry Federation national agreement. Newscom told us that it was neither anti- nor pro-trade union, but believed that the way it currently ran its business was better for employees. It would respect the Employment Relations Act 1999 (ERA), but to date had had no discussions about the recognition provisions with any trade union.

Effects on printing

5.29. Newscom said that apart from one or two magazines all its titles were printed in-house. In addition, its newspaper division undertook some contract printing, mainly at Southampton and Weymouth and a very small amount at Newport. The bulk of contract work at Southampton was for DMGT, printing the *Daily Mail* and *Mail on Sunday* under a contract due to expire in 2004. It also printed some copies of the London *Metro* for Associated Newspapers. Some printing contracts had been transferred to Weymouth from Dursley when that print centre closed.

5.30. Newscom did not know the intentions of the prospective bidders but thought that Newsquest would be likely to use spare capacity in the Newscom centres to print some of its own titles. Johnston would certainly look for economies of scale from its print centre in Portsmouth and Newscom's in Southampton. Trinity Mirror had no major print centre in the South of England so the transfer would give it an opportunity, possibly, to print its national titles in the Newscom centres.

5.31. [*Details omitted. See note on page iv.*]

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Views of Newsquest

Background to the proposed transfer

5.32. Newsquest told us that early last year it had had preliminary informal discussions with Newscom about a possible merger. The discussions had not progressed and had ended in February 1999. Whilst the most recent approach to Newscom by Gannett, in November 1999, had not resulted in an agreed offer, Newsquest considered that the economic argument for combining the two businesses remained and it believed that Gannett could offer an attractive proposal to Newscom's shareholders.

5.33. Newsquest outlined its twofold business strategy. First, it intended to pursue organic revenue and profit growth by improving the range and appeal of its titles to their readership (and launching new titles where appropriate), thus increasing advertising sales, and by managing costs. Secondly, it intended to make strategic acquisitions of newspapers in its existing markets or in contiguous areas, so as to maximize cross-selling opportunities and increase efficiency by spreading fixed and distribution costs.

5.34. The purchase of Newscom's newspapers would be consistent with Newsquest's business strategy. Newsquest's proposal to buy Newscom was further evidence of its commitment as a long-term participant in the UK regional/local newspaper sector, as already demonstrated by its improvement of the Westminster Press titles acquired in December 1996 and its launch of several titles in recent years, including paid-for titles. It saw the proposed transfer as a significant opportunity to develop Newscom's titles to the benefit of readers and advertisers. Newscom was an attractive acquisition target because it was based in the prosperous South of England and had good-quality franchises. The other attraction was that Newscom had invested substantially in printing presses and now had some of the best in Europe, whilst Newsquest was short of press capacity and needed to contract out some of its printing.

Concentration of ownership

Effects at national level

5.35. If Newsquest acquired Newscom, the accretion to its share at national level in the market for regional/local newspapers would be around 4 per cent. Newsquest said that the increase should be placed in the following contexts:

- (a) as the Commission had stated in the Trinity/RIM/Mirror Group report (see Appendix 4.1, item A36), UK market share figures had little relevance for competition because they added together circulation figures for titles serving different areas.
- (b) Local newspapers were local products that had to serve and reflect the needs of local readers and advertisers if they were to thrive commercially. Relatively small increases in national market share were, therefore, largely irrelevant.
- (c) Newsquest would in any event remain considerably smaller than the largest player in the market, Trinity Mirror.

5.36. Newsquest believed that the market needed to be redefined to include the proliferation of competing media available. Entry, particularly on the advertising side, was becoming ever easier and it was misleading to focus solely on the circulation of regional and local newspapers.

Effects at regional/local level

5.37. Newsquest identified 21 postcode districts in which its titles and those of Newscom achieved 10 per cent household penetration. It believed that our examination of the impact of the proposed transfer

on competition should be restricted to two localities, Swindon and that part of west Wiltshire to the east of Bath. Only three of Newscom's titles were involved and in each case the nature of the title or the presence of other competing publications meant that the transfer would have only a minor effect on competition for advertisers and readers.

5.38. In central Swindon, Newscom's free weekly *Swindon Messenger* overlapped with Newsquest's paid-for daily *Swindon Evening Advertiser* and free weekly *Swindon Star* in six postcode districts (SN1 to 6). Although Newsquest was proposing to acquire its only newspaper competitor in Swindon, it questioned whether the *Swindon Messenger* was in fact a newspaper for the purposes of the Act. It described it as a low-grade editorial product focused on entertainment, with few pages and little local news content. Newsquest believed that its acquisition of Newscom would therefore have little effect on readership choice and diversity. Newsquest would indeed expect to improve the quality of the *Swindon Messenger*.

5.39. In Newsquest's view, any impact of the transfer in the Swindon area would be restricted to the range of advertising media available. It told us that there was a wide range of alternative advertising print media, including Bristol United Press (BUP)'s *Western Daily Press* and *Wiltshire Chronicle* and many niche publications such as *Auto Exchange*, *Auto Trader*, *Job Opportunities*, *Jobs Weekly*, *Jobs Direct*, *Trade-It* and *Swindon Business News*. Newsquest's principal competitor for advertising in Swindon was, however, the local radio station GWR, which had a strong presence with regional stations in Swindon, Bath and Bristol. It exerted a considerable pressure on advertising rates. There were also a number of Internet sites based in and around Swindon and GWR had recently announced a significant investment in developing a Swindon-based local news and information Internet site.

5.40. Newsquest said that much of the advertising content of the *Swindon Messenger* was cross-sold from other Newscom titles, including the *Wilts & Gloucestershire Standard* in Cirencester, where the *Swindon Messenger* was based, Newscom having recently closed its Swindon office. Newsquest doubted whether the title was profitable; Newscom had reduced its distribution and pagination over the past two years.

5.41. In west Wiltshire, Newsquest's titles overlapped with those of Newscom in 12 postcode districts. In districts SN9, 10 and 12 the Newscom titles were the free *Devizes*, *Melksham & Vale of Pewsey News* and *West Wiltshire Advertiser*. In SN13 to 16 the same Newscom titles were involved, as well as the free *County Independent* and paid-for *Wilts & Gloucestershire Standard* series. In postcode districts BA11 to 15 Newsquest titles overlapped with the *West Wiltshire Advertiser*. Newsquest said that there was significant competition throughout the area, notably from BUP's *Western Daily Press* and recently launched *Wiltshire Chronicle*. Newsquest believed that BUP was seriously committed to increasing circulation of its titles in Wiltshire and had local offices in the area. GWR was also a strong competitor and there were several independently-owned free and paid-for newspapers and magazines with circulation/distribution in the area.

5.42. Newsquest said that the northern circulation area of its paid-for *Wiltshire Gazette & Herald* overlapped with the southern circulation area of Newscom's paid-for *Wilts & Gloucestershire Standard*, particularly in the Malmesbury area (postcode district SN16). The same Newscom title also overlapped in the north of its circulation area with Newsquest's *Evesham Cotswold Stratford Journal (Cotswold Journal)*, in postcode districts GL54 and 56. However, in this latter case the overlap occurred outside the Newsquest title's core area; the *Cotswold Journal* achieved less than 5 per cent of its overall distribution into GL54 and 56.

5.43. Similarly, Newscom's free *Banbury Cake* overlapped with Newsquest's free *Oxford Star* and paid-for *Oxford Mail* and *Oxford Times* in postcode district OX7, but Newsquest said that this district was on the fringes of the circulation/distribution areas of the Oxford titles (and indeed of Newscom's *Banbury Cake*), with only just over 4 per cent of their circulation/distribution going into the district. Newsquest commented that there was significant penetration of the area by the paid-for *Banbury Guardian* and free *Banbury Citizen*, both owned by Johnston, the biggest player in the area.

Accurate presentation of news and free expression of opinion

5.44. Newsquest said that its editorial policy was based on the fundamental principle that a regional or local newspaper publisher would only appeal to, and therefore retain the support of, its readers if its

titles reflected their views and concerns and effectively acted as their voice. It expected its newspapers to be the authoritative source of news that readers could trust. It was also their role to help local communities meet change.

5.45. Each of Newsquest's local editors had editorial discretion, subject to the general proviso that the title accurately reflected the views of the local community. Newsquest did not encourage any political slant and none of its local/regional titles was expected to adopt such a slant. Editors were autonomous and reported only to a regional managing director in one of the 13 regional centres. It would be necessary for an editor to keep the regional managing director informed only if a situation developed that might have consequences for the group as a whole, such as a libel action.

5.46. Newsquest drew our attention to the Westminster Press report (see Appendix 4.1, item A32), in which the Commission stated that it had received no evidence that cast doubt on Newsquest's commitment to accurate reporting and editorial freedom. Furthermore, the PSN report (see Appendix 4.1, item A35) stated that the Commission had received no evidence to suggest lack of accuracy in reporting or lack of commitment to editorial freedom by the bidders; in particular there was no suggestion that they had introduced, or were likely to introduce, a standardized editorial product. Newsquest told us that its policy had not changed. It remained committed to local newspapers that responded to the needs of their local markets.

5.47. Gannett told us that its policy towards the newspapers it published in the USA was similar to Newsquest's policy. It supported editorial autonomy with decisions being made locally without influence from the corporate centre. It did not believe that local newspapers could succeed if they did not reflect the local market place. Gannett had not sought to interfere with Newsquest's policy of editorial freedom since becoming its owner and did not expect to do so in the future.

5.48. Newsquest did not issue formal editorial guidance. It believed that Newscom's policy was more prescriptive than its own, but the Commission had recently considered Newscom's editorial arrangements in the PSN report and had viewed them as unproblematic in public interest terms. Newsquest, therefore, had no current plans to alter them, provided that there was no conflict with its existing policy.

5.49. With regard to the content of its newspapers, Newsquest's local editors had complete autonomy. Newsquest said that it had pioneered the introduction of high-quality editorial into free newspapers. Its free newspapers often matched the paid-for title in any given locality in terms of content and editorial, and in determining content it always remembered that free titles were unsolicited. Because advertising was their sole source of revenue, it was vital that free titles appealed to the widest possible range of readers, in order to attract advertisers. Local editors needed, therefore, to ensure that free titles contained the right elements of news, entertainment, community information and comment. Newsquest intended to review the content of the Newscom titles to maximize circulation/distribution and ensure that they were competitive vis-à-vis radio, television, other local publications and the Internet. Newsquest said that its policy was to provide a wide and flexible range of advertising options to private individuals and businesses. It assumed that Newscom's policy would be the same and would in any event be keen to retain Newscom's existing advertising contracts.

5.50. Newsquest said that it did not currently expect to change any of its own or Newscom's areas of distribution. On the basis of its current limited knowledge about Newscom's business it had no plans to close titles. In the context of hypothetical conditions that might be attached to the transfer in the event of an adverse finding, we asked for Newsquest's views on an undertaking not to close any Newscom title or competing Newsquest title within a specified period. Newsquest said that it had had access only to public data about Newscom's business so it was difficult to be categorical. It believed that it could live with such an undertaking if the time period was reasonable, although it did not accept that consent to the transfer should be conditional.

Effects on employment

5.51. Newsquest had estimated in 1999, based on comparisons with its own business, that Newscom had approximately 220 excess staff. This tallied with an announcement by Newscom in September 1999 that, following a major review of costs and overheads throughout the group, it intended to reduce the total staff complement by 208. Newsquest did not have the inside knowledge to make firm judgments

about what further staff savings might be possible. If it acquired Newscom it would probably retain only one headquarters, but it could not say how many staff might be needed there. It did not expect that there would be scope to reduce editorial staff in Newscom's titles; journalists were in short supply.

5.52. Newsquest had told the Commission in the PSN inquiry that it did not recognize trade unions for collective bargaining, although it had no objection to its employees being members of trade unions. Regional staff councils were in place for all publishing centres and generally met monthly. The councils were consultative bodies, providing employees with a direct channel of communication with senior local management, but were not forums for wage negotiations or collective bargaining. Newsquest encouraged employee representation through the councils and would intend to continue this policy with regard to employees on the Newscom titles. It would, however, honour any existing agreements Newscom might have with trade unions.

5.53. Newsquest confirmed that it would abide by the trade union recognition provisions of the ERA. Since the PSN report (see Appendix 4.1, item A35), it had been agreed that Newsquest's Oxford and Bradford centres would carry out a trial of voluntary recognition for the NUJ and the GPMU. These unions would be recognized on a local basis only if they were successful in recruiting the necessary majority of staff in the editorial and printing departments respectively. This did not constitute national recognition by Newsquest. Both centres had agreed that the two unions should make presentations to senior management about proposals for the business, followed by presentation to the staff councils.

5.54. Newsquest told us that it ran an annual profit share scheme and a save-as-you-earn profit share scheme, and had a good pension scheme. It would extend these benefits to Newscom employees, although they would retain their existing pension arrangements in respect of past service.

5.55. Newsquest said that it was strongly committed to the training and career development of journalists. It provided new entrants with 20 weeks of training at Darlington College of Technology, to fit them to work in a multimedia publishing environment. Since September 1998, 33 trainees had attended these courses and follow-up workshops. Newsquest also operated its own diploma award, devised for it by Darlington College. The majority of Newsquest's centres had Investors in People accreditation.

Views of Johnston

Background to the proposed transfer

5.56. Johnston said that it had taken part in the consolidation of the UK's local and regional press in recent years and had made a number of acquisitions since its flotation in 1988. Consolidation had, in part, been driven by the need for capital investment in order to remain competitive at a time of technological advance. It had taken place against a background of long-term decline in the circulation of paid-for local and regional newspapers in the face of social change and growing competition from other media.

5.57. Johnston considered that the future of local newspapers in the UK, and in particular the continued availability of titles with high-quality news and editorial content, depended on further consolidation in order to exploit the available synergies between publishers. Its own acquisitions over the previous five years had partly been motivated by its belief that greater size would help it in producing high-quality newspapers cost-effectively. Consolidation had not prevented the launch of numerous new titles in the UK, at the rate of about one a month, with advertising-only publications being launched more frequently still. Although most recent launches had been of weekly free newspapers and advertising-only publications that tended to attract advertising revenues more easily than new paid-for newspapers, a number of paid-for titles had also been launched.

5.58. In addition to these general market trends, Johnston's specific reasons for wishing to acquire Newscom's business were to obtain a portfolio of titles in areas where it currently had none and to acquire Newscom's relatively modern printing presses so that it could print all its titles in-house and include more colour pages in a number of them. Furthermore, Newscom's titles in south and central England were a logical extension of Johnston's presence in those areas, and Newscom's focus on

moderately-sized evening and weekly newspapers was consistent with Johnston's strategy and existing business.

5.59. As further background, Johnston told us that it had had discussions with Newscom in the summer of 1999 about two joint ventures in the South of England it had inherited on acquiring PSN. In September 1999, Johnston's advisers had produced a review of potential acquisition targets, which had considered Newscom to be the most attractive.

5.60. If it succeeded in acquiring Newscom, Johnston would explore the possibilities for cost savings. It expected that synergies would arise from a reduction in corporate and administrative overheads, the ability to buy some services and materials more economically and more efficient use of the enlarged group's presses. The fact that it would be acquiring some titles in areas contiguous to those of some of its existing titles might enable it to make savings in pre-press, distribution, accounts and information technology operations. Separate editorial and advertising sales offices and staff would, however, be maintained because the businesses were essentially local. In order to succeed, they had to maintain a local presence and market identity. Johnston intended to maintain and develop Newscom's titles and believed that their long-term prospects would be enhanced as a result of cost savings from the transaction.

Concentration of ownership

Effects at national level

5.61. Johnston said that its market share of all local and regional newspapers in the UK by sales or distribution a week would increase by 4.3 per cent to 14 per cent as a result of the proposed transfer. It submitted that such a relatively modest increment would not raise competition or other public interest issues given the existence of one larger UK publisher (Trinity Mirror) and a further two (Northcliffe and Newsquest) with market share of over 12 per cent. In addition, there were many smaller local/regional newspaper publishers; 114 at 1 January 2000 according to The Newspaper Society's data.

5.62. The newspapers to be acquired were local titles. Johnston said that the proposed transfer would have no effects on diversity of opinion at national level, because of its long-standing policy of editorial independence, the largely separate geographical coverage of the parties' titles and the fact that the merged company would still have no presence in large parts of the UK. Johnston said that there was no evidence of regional/local newspaper publishers with market shares of more than 10 per cent having any influence over readers or advertisers at national level. Moreover, the national newspapers provided considerable diversity of opinion, as well as national or regional coverage for advertisers seeking such penetration.

5.63. In Johnston's view, national market shares were a poor measure of the extent of competition between regional/local newspapers for readers and advertisers, because by the nature of such newspapers their principal competition was from other publications and alternative media in the same region or locality rather than from publications sold or distributed elsewhere in the UK. The effect of a proposed transfer on diversity of opinion should be assessed by reference to whether the newspapers in question had a common readership; people living in Scotland, for example, were not informed by regional/local papers available only in the South of England.

Effects at regional level

5.64. Johnston said that the only overlap between its titles and Newscom's occurred in a few areas of Hampshire and Oxfordshire. In Hampshire the transfer would make Johnston the leading publisher of regional and local newspapers, with a market share of some 80 per cent. In Oxfordshire it would have a market share of almost 24 per cent, compared with Newsquest's 47 per cent.

Hampshire

5.65. Johnston said that any potential regional issues arising in Hampshire from the proposed transfer had effectively been considered by the Commission in the PSN report (see Appendix 4.1, item

A35). The only significant development since the report's publication had been Newscom's acquisition of the Hampshire Chronicle group, with a county-wide market share of around 7 per cent. Johnston submitted that a consideration of the effects of the proposed transfer in Hampshire did not provide any meaningful indication of the impact on competition or diversity of opinion for a number of reasons:

- (a) Hampshire was not a well-defined homogenous area isolated from the rest of the UK. It encompassed a mix of affluent rural communities and market towns, seaside resorts, retirement towns and major commercial and military harbours. Many of these communities and towns were closely linked with towns outside Hampshire; for example, the greater Portsmouth conurbation extended into West Sussex, with Emsworth and Chichester being only 20 minutes away and making up part of the Portsmouth travel to work area. In the north of the county, Petersfield was part of the catchment area of Guildford and Farnham as well as Portsmouth. To the west, New Forest and Christchurch residents and businesses looked to Southampton as well as the Bournemouth/Pooler conurbation. Southampton was also an important commercial centre for residents of Salisbury. The county boundaries had, therefore, no economic or social logic as far as readers and advertisers were concerned.
- (b) Johnston did not consider that it was competing in a regional or county-wide market for readers or advertisers. Its titles, and those of Newscom, had largely local circulation/distribution areas (and entirely local core circulation/distribution areas) and none achieved appreciable penetration rates throughout the county.
- (c) Any assessment of effects on the interests of advertisers needed to take account of the insignificant nature of regional/county-wide advertising (accounting for less than 5 per cent of advertising carried in the parties' titles in Hampshire).
- (d) From the perspective of regional advertisers (primarily retailers with outlets spread across a region), advertising in different local newspapers was largely complementary rather than substitutable, as widespread coverage of promotions and store openings could be achieved only by advertising in a number of local titles. Such advertisers were self-evidently powerful purchasers.

5.66. Responding to concerns raised by Southampton City Council (see paragraph 6.35), Johnston said that the Southampton publications and centre would be a core business within the merged group. It would invest further in the business and would expect to play a prominent role in the community in Southampton. The titles currently published by Newscom would continue in being and would remain completely separate from Johnston's Portsmouth titles.

Oxfordshire

5.67. Johnston said that Newsquest was by far the most significant publisher of regional and local newspapers in Oxfordshire, with a market share twice that of Newscom and Johnston combined. Thus, even if there were a regional or county-wide market, the merged entity would not enjoy any market power given the competition from Newsquest. Similar arguments to those advanced in paragraph 5.65(a) and (d) applied equally to Oxfordshire, with the consequence that market shares at a county level were not relevant to assessing the effects of the proposed transfer on competition or the public interest. Johnston said that neither it nor Newscom regarded any of their titles in Oxfordshire as regional newspapers, and regional advertising was very limited.

Effects at local level

Hampshire

5.68. There were four areas in Hampshire (Fareham, Hamble Bursledon, Lee-on-the-Solent and Wickham) where both Johnston's and Newscom's titles achieved household penetration rates of at least 10 per cent. The issues raised by these overlaps had been effectively considered by the Commission in the PSN report (see Appendix 4.1, item A35) and the conclusion reached that the transfer of the PSN Hampshire titles to Newscom might be expected not to operate against the public interest. The titles of

the Hampshire Chronicle group that Newscom had acquired since publication of the report did not circulate in any of the four areas mentioned above.

5.69. With the exception of Newscom's *Solent Advertiser* in Fareham, and to a lesser extent Johnston's *Portsmouth Journal* series, none of the four areas in question formed part of the core area of the overlapping titles. In aggregate they accounted for no more than 14.5 per cent of the total circulation and distribution of each of the overlapping titles. Johnston submitted that there was therefore no question of the transaction having an appreciable effect on competition for readers or diversity of opinion because the areas concerned were mostly quite distinct from the core areas of the titles concerned.

5.70. The Commission had accepted in the PSN report that a distinction should be drawn between daily and weekly newspapers. Johnston said that in the present case, the overlap between the main paid-for daily titles occurred between subsidiary editions of Newscom's Southampton newspaper the *Southern Daily Echo* and Johnston's Portsmouth newspaper *The News*. The Fareham and Gosport edition of *The News* accounted for about 25 per cent of its total circulation but its editorial content was made up of stories from throughout the whole area of circulation. It followed that readers in the overlapping area would continue to receive a wide choice of news items produced by different journalists and editorial teams if Johnston were to acquire the Newscom titles. Johnston maintained that there were no grounds for believing that the transfer would lead to higher cover prices or a change in editorial policy. Either would carry the risk of losing readership (with adverse effects on cover price and advertising income) across the newspapers' total circulation areas where the overlap was either negligible or non-existent.

5.71. Johnston said that diversity of opinion would continue to be available to local readers from the many local radio stations such as Ocean FM, Power FM, Wave FM, Radio Victory and Spirit FM, all of which provided a regular news service. Finally, Johnston's reputation for maintaining the editorial independence and local character of the newspapers it acquired was a key factor safeguarding diversity of opinion in the Newscom area.

5.72. The transfer would not, in Johnston's view, have any appreciable effect on competition for advertisers in Hampshire. As most of the areas of overlap fell outside the core circulation/distribution areas of the parties' titles, it was clear that advertisers in the overlap areas using those titles were seeking coverage elsewhere. For example, an advertiser in Lee-on-the-Solent placing an advertisement in the *Chichester Observer* series would be seeking to advertise to readers in the core distribution area of the title, ie in and around Chichester, rather than to readers in Lee-on-the-Solent, where very few copies were distributed. Given that each of the Newscom and Johnston titles had its own core circulation/distribution area, advertisers regarded the titles as complementary and not as alternatives. They used a mix of titles to achieve the geographical coverage they required; for instance, many advertisers in Lee-on-the-Solent advertised in both Johnston and Newscom titles.

5.73. Although it gave preferential rates to certain frequent and/or high-spending advertisers, Johnston said that it did not differentiate between advertisers on the basis of their location within a title's circulation/distribution area. In particular, lower rate cards did not apply in any location where both Newscom's and Johnston's titles were circulated/distributed. Actual rates to those advertisers were virtually the same as those to similar local advertisers in Portsmouth, where Johnston was the leading publisher. The transfer would not, therefore, prejudice local advertisers.

5.74. Competition for advertising in the area came from a number of advertising-only publications, including *The Informer* (local to Hamble Bursledon), *Auto Trader*, *Autofreeway*, *Auto Exchange*, *Car-Ad* and *Friday-Ad*. These publications did not incur the cost of providing editorial content and were able to offer cheap, in some cases free, advertising. The barriers to entry for such titles were relatively low and entrepreneurs could easily launch titles aimed at specific advertising clients, for example estate agents, car dealers or private advertisers, thereby attacking a significant source of revenue for established local titles.

5.75. The commercial radio stations mentioned in paragraph 5.71 also competed for local advertisers and the Internet presented an increasingly competitive threat to local newspapers in the overlapping area. Some web sites had been set up by individual entrepreneurs and publishers to offer advertising space to individual businesses such as estate agents and car dealers. In addition there were a number of electronic versions of advertising-only publications and directories such as *Scoot*, *Loot*, *monster board* and *Yellow Pages*. There were also a number of web sites set up by the company whose services or goods were being promoted. These included sites created by individual estate agents, car dealers and car manu-

facturers. Johnston said that the costs involved would often derive from the same marketing budget as would be used for advertising in the local press. The sites could therefore be regarded as competing with the parties' titles. Johnston provided six examples of estate agents in Hampshire with their own web sites.

5.76. Regional Channel 3 (Meridian) also competed for advertisers, and interactive digital television would be launched on Cable & Wireless's Solent cable network later in 2000. Johnston expected *Auto Trader*, *Scoot*, *Loot* and other major media players to sign distribution deals with Cable & Wireless. This would provide a further source of competition to the merged company.

5.77. Johnston said that the range of advertising carried by local and regional newspapers was part of their attraction to readers. Any loss of advertising reduced reader appeal and could lead to a vicious circle, with a decline in readership reducing newspapers' attractiveness to advertisers and thus leading to further loss of revenue. Such a process would reduce the profitability and ultimately render titles unviable. Accordingly, publishers could not risk their titles becoming uncompetitive or unattractive to readers and advertisers.

5.78. There were several other strong publishers in the South of England, including Newsquest, Trinity Mirror, Guardian Media Group, Southnews and Tindle Newspapers Ltd (Tindle). Johnston said that a failure by the merged entity to serve the interests of advertisers in parts of Hampshire would provide an entry opportunity for those publishers.

Oxfordshire

5.79. There were five areas in north Oxfordshire (Banbury, Banbury rural area, Brackley, Chipping Norton and Deddington/Steeple Aston rural area) where both Johnston and Newscom titles achieved household penetration rates in excess of 10 per cent.

5.80. Johnston said that, with the exception of Banbury and Banbury rural area, none of the five fell within the core areas of the parties' titles. Neither Brackley, Chipping Norton nor Deddington/Steeple Aston rural area had newspaper titles dedicated to readers in those towns. (The only exception was the *Brackley & Towcester Advertiser*, a free weekly publication with one reporter assigned to Brackley.) The aggregated circulation/distribution of Johnston's and Newscom's titles in the three areas accounted for less than 20 per cent of the total circulation and distribution of each of the overlapping titles. In Johnston's view, there were no grounds for considering that the proposed transfer would lead to higher cover prices or a change in editorial policy, for the reason stated in paragraph 5.70.

5.81. Johnston said that in all the overlapping areas (other than Brackley) between two and five Newsquest titles were available to readers. In all the areas except Deddington/Steeple Aston titles published by Trinity Mirror and/or George Boyden were available and in three of the five areas a title published by Midland Weekly Media was available. In addition, local news services were provided by local radio (BBC Radio Oxford and Fox FM) and from the regional Channel 3 franchise (Central Television).

5.82. As regards Banbury and Banbury rural area, where the overlapping areas were part of the core areas of Johnston's and Newscom's Banbury titles, Johnston said that the publishers referred to in paragraph 5.78 provided competition for readers. The Newscom title (the *Banbury Cake*) was a free weekly title with less editorial content than Johnston's and Newsquest's paid-for weekly titles. Furthermore, readers would have a greater choice of newspapers than readers in Fareham, a town of similar size. (The Commission had examined the situation in Fareham in the PSN report (see Appendix 4.1, item A35) and had concluded that it might be expected not to operate against the public interest.) Johnston's reputation for maintaining editorial independence was also an important safeguard (see paragraph 5.72).

5.83. Johnston considered that its acquisition of Newscom would have no appreciable effects on competition for advertisers in Oxfordshire, for a number of reasons. First, there were several strong Oxford-based titles owned by Newsquest with circulation and distribution in the overlapping areas. This meant that any attempt by Johnston to raise advertising rates would result in loss of business to Newsquest. The other publishers in the overlapping areas (see paragraph 5.81) would also constrain Johnston's ability to raise rates.

5.84. Secondly, there were numerous advertising-only publications available in Newscom's Oxfordshire area, the principal ones including *WHY* magazine (published by Northcliffe), *Bargain Pages*, *Diamond FreeAds*, *Four Shires* and *Auto Trader*. Low barriers to entry had resulted in the launch of a number of advertising-only publications in or around Newscom's area in the previous three years.

5.85. Thirdly, as in Hampshire, other forms of media, such as local radio (Fox FM in the Banbury area), the Internet, Central Television and cable television, all competed with newspapers for advertising, with the implications outlined in paragraphs 5.74 and 5.75.

5.86. Fourthly, there were several newspaper publishers in or around Oxfordshire that could relatively easily enter Newscom's area by expanding the circulation or distribution of existing titles or launching new ones to compete with the merged Johnston/Newscom. They included Newsquest, Trinity Mirror, Northcliffe, Stratford Herald Ltd, Herald Observer, Local Sunday Newspapers Ltd and Keith Barwell.

5.87. Finally, Johnston's policy on advertising rates, as set out in paragraph 5.73, would also ensure that a transfer to Johnston of the Newscom titles was not prejudicial to advertisers.

Accurate presentation of news and free expression of opinion

5.88. Johnston provided us with a statement of its editorial policy (see Appendix 5.2). It told us that it was renowned for giving its editors independence. Its Chief Executive had never had a dispute with an editor and in practice contacted individual editors only to discuss significant libel claims and complaints to the PCC. Johnston's editors were selected for their professional competence, judgment and management qualities. Once appointed they were expected to follow guidelines that reflected the principles of Johnston's editorial policy, but subject to that, and to budgeted editorial/advertising ratios, they had virtually complete control of the editorial content of their newspapers.

5.89. Although Johnston's titles tended to contain very local news and to focus on local rather than regional issues, there had been occasions when the editorial line of titles had differed. Recent examples were: the *Fife Free Press* and the *Fife Leader* had taken a different editorial line on a council crackdown on rent arrears; the *Wakefield Express* and the *Pontefract & Castleford Express* had taken a different line over local hospital services; in Northamptonshire, the *Chronicle & Echo* and the *Evening Telegraph* had taken a different line on the transfer of players from Northampton Town FC, and also on NHS cuts in the area; and in Luton, *The Luton News* reported support for a French market due to visit the town whilst the *Luton Herald & Post* called for a boycott of the market in support of local farmers.

5.90. Johnston said that it planned to maintain all the titles it acquired and invest in their editorial content so as to ensure that readers had access to high-quality journalism and an independent editorial line. It did not therefore consider that the proposed transfer would have any adverse effects on the accurate presentation of news and free expression of opinion. Johnston's philosophy was to provide the conditions and opportunities for its titles to flourish. It required editors to pick up and reflect the issues of importance to the local community since any title that failed to do that was likely to lose readers in its core area, leading to a decline in advertising and circulation revenues.

5.91. In the context of hypothetical conditions that might be attached to the transfer in the event of an adverse finding, we asked for Johnston's views on an undertaking not to close any Newscom title or competing Johnston title within a specified period. Johnston said that maintenance of titles was a fundamental part of its strategy. However, an undertaking that prevented it from closing a loss-making title, or restricted its commercial freedom to make reasonable changes, for example to the editions structure of a title, would be helpful neither to the public interest nor to Johnston's business.

Effects on employment

5.92. Since Johnston expected to maintain publication of all the acquired titles, significant job losses were unlikely as a result of the transfer. It told us that it had no intention of cutting the numbers of journalists, advertising sales staff or printing staff. It envisaged a modest reduction in numbers of head office and administrative staff, and said that this was likely to be achieved through natural wastage. It

wished to ensure that so far as possible any redundancies were voluntary and kept to a minimum, with staff being offered new positions within the company.

5.93. Johnston intended to maintain its good relationship with trade union representatives; it had never de-recognized a union at any of its companies. Its current policy on recognition varied by company, reflecting its acquisition over the previous few years of a number of companies where recognition had already been discontinued. Whilst Johnston allowed a variable policy by company, the Chief Executive had to authorize any change.

5.94. The GPMU was recognized in Johnston's newspaper companies in Scotland, Sunderland, Wakefield and Chesterfield. It was also recognized in the pressrooms forming part of the Johnston Printing Division at Peterborough, Burgess Hill, Portsmouth, Sunderland and Hartlepool. The NUJ was recognized in Scotland, Sunderland, Wakefield and Chesterfield and the British Association of Journalists was recognized in Horsham. Johnston said that its policy was to work with trade unions where they existed for the benefit of the business and its staff. It would comply with the recognition provisions in the ERA and was currently discussing recognition claims in several centres with both the GPMU and the NUJ.

5.95. Johnston was committed to the training of journalists and invested substantially in it. In 1999 it had sponsored 11 trainees through the 20-week NCTJ Journalism Block Release Programme at Darlington College of Technology, and ten trainees were attending the same programme in 2000. Johnston gave us details of the numerous short in-house editorial training courses it provided. It was offering some 600 places on those courses in 2000. It would expect to increase its training pro rata to the numbers of staff gained from the transfer of Newscom's newspapers and related assets.

Views of Trinity Mirror

Background to the proposed transfer

5.96. Trinity Mirror told us that its strategy was to continue consolidation in regional and local newspapers by acquiring titles in areas where it had no presence and in areas contiguous to its existing newspaper interests. It also wished to extend the range of its business activities, particularly into new media, including the Internet. The fundamental purpose of consolidation in the industry was to enable the regional press to develop businesses of sufficient size and strength to compete in a rapidly changing world.

5.97. Trinity Mirror's regional and local newspaper businesses were largely based in the North and it had virtually no presence in the South of England, and none in the South-West. Newscom's titles circulated in the South and South-West of England, which were attractive in terms of economic wealth and demography, and in Wales. Newscom also offered additional printing capacity. It was therefore an extremely good fit with Trinity Mirror's existing business.

5.98. The interest in acquiring Newscom went back some years. Trinity had sought consent from the Secretary of State to the acquisition of Southern Newspapers PLC (as Newscom was then called) in 1991, and had been publicly noted in 1996 as being interested in acquiring the Newport titles. Trinity Mirror continued to believe that Newscom would be an attractive addition to its regional and local newspaper interests. Following Gannett's announcement in December 1999 that it was seeking consent from the Secretary of State to acquire Newscom and its titles, Trinity Mirror decided that it too must seek consent so that it would be able to make a bid if consent were given after the Commission's investigation.

5.99. Trinity Mirror told us that it had had informal discussions with Newscom. Before submitting its application for consent to the Secretary of State, it had advised Newscom of its potential interest in making an offer for the entire issued share capital.

Concentration of ownership

Effects at national level

5.100. The proposed transfer would not result in any concentration of ownership of national newspaper titles. With regard to the share of circulation/distribution of regional and local newspapers in the UK, Trinity Mirror's analysis differentiated between morning, evening, Sunday, paid-for weekly and free weekly titles. Trinity Mirror commented, first, that in its Mirror Group/MIN report (see Appendix 4.1, item A33), the Commission had viewed regional evening titles as not necessarily competing with morning titles. Secondly, regional morning newspapers typically circulated over a much broader area than regional evening titles. Thirdly, Sunday titles were different in character from typical local paid-for weekly titles; most weekly titles were focused on a single community whilst Sunday titles had a wider coverage than that of regional morning newspapers. Trinity Mirror emphasized, however, that whilst it was analytically appropriate to split titles into those categories, the resultant market share figures might not reflect actual markets since most of the titles concerned could not sensibly be viewed as substitutable products by either readers or advertisers.

5.101. Using the same data as Trinity had provided for the Commission's Trinity/RIM/Mirror Group report (see Appendix 4.1, item A36), the proposed transfer would increase Trinity Mirror's share of regional and local newspapers in the UK from 19.5 to 23.6 per cent if the *Daily Record*, *Sunday Mail*, *Evening Standard* and *Sunday Post* were excluded or from 24 to 27.7 per cent if they were included. Trinity Mirror said that these figures overstated the position because they included the former Trinity titles in Belfast, which would have to be sold in 2000 as a condition of the Secretary of State's consent to the Trinity/Mirror Group merger. In addition, the data included an overstatement of the circulation figures for the former Mirror Group Birmingham titles. Trinity Mirror estimated that if the figures were adjusted to take account of those factors, the combined Trinity Mirror/Newscom market share would be 24.9 per cent, with the *Daily Record*, *Sunday Mail*, *Evening Standard* and *Sunday Post* included in the calculation. Trinity Mirror did not believe that this level of concentration, or the level of increase in concentration, gave rise to any public interest concerns. It said that the Commission's conclusions in the Trinity/RIM/Mirror Group report and the PSN report (see Appendix 4.1, item A35) supported its view.

5.102. The proposed transfer would give Trinity Mirror somewhere around 25 per cent of the UK regional press. Trinity Mirror did not believe, however, that a share of 25 per cent had any significance notwithstanding its implications under UK competition law. In the general monopoly and merger provisions, a share of that level was merely a jurisdictional threshold for the competition authorities. A far more detailed analysis was required to decide whether there was any impact on competition or the public interest and the holding of a 25 per cent share in no way prejudged the outcome of any investigation. Trinity Mirror drew attention to the fact that, even after the transfer of Newscom's titles, it would have a smaller share than DMGT as regards evening titles and Johnston as regards paid-for weekly titles, the two regional publishing markets with the highest barriers to entry.

5.103. In relation to all newspapers (nationals as well as regional/local titles), the proposed transfer would give Trinity Mirror the highest share at 22.5 per cent compared with News International's 19.8 per cent. It would not, however, have the highest share in any of the separate categories of newspaper except the free weekly titles. Trinity Mirror believed that the overall level of share should not be of concern and that the proposed transfer did not give rise to any issues about concentration of ownership at national level.

Effects at regional and local level

5.104. Trinity Mirror said that South Wales was the only regional area that would be affected by the proposed transfer, which would increase Trinity Mirror's share of all newspapers in the area from 33.7 to 37 per cent. This did not seem out of line with shares of circulation and distribution in other areas of the country that had been scrutinized by the Commission and so, in Trinity Mirror's view, should not give rise to concerns.

5.105. The proposed transfer raised the same issues about the overlap of national titles with regional and local titles as the Commission had considered in a number of previous reports, in none of which it found the overlap to be against the public interest. Trinity believed that the particular issues in Northern

Ireland considered in the Trinity/RIM/Mirror Group report (see Appendix 4.1, item A36) were unique and Wales did not give rise to any similar concerns. The version of *The Mirror* circulating in Wales had 'Welsh' in its masthead and aimed to reflect the new status of Wales with its own political structures. It included more Welsh sport and news than before. Previously, Wales had been served by two editions: the North West edition for North Wales and the Granada television region and a Wales and the West edition for South Wales and south-west England. This remained the case, with the newspaper on sale in the North and South carrying different editorial and regional advertising, albeit with no indication on the masthead.

5.106. Trinity Mirror said that the *Welsh Mirror* predominantly carried national advertising that appeared in all editions of the title. The two versions of the *Welsh Mirror* carried some regional classified advertising, although this was very limited in relation to the overall volume of regional and local advertising and the overall volume of advertising carried by *The Mirror* as a whole. Advertising in the North Wales version was sold in conjunction with the Granada edition, and in the South Wales version primarily in conjunction with the South-West edition. Trinity Mirror said that North and South Wales were very separate areas from a commercial perspective, because of the topography of the country. North Wales tended to look towards Liverpool and Manchester, whilst South Wales looked towards Bristol and the South-West. The Commission itself had concluded in its Trinity/TRN report (see Appendix 4.1, item A30) that Wales was not a single market for regional and local newspapers. It had also concluded, in the Mirror Group/MIN report (see Appendix 4.1, item A33), that there were significant differences in the regional content and readership profile of national and regional/local titles and that these would be reflected in their relative appeal to advertisers. With the exception of Northern Ireland, the Commission had not considered that the limited advertising issue was relevant in the context of the Trinity/RIM/Mirror Group report, although Trinity owned morning, evening and Sunday titles in Newcastle and Cardiff, morning and evening titles in Liverpool and evening titles in Huddersfield and Teesside. Accordingly, Trinity Mirror did not believe that the overlay of its national titles above Newscom's regional and local titles should lead to any concerns.

Overlapping areas

5.107. Trinity Mirror provided detailed analyses of areas where its titles overlapped with Newscom titles.

South Wales

5.108. The morning title (*The Western Mail*) and Sunday title (*Wales on Sunday*) published out of Trinity Mirror's Cardiff centre circulated across the whole of the area covered by Newscom's Welsh titles. Trinity Mirror said that its titles achieved their circulation over a wide area, with low levels of penetration across that area. In contrast, Newscom's evening and weekly titles were focused on specific towns, each title achieving circulation or distribution in a discrete area with a high level of penetration.

5.109. Trinity Mirror said that the differing nature of the titles affected their editorial as well as their advertising appeal. Its morning and Sunday titles offered wider news coverage, including more national and international stories. From an advertising perspective its titles, unlike evening and weekly newspapers, did not deliver specific markets and consequently their advertising content was less than would typically be found in an evening or weekly title. Furthermore, *The Western Mail* was an upmarket broadsheet whereas Newscom's *South Wales Argus* was a tabloid.

5.110. Trinity Mirror did not believe that this overlap gave rise to any public interest concerns.

West Wales

5.111. Newscom published four weekly paid-for titles in west Wales. Trinity Mirror did not compete with these titles, save through its morning and Sunday titles. The main competing publishers were Northcliffe and Tindle. Trinity Mirror did not therefore believe that the overlap in this area gave rise to any public interest concerns.

Newport

5.112. Newscom's *South Wales Argus* was the evening newspaper serving Newport. Its circulation area contained the distribution area of the *News and Argus*, a weekly free newspaper also published by Newscom. Certain of Trinity Mirror's titles overlapped with the Newscom titles, but Trinity Mirror believed that Newport was a contiguous publishing area rather than one that competed with Cardiff. It said that the *South Wales Argus* circulated in nine postcode districts, with a penetration of more than 10 per cent in five of them. Those five postcode districts represented 88 per cent of the title's circulation. Within them, the Trinity Mirror evening title the *South Wales Echo* had no penetration greater than 3.5 per cent and had only 2.8 per cent of its overall circulation. *The Western Mail* had 6.6 per cent of its circulation, with an average penetration of 2.9 per cent, and *Wales on Sunday* had 10.9 per cent of its circulation and an average penetration of 5.4 per cent. It was clear from this that, although in the same sort of market as each other, the two evening titles were contiguous, not overlapping. The *South Wales Argus* focused on Newport and the *South Wales Echo* on Cardiff. It was also clear that none of the Trinity Mirror titles provided the same focused advertising market that the *South Wales Argus* provided.

5.113. Within the same area, Newscom published one paid-for and three free weekly titles and Trinity Mirror published two paid-for weekly titles. Examination of the data showed that Trinity Mirror's weekly titles did not compete with those of Newscom in the key districts in the Newport area. Accordingly, Trinity Mirror believed that the proposed transfer raised no concerns about that area.

5.114. Trinity Mirror said that it would continue to publish the *South Wales Argus* as a distinctive title for Newport, with editorial staff based in Newport. It had no plans to integrate the title's editorial with that of any of its other titles; indeed the commercial need to maintain a distinct editorial offering was unquestionable. The editor of the *South Wales Argus* would be free to take advantage of Trinity Mirror's wider interests, but it would be for him or her to decide whether to do so. Trinity Mirror was totally committed to the editorial independence of its regional and local titles, and the *South Wales Argus* would be treated no differently. The local editor would have discretion over how to deploy resources and when to use material from third parties such as the Press Association. Trinity Mirror thought it likely that the editor would want the title's own staff to cover the National Assembly, given its importance to Wales. As for the management structure, Trinity Mirror currently intended that the Managing Director of the Newport business would report to the board director in charge of regional titles in the South of England and South Wales, who was based in Birmingham. This would mirror the reporting arrangements for its Cardiff-based titles.

5.115. Trinity Mirror would consider offering advertising packages across the *South Wales Argus*, *South Wales Echo* and *The Western Mail* as a convenience to advertisers, who would be able to deal with a single contact for all three titles.

The Valleys

5.116. Newscom published free weekly titles in the Valleys whilst Trinity Mirror published paid-for weeklies. Trinity Mirror said that it did not have a title that competed with Newscom's *Caerphilly Campaign*. Although two Trinity Mirror paid-for weekly titles were in the area, less than 30 per cent of their respective circulation was within the distribution area of the Newscom title. Given the limited overlap, Trinity Mirror did not believe that there should be concern in the Caerphilly area. Indeed, its Cardiff publishing centre regarded Caerphilly very much as a Newscom area.

5.117. Trinity Mirror understood that there would be some concern about the situation in the distribution areas of Newscom's *Merthyr & North Gwent Campaign* and *Rhondda & Pontypridd Campaign*. In each case, Trinity Mirror paid-for weeklies had a large proportion of their circulation in the area and there was no other weekly newspaper. However, Trinity Mirror was aware that in the recent PSN report (see Appendix 4.1, item A35) the Commission had concluded that the consolidation of certain titles did not give rise to public interest issues, notwithstanding the reduction in competition in certain areas. Trinity Mirror agreed with the Commission's view that:

Where an overlap area is part of a core area, the successful bidder might be better placed to raise advertising rates and, in the case of paid-for titles, cover prices. But given the

competition the bidder would continue to face, primarily from other advertising publications but increasingly from other media, we regard such an outcome as unlikely.¹

5.118. Trinity Mirror believed that the Commission's view was particularly true in less economically vibrant areas, such as the Valleys. It said that advertisers would reduce the scale or frequency of their advertisements if the costs were to rise significantly, or they would cease advertising in newspapers and advertise in alternative media. Consequently, Trinity Mirror did not believe that its position in the Valleys following the transfer would permit it to increase advertising rates, or to raise cover prices, since this would carry the risk of losing circulation and, consequently, advertising revenue.

5.119. The average pagination for the four editions of Newscom's *Campaign* series in these areas of the Valleys had been 16 to 19 pages during the period 5 April to 27 June 1999, compared with averages of 50 and 76 pages for the Caerphilly editions. Trinity Mirror did not believe that the Merthyr, North Gwent, Pontypridd and Rhondda titles were of significant editorial value given both the volume and scope of the news coverage of each.

5.120. Trinity Mirror believed that most of the recruitment advertising in those titles was sold across the whole of the *Campaign* series and also the Newport evening title, in a package consisting of Wednesday and Saturday in the *South Wales Argus* and all the free weekly titles for £23.85 per column centimetre. Thus any advertiser in the evening title was automatically lifted into the *Campaign* series. In addition, there was a *Campaign* series rate of £16.20 per column centimetre. Trinity Mirror said that given the relative cost of the *Campaign* series, most advertisers would take the wider group package, particularly as the evening title would be viewed as the more important platform.

5.121. Trinity Mirror also believed that certain retailers who wanted to advertise only in Caerphilly were asked by Newscom whether they would object to their advertisement also appearing in the other editions of the *Campaign* series at no extra charge.

5.122. Trinity Mirror was aware that Newscom had recently closed its Pontypool and Caerphilly branch offices. The closures perhaps supported Trinity Mirror's view that the *Campaign* titles were not significant in either editorial or advertising terms.

5.123. Trinity Mirror's view was also supported by evidence of the relatively low penetration of these titles. It would be reasonable to expect free titles to provide total coverage of the areas in which they were distributed, but the *Caerphilly Campaign* (the strongest title) had an overall penetration of some 61 per cent. The *Merthyr & North Gwent Campaign* had an average penetration of only 38 per cent and the *Rhondda & Pontypridd Campaign* an average penetration of 43 per cent. Trinity Mirror said it was clear that the latter two titles did not provide a true service to the whole of the areas that they covered; presumably many people within the areas in question did not even see the title. This might be a result of the fact that much of the advertising was up-sold; ie an advertiser buying space in the evening title could have the advertisement placed in the free title at very little extra cost. Newscom might believe this to be the minimum number of copies that it needed to distribute in order to convince advertisers that they should be up-sold into the free titles to reach the Valleys, thus capturing a marginal increase in revenues.

5.124. Trinity Mirror pointed out that it was common for one publisher to produce both the paid-for and free weekly titles within a particular area. This could have the benefit of underpinning smaller titles and enabling them to survive.

5.125. A range of other options was available to advertisers. The area was served by the usual selection of both paid-for and free titles such as *Auto Trader*, *Auto Freeways*, *Auto Exchange*, *Exchange & Mart*, *Diamond FreeAds* and *Job Opportunities*, as well as the *Cardiff Advertiser* (weekly free) and *News in Action* (quarterly free). If estate agents in the area decided that they were not being provided with an appropriate service, they had proved adept at either launching their own property titles or encouraging an entrepreneur to do so.

5.126. In terms of potential competition, Northcliffe was present in both Swansea and Bristol with the facilities to launch a title in this area. Equally, Tindle, whose portfolio included many titles in South Wales, would be well placed to launch new ones. It was, however, debatable whether the market was

¹PSN report, paragraph 1.12.

capable of sustaining another title unless Trinity Mirror attempted to move advertising rates materially as a result of the transfer, which it had no intention of doing. It believed that its wider interests in the Cardiff/Newport area would not be well served by aggressive behaviour in the Valleys, because many who advertised there also advertised in the Cardiff or Newport titles.

Barry and Penarth

5.127. Two further paid-for weekly titles published by Newscom (the *Barry & District News* and the *Penarth Times*) sat within the core area of Trinity Mirror's evening title, the *South Wales Echo*. Trinity Mirror did not believe that the transfer of the weekly titles should cause any public interest issues. They were highly focused on the individual towns of Penarth and Barry, unlike the evening title that had a wider circulation. Tindle produced a free weekly title, the *Glamorgan Gem*, that competed directly with the *Barry & District News* as well as Trinity Mirror's free *Vale Post* title. The *Penarth Times* was the only title that was so clearly focused in this particular area, having its entire circulation within one postcode district.

Dorset/Somerset/Wiltshire

5.128. Trinity Mirror said that it published a series of weekly and fortnightly free A4 magazine-type products in and around Shepton Mallet, Blandford Forum, Yeovil, Frome, Trowbridge, Wimborne, Ferndown, Poole and Ringwood. Its activities in this area had started in 1993 with the acquisition of the *Blackmore Vale Magazine*, followed by the launch of a new title, the *Fosse Way Magazine*, in 1994. Late in 1999 it had acquired a series of fortnightly titles from Community Magazines Ltd (CML) following the granting of consent by the Secretary of State.

5.129. Trinity Mirror described these titles as niche community interest publications, different from the traditional free newspaper not only in their format but also the nature of their editorial, being very much concerned with local community news. They did, however, carry advertising.

5.130. The distribution area of these titles was served by titles published by Newscom and Northcliffe/BUP, who were the main publishers in the area, together with Trinity Mirror and Newsquest. Trinity Mirror said that the *Blackmore Vale Magazine* was distributed in 16 postcode districts and overlapped with a Newscom weekly title in 12 of them. A Northcliffe/BUP weekly title was also present in 13 of the districts. The *Fosse Way Magazine* was distributed in 12 postcode districts and overlapped with a Newscom weekly title in ten of them. A Northcliffe/BUP weekly title was present across all 12 districts.

5.131. Trinity Mirror did not believe that these overlaps should cause any concern given the nature of the *Blackmore Vale/Fosse Way* titles and the fact of competition from Northcliffe/BUP in most of the postcode districts concerned.

5.132. The CML titles acquired in 1999 were distributed just to the north of Bournemouth and in and around Poole. Trinity Mirror said that this area was closer to one of Newscom's core areas than were the distribution areas of the *Blackmore Vale Magazine* or *Fosse Way Magazine* titles. It told us that the CML titles, which were published fortnightly, were less developed than the *Blackmore Vale* and *Fosse Way*. It had acquired them because the previous owner had wished to retire and had been in some financial difficulty; the titles had been loss-making for much of 1999.

5.133. Trinity Mirror said that the only competitors recorded by Pressad in the postcode districts where the CML titles were distributed were Newscom titles, but within the area in general there was competition from a variety of other media, including publications such as *Auto Trader*.

5.134. Trinity Mirror did not believe that the combination of the CML titles and Newscom's titles should give rise to any material public interest concerns in view of the style of the CML titles and their fortnightly publication.

Other areas of overlap

5.135. Trinity Mirror identified several other areas where its titles overlapped to some extent with Newscom titles, but it did not consider them to be material in the context of the proposed transfer.

5.136. Trinity Mirror's *Sunday Mercury*, produced out of Birmingham, was a regional Sunday paid-for title with a typically wide circulation. It overlapped with Newscom weekly titles in Gloucestershire. Newscom's main competitors in this area were Northcliffe/DGMT and Newsquest, both of whom published daily and weekly titles in the area. In addition, *The Birmingham Post*, Trinity Mirror's regional morning title published from Birmingham, was also present in two of the Gloucestershire postcode districts.

5.137. In two rural areas to the south of Reading, RG7 and 27, titles published by Trinity Mirror overlapped with Newscom titles. *The Reading Chronicle*, a weekly paid-for title published by Trinity Mirror, sold 1,387 copies in these areas out of a total circulation of 30,061. Its *Reading Midweek Chronicle*, a weekly free title, distributed 6,024 copies out of a total distribution of 100,900. Competition was provided by Guardian Media Group and Newbury Weekly News.

5.138. In the rural area between Banbury and Milton Keynes, the *Banbury Cake*, a free title published by Newscom, overlapped with the *Brackley and Towcester Post*, a free title published by Trinity Mirror. Both these titles had less than 45 per cent of their distribution in the postcode districts concerned and Johnston provided the main competition.

Accurate presentation of news and free expression of opinion

5.139. Trinity Mirror said that it was committed to the accurate presentation of news and free expression of opinion. It supported diversity of the press, including the variety of opinions published and the range of newspapers available, all of which contributed to readers' choice. It believed that its editorial record spoke for itself; this had been considered by the Commission on several previous occasions and its commitment to editorial independence had not been in question.

5.140. The editorial policies of Trinity and Mirror Group prior to the merger of the two companies are set out in Appendix 5.3. These were essentially the same and were continued in Trinity Mirror's current policy. In practice, this meant that the editorial stance and content of each individual title resulted from a continuing dialogue between the editor and local management. Editorial policy was not imposed centrally because, in Trinity Mirror's view, a regional or local newspaper whose editorial style and content was relevant to the area that it served would deliver the best return to shareholders. Local management was best placed to make these value judgments.

5.141. The policy of editorial independence had led to a diversity of editorial line among Trinity Mirror titles: in Liverpool, for example, the *Daily Post* broadly supported the views of the Conservative Party, whilst the *Liverpool Echo* was broadly Labour oriented, which that newspaper perceived as being potentially in the better interests of Merseyside. The *Belfast Telegraph* and the *Sunday Business Post* (published in Dublin) had taken a different line on the Good Friday agreement, and Trinity Mirror titles in Wales had put forward different views about the future of Ron Davies MP. Trinity Mirror's policy would therefore ensure that titles acquired in an area contiguous to any of its existing titles would remain free to follow a potentially different editorial line. It did not expect that the transfer would bring any change to Newscom's editorial policy.

5.142. Trinity Mirror maintained, therefore, that the proposed transfer did not give rise to any issue about accurate presentation of news and free expression of opinion.

Effects on employment

5.143. Trinity Mirror said that it had not had access to any internal information from Newscom. Consequently, it could give only preliminary views on the impact of the proposed transfer on employment. It had a reputation of taking a non-confrontational approach to the assets it had acquired. It did not believe that the long-term health of regional newspaper assets was best served by a heavy-handed

approach following acquisition. Instead, it preferred to work with the existing management to encourage best practice through interaction with the wider management team. The vast majority of managers who had transferred to Trinity Mirror as a result of an acquisition continued to work for the group, or had retired or left of their own volition.

5.144. The closure of any of Newscom's titles was not part of Trinity Mirror's current thinking but, as always, it would need to keep its portfolio of titles under constant review. In the context of hypothetical conditions that might be attached to the transfer in the event of an adverse finding, we asked for Trinity Mirror's views on an undertaking not to close any Newscom title or competing Trinity Mirror title within a specified period. Trinity Mirror did not believe that there was any need for consent to the transfer to be made conditional. Responding purely hypothetically, it said that any such undertaking and the time frame over which it operated needed to be balanced against the commercial position of a particular title and its importance to the community it served. It was difficult to see why anyone should seek to close the main daily titles unless there was a fundamental change in the economics of the regional newspaper industry. Accordingly, a five-year time frame for any such undertaking might not be unreasonable. For the weekly titles, especially the free newspapers, it would be much more difficult to give a commitment to any particular time frame without the risk of incurring significant losses.

5.145. Trinity Mirror did not expect the transfer to result in widespread redundancies. There would be a number within the head office functions, but it was not in a position to quantify. There might also be a small number within the combined Cardiff and Newport operations and within Newscom's national sales operation. At present Trinity Mirror lacked a detailed understanding of the businesses concerned and so could not be more specific. On the basis of the limited information it had, it was not contemplating redundancies among journalists.

5.146. Trinity Mirror did not believe that the proposed transfer should cause any concerns about the future of printing within the Newport/Cardiff area. [*Details omitted.*
See note on page iv.]

5.147. Trinity Mirror said that it was important to print evening titles close to their markets. It believed that there might be an opportunity to develop a new printing facility to serve both Cardiff and Newport, as the capacity of its Cardiff press was constrained and the building housing it was unsuitable. Newscom's Newport press also required investment. Investment in a new facility in the Newport/Cardiff area would secure printing capacity and jobs in South Wales. It might be sensible to build one new press hall with a minimum of two press lines to service both Cardiff and Newport, in effect maintaining the existing number of press lines. In the longer term, the acquisition of Newscom might provide attractive print facilities for Trinity Mirror's national titles, but this would not be considered until Newscom's current contract with DMGT ended.

5.148. Industrial relations within Trinity Mirror were dealt with in a decentralized manner, with each business unit determining its own policy to meet local circumstances. Some businesses had significant union membership among staff, accompanied by formal procedures covering recognition and collective bargaining. Others had no such procedures. The main trade unions represented within Trinity Mirror were the NUJ, the GPMU and the Amalgamated Engineering and Electrical Union. Trinity Mirror confirmed that it would comply with the trade union recognition provisions of the ERA and would approach their introduction in a spirit of seeking to make the legislation work at local level in the interests of all concerned.

5.149. Trinity Mirror told us that it invested heavily in the training and development of journalists. It provided a 16-week foundation course at its own training centre in Newcastle. It had also developed an editorial training department in Cardiff, with an editorial training manager, to deliver training to the 250 journalists working for the South Wales titles and to manage the development of the 20 or so trainees employed at any one time. In addition, Trinity Mirror offered a portfolio of courses (currently 25 in number) designed to meet the most common training needs that existed in newsrooms.