

# 6 Views of the main parties

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## **Introduction**

6.1. In this chapter we summarize the evidence put to us by SMG and Gannett in various submissions and hearings.

## **Views of SMG**

### ***Background to the proposed transfer***

6.2. SMG described its decision to sell its publishing businesses as part of its long-term strategy to focus development on a cross-media approach, taking national positions in faster growing media sectors. SMG expected the forthcoming Communications Act to open up opportunities for the creation of substantial cross-media groups. However, it said, the new legislation was also likely to tighten media ownership regulation at a local level with an expected emphasis on radio and newspapers. It was therefore important to SMG that it had sufficient flexibility—both fiscal and regulatory—to capitalize on the opportunities anticipated from the new Communications Act. By selling the publishing businesses, SMG intended both to focus the Group on its media businesses operating in national advertising markets, and strengthen its balance sheet through the reduction of debt.

6.3. Also, while SMG had developed the publications significantly during its ownership, the increasing consolidation of the newspaper and magazines sector had led SMG to believe that the ongoing success of the titles was now likely to be best served as part of a larger publishing network. In selecting a preferred bidder, SMG said that it recognized the importance of the titles to the newspaper market in post-devolution Scotland, and was therefore concerned that the titles should be sold to a purchaser with a genuine commitment to the principle of editorial freedom and to the unique identity and role of the SMG titles in Scotland.

### ***Effects on competition***

6.4. SMG said that it did not believe the proposed transaction would have an adverse impact on competition for readers or advertisers in Scotland or elsewhere. The transfer would merely substitute one newspaper proprietor for another and would not affect the structure of the relevant markets. There would be no adverse impact on competition because:

- (a) Gannett did not publish any newspapers in Scotland or to any material extent in neighbouring areas, so therefore there was no geographic overlap between its existing newspaper titles and the SMG titles;
- (b) from the perspective of advertisers, the SMG titles and the Gannett titles are therefore either not substitutable or complementary (where the advertiser seeks coverage in more than one region). Gannett had indicated to SMG that it did not intend to change the arrangements for the sale of advertising in the SMG titles in a way that would lessen competition. SMG believed that, if anything, the potential for the introduction of innovation based on Gannett's experience elsewhere would increase competition;
- (c) there would be no impact on the content of the SMG titles;
- (d) there would be no adverse change to the area of circulation/distribution of the titles. Gannett had confirmed to SMG that, in line with its policy of constantly seeking to increase the circulation of its newspapers, it had no intention of reducing the circulation areas of the SMG titles; and
- (e) although Gannett would increase its overall share of the market for local and regional titles across the UK by a small increment (13.7 per cent to 15.4 per cent) SMG said that this level of concentration did not imply any loss of competition in Scotland; nor did it imply any loss of diversity, increased barriers to entry or loss of innovation either in Scotland or elsewhere.

6.5. We asked SMG about the level of competition that the SMG titles currently faced. SMG told us that the market in which the SMG titles operated was very competitive. There was a large number of

daily and Sunday paid-for titles and a daily free title, the *Metro*, available to readers and advertisers. Competition for advertisers was fierce, with intense price competition. There had also been considerable investment by national titles in developing Scottish editions. In some cases, such as the News International titles, these were sold at a lower price than other editions of these national titles elsewhere in the UK. SMG said that there had been some new entry to the market and barriers to entry were comparatively low.

6.6. Within this environment, therefore, SMG argued that its titles were in no sense indispensable to advertisers; advertisers could ‘buy around’ among a wide range of publications. Advertisers wishing to reach readers of newspapers in Scotland would, therefore, face no reduction in the number of titles, newspaper publishers or the quality or diversity of titles in which they could advertise as a result of the transfer.

6.7. With regard to concentration SMG told us that the largest publishers of newspapers (including local/regional newspapers) in Scotland were News International (average circulation by day of publication in Scotland: 821,000), Trinity Mirror (average circulation by day of publication in Scotland: 704,000), Associated/Northcliffe (average circulation by day of publication in Scotland: 510,000) and D C Thomson (average circulation by day of publication in Scotland: 512,000)—all of which would have a considerably larger presence than Gannett in Scotland following the completion of the transfer. Therefore, the issue of concentration of ownership was less significant in this case than perhaps in other previous Commission inquiries.

### ***Editorial freedom***

6.8. SMG said that during its stewardship, the group had established itself as a responsible newspaper proprietor with a track record of respecting editorial independence and balancing the demands of profitability and the accurate reporting of news and free expression of opinion. All three titles had prospered despite difficult conditions in the advertising market: in particular, *The Herald* and the *Evening Times* had maintained market share and SMG had successfully launched the *Sunday Herald*.

6.9. SMG told us that it recognized that the commercial success or failure of a regional or local newspaper depended, to a large extent, on its ability to reflect the views of the community it served. A successful regional newspaper needed to deliver a product that the customers wanted, which fitted in with their expectations, was properly resourced, and was staffed by journalists who shared its views and vision. Within this framework the editorial staff needed to have sufficient freedom to decide on the issues of the day, to set the agenda, to accurately present the news and give free expression of opinion, and to do so without radically altering the position or direction of the newspaper.

6.10. SMG put it to us that *The Herald* and the *Sunday Herald* in particular, functioned not only as ‘traditional’ regional titles, but also as ‘Scottish national’ titles. It was important therefore for the continued commercial success of these titles that their unique role as an independent forum for debate on Scottish issues in the political and constitutional framework of post-devolution Scotland was maintained and respected.

6.11. SMG told us that its interest in owning newspapers had always been purely commercial. Editorial independence was set in the context of viability. SMG did not believe that it had been overly proscriptive in defining editorial independence; what was important was the nature and character of the owners. SMG had no political or issue-driven agenda, only a commercial one, although its individual titles do take positions and run campaigns on specific issues (see paragraph 6.17). It said that it avoided setting its editorial policy in stone, however, as it believed that this brought with it some inherent risks that might even result in the very freedom it sought to preserve being threatened.

6.12. We asked SMG to describe its policies on editorial freedom in relation to the three titles. SMG said that all three SMG titles were paid-for publications and the editorial policy was one of editorial independence. Editorial policy, content and positioning on news issues on a day-to-day basis for each of the newspapers was a matter for the individual editor. No form of pre-approval from SMG management was required to determine the position of any individual newspaper on any particular topic or issue of the moment, but all editorial and commercial decisions in connection with the titles should be consistent with the annual brand plan for each title, which is prepared by the management of the Publishing division in conjunction with the editor of each title. Where a more substantial long-term change of policy was

being considered by the editor, for example a change in the position of *The Herald* on the question of devolution or independence, the political and commercial significance of the decision would result in it being discussed in advance with the senior management of SMG. Depending on the potential significance of any particular issue, the final decision would be taken either at divisional level or at Group level before the full board. In any event, the decision would only be taken after considering all the relevant information, the views and recommendations of the editorial staff and their line management and, where appropriate, the results of market research as to the likely reaction of readers or advertisers. SMG noted, however, that while that process was firmly enshrined in SMG's policy, during SMG's ownership there had never been occasion for any decision to be taken in that way.

6.13. SMG told us that a formal grievance policy and performance review system was also in operation, further protecting editorial independence. This policy provided for grievances to be brought where any individual was of the opinion that he or she was being improperly pressurized by his or her superior. This procedure would apply in the case of an editor being put under pressure by his or her superior. If such an event were to occur, the editor in question would be able to bring his or her grievance to the Chief Executive of SMG. If no satisfactory outcome were achieved, the editor would have further recourse to an appeals process to a subcommittee of the board, consisting of non-executive Directors. SMG told us that access to these grievance procedures was a condition of employment for all staff, but that there had never been occasion to use these procedures in respect of any editor.

6.14. SMG also told us that no contractual terms were imposed on staff, nor was any written guidance supplied to staff of any of the SMG titles, concerning editorial policy.

6.15. In the context of editorial independence, SMG described the editorial stances of *The Herald*, the *Sunday Herald* and the *Evening Times* as broadly pro-Scottish and pro-devolution. The *Evening Times* could also be described as 'pro-Glasgow/West of Scotland'.

6.16. All three titles were politically neutral in that they did not align themselves to any political party. Each title analysed and commented on the policies of political parties based on the merit of the individual policies, regardless of the identity of the party espousing them. The *Sunday Herald* could loosely be described as having a 'liberal' editorial stance.

6.17. SMG said that the *Evening Times* had, to a large extent, been shaped by its campaigning journalism. For example, a campaign by the *Evening Times* on 'rogue landlords' had played a major part in bringing about a change in the law relating to multiple occupation of residential properties. More recent campaigns had addressed major health and transport issues in Strathclyde and the West of Scotland.

6.18. Editorial freedom was not compromised even where it conflicted with the commercial interests of SMG. SMG told us that the role of the *Evening Times* as consumer champion had at times brought it into conflict with some of the newspaper's major advertisers. [

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

While some advertising was likely to be lost as a result, and despite the objections of the advertising department, SMG had respected the editorial independence of the newspaper and had not attempted to influence publication. Similarly, in regard to SMG's coverage of the present transaction, speculation that SMG might have been considering a bid from a group linked to the owners of Scotsman Publications had been responded to with a campaign by the *Sunday Herald*, opining against such a sale. The issue of plurality of the press and free expression of opinions in Scotland was also debated in the context of the sale process. SMG had not attempted to influence or constrain that reporting or debate in the SMG titles.

6.19. In considering the bids of prospective purchasers, SMG said it had been mindful of the requirement that any proposed transaction should not impede the accurate presentation of news and free expression of opinion in Strathclyde or Scotland. Compared with some of the prospective buyers of these newspapers, SMG said it felt that Gannett was perhaps closest to itself. SMG believed that Gannett shared its philosophy, with no political agenda but a strong commercial focus. SMG saw Gannett as being as benign a newspaper proprietor as SMG had been, within an agreed commercial framework.

6.20. SMG said that it believed Gannett would maintain and give the same high priority to editorial independence at the SMG titles, and thereby ensure the same degree of emphasis on Scottish issues. In reaching its decision to proceed with the proposed sale to Gannett, SMG said that it had taken comfort from the findings of previous Commission newspaper market and transfer reports in which the

Commission had acknowledged Gannett's commitment to the principle of editorial independence and local autonomy for individual editors. SMG believed Gannett would be a purchaser that would respect and build on the tradition of the SMG titles.

6.21. SMG told us that Gannett intended to continue to maintain its policy of editorial independence in relation to the SMG titles, it was very conscious of the particular need to maintain the quality and level of Scottish coverage in these titles, and had further reassured SMG that this approach was consistent with Gannett's commercial interest. In particular, Gannett remained committed to representing the views of the local communities, through conferring autonomy on the local editors. SMG told us that it had no reason to doubt Gannett's statements. SMG believed Gannett's intentions, and Gannett's track record of responsible newspaper proprietorship and commitment to editorial independence meant that the transfer would not result in any diminution of editorial independence or adverse impact on the accurate presentation of news and free expression of opinion.

6.22. We invited SMG to comment on whether it believed any structural mechanism, such as an editorial board, might be effective in safeguarding editorial independence. SMG told us that the effectiveness or otherwise of any proposed remedy would have to be considered in the context of a particular perceived threat to editorial independence; it would be difficult to comment on any proposed remedy in the abstract. However, it was SMG's view that if a newspaper proprietor was determined to pursue a particular focus, and jeopardize editorial freedom by so doing, then there would be little in the way of voluntary mechanism that would be effective in preventing this; however, it would most certainly risk its commercial interests by doing so. On the issue of editorial boards, SMG said it doubted the validity of imposing an external non-executive editorial board or equivalent. In the event of a breach of editorial freedom, editors or journalists were more likely to telephone party leaders in Scotland who would have much greater influence than any non-executives appointed to a board, or the story would leak out some other way, and as soon as the newspapers' readers knew that management was prepared to tamper with the integrity of the titles, they would lose readership. SMG explained that the editorial advisory board for the *Sunday Herald* had been set up when the title was first established, and the board was created by invitation of the title's editor. The role played by the board's representatives was more akin to ambassadors, or 'Friends of the *Sunday Herald*'; people who were in influential positions that would put forward the case for the title in its establishment period, rather than executives who were likely to take a different line than the editor. The management of SMG had had no involvement with the board's membership, and no such similar organization had been established for the other two titles.

### ***Financial and efficiency issues***

6.23. SMG said that while current trends in the newspaper publishing sector were negative and the level of competition facing all three SMG titles would continue to be high, the commercial prospects of the SMG titles remained good given the increased efficiency and appropriate cost management which SMG had already achieved, together with continued development of the SMG titles as a Scottish alternative serving the needs of its local communities. This focus enabled the SMG titles to charge a premium price to readers (measured in terms of price per column inch) and should therefore ensure that all three titles had a promising and robust future.

6.24. We asked SMG what changes it expected Gannett would be likely to make in terms of efficiencies. SMG said that it could only speculate as these were decisions for Gannett to make, however it reiterated that Gannett was unlikely to make too many significant changes because of the commercial awareness that dramatic changes would significantly impact on circulation and revenue. SMG did not anticipate that there would be significant changes to editorial numbers or the amount of bought material; *The Herald* was already buying significant amounts of material for its world and international sections and so Gannett's ownership was unlikely to change this.

6.25. SMG said that there may be experiences that Gannett might have in terms of efficiencies in the production process, pre- and post-press, that they would have from their greater exposure to more varied markets, so that they would have a greater set of benchmarks to look to. As a larger network, they were likely to be able to cherry-pick ideas from one region and rapidly assimilate and disseminate this across the entire group. They would certainly have a greater range of information and expertise in certain areas that SMG did not have access to that might help them, particularly for commercial and promotional activity, from a production point, and perhaps editorial as well. SMG also agreed that Gannett would be able to focus 100 per cent on the newspapers, without distraction from other interests in television, radio,

or other media. Gannett would also be able to benefit from its greater purchasing power and perhaps systems in other areas.

## **Views of Gannett**

### ***Background to the proposed transfer***

6.26. Gannett explained its business strategy as being twofold. First, it intended to pursue organic revenue and profit growth by seeking constantly to improve the range and appeal of its titles to its readership (including by launching new titles and non-newspaper products where appropriate), thus increasing advertising sales, and by managing costs. Second, Gannett intended, subject to securing any necessary regulatory approvals, to make commercial acquisitions of newspapers and/or niche products in its existing markets or in contiguous areas to enable it to maximize cross-selling opportunities, where it might be expected to increase its efficiency by spreading fixed and circulation/distribution costs.

6.27. Gannett said that it believed the proposed acquisition of the three SMG titles would complement its existing portfolio. The transaction would provide Gannett with the opportunity to expand its growth into new geographical areas, whilst allowing it to take advantage of resulting operational efficiencies. Gannett said that it was a long-term participant in the UK regional/local newspaper sector and viewed its proposals to purchase SMG's newspapers as evidence of its continued commitment in this respect, as well as being consistent with its business strategy. The SMG acquisition would allow Gannett to enter the newspaper market in Scotland, thus expanding the regional scope of its titles. Gannett felt that there would be scope for efficiency savings as well as economies of scale through the use of its purchasing power, the combination of national agency sales operations [*Details omitted. See note on page iv.*].

6.28. Gannett said that it was one of a small number of major UK regional/local newspaper proprietors whose proposed acquisitions had been subject to Commission inquiry and report on many occasions. On each occasion, Gannett had emphasized its commitment to the long-term future of the regional and local press in the UK. Gannett said that this commitment had been reflected through its investment in presses, pre-press technology, staff development and online activities. Another demonstration of this commitment is to be found in the fact that Gannett is one of the very few UK newspaper publishers to launch paid-for newspapers in recent times. A number of these launches were in competition with other major regional/local newspaper publishers. Gannett also pointed out that it had a long-standing commitment to the publication of high-quality free titles. These examples, Gannett said, were indicative of the company's commitment to develop its publishing activities organically.

6.29. Gannett recognized that the SMG titles were somewhat different to the other titles within its portfolio. The very fact that the titles were in Scotland differentiated them because there was a different political structure in place as well as different cultural issues. They also straddled the regional and national proposition in their markets and perhaps held aspirations to increase their national presence, a growth opportunity that Gannett would welcome.

### ***Effects on competition***

6.30. Gannett believed that the transfer would not adversely impact on either readers or advertisers of the SMG titles for the following reasons:

(a) Gannett's national market share (in terms of circulation/distribution) for regional/local newspapers would increase from 13.7 to 15.4 per cent. Gannett would remain the third largest UK regional/local newspaper publisher, behind Trinity Mirror with 23.7 per cent and DMGT with 22.2 per cent. (This assessment excludes competition from products that did not fall within this definition.) This accretion in market share to Gannett should be of no concern to the CC either in absolute terms or otherwise, and in any event involved adding together the shares of different newspaper titles serving different markets; and

(b) the titles of Gannett and SMG do not overlap.

6.31. Gannett said that it had a long track record as a publisher of high-quality regional/local newspapers in the UK. Gannett emphasized that it believed newspapers had a valuable role to play in society. Gannett's approach had been subject to the scrutiny of the Commission on four occasions since 1996, and on each of these the Commission had concluded that its approach did not raise any public interest concerns. Apart from these, a further nine transactions had been investigated and cleared by the Secretary of State without reference to the Commission. Gannett cited the Commission's comments in the recent RIM report in which the Commission had said that it had no doubts about Gannett's commitment to 'editorial freedom or accurate reporting'. Gannett informed the CC that there had been no change to its standards since then which could lead to a change in this position.

6.32. Gannett said that it was acutely aware of the need to sustain present levels of coverage of Scottish affairs in the titles to be acquired. Gannett stated that its editorial policy and commercial interests represented the best possible guarantee that there would be no diminution of reporting of Scottish affairs in the titles concerned. Further, Gannett believed that, in the political and economic climate post-devolution, it was crucial that the newspapers continued to provide a forum for the discussion of Scottish issues, and that, in the light of the strength of opinion in this regard generally and which had been voiced in the lead up to the sale, it would be detrimental to its business to ignore this. In choosing Gannett as the preferred bidder, Gannett said SMG had acknowledged that it was the appropriate company to continue the progress SMG had made in this area.

6.33. Gannett told us that the merger would have no impact on the effectiveness of competition for readers. Readers would have the same wide range of newspaper choices as prior to the acquisition, as there would be no reduction in the number of titles, nor any increase in concentration of ownership. Further, Gannett did not consider that there would be any future adverse changes in product quality under its ownership.

6.34. Gannett said it was content that the current cover charges were appropriate at the present time.

[

*Details omitted. See note on page iv.*

]

6.35. The proposed acquisition would not result in any diminution of the number of titles being published in Scotland. Gannett therefore believed that the fact that the titles concerned would be operated by Gannett rather than SMG post acquisition would have no adverse effect on competition for advertisers between newspapers.

6.36. Whilst the impact of the transfer would result in an increase in the share of Scottish newspapers being owned by the largest regional/local newspaper publishers, Gannett did not believe that there was any cogent evidence to suggest that the transfer would result in reduced levels of competition either in Scotland or across the UK. For a number of years, Gannett had operated titles which competed against those owned by other publishers, including Trinity Mirror, DMGT and Johnston. No change was to be expected in the levels of competition experienced in any market as a result of the acquisition. Indeed, if the Scottish market was evaluated separately, Gannett said that it should be noted that in addition to the leading UK publishers, there was a number of significant Scottish publishers, including D C Thomson (the *Courier*), Scotsman Publications (*The Scotsman*) and the Dunfermline Press/Clyde and Forth Press Group (the *Greenock Telegraph*). Gannett said that it would continue to compete vigorously in those areas currently served by its titles.

6.37. Gannett expressed its view that the market for local information, whether for news or commercial opportunity was not defined by product. Those products, it said, existed to serve a market. Using a narrow definition would not be appropriate as newspapers provided a wide-ranging composite package of local information which competed with other media in different ways. Gannett said that it would therefore be misleading to focus solely on regional/local newspapers in the light of the proliferation of competing media available to both readers and advertisers. Regional/local newspapers faced competition from a wider range of media, including other printed media, local radio, television, the Internet and other sources of advertising. Additionally, Gannett anticipated that, post acquisition, it would face further specific competition from Scottish-based television. Gannett considered that new and developing media posed a particular threat, especially to advertising revenue.

6.38. Gannett also explained that it did not believe there would be any increase in entry barriers in the local geographic markets as a result of the proposed transfer.

## ***Editorial Freedom***

6.39. Gannett said that news coverage and editorial opinion were the fundamental building blocks of its titles which made them attractive to readers and, as a result, advertisers. The accuracy and fairness of news content was the basis of each newspaper's credibility. For both paid-for and free titles, Gannett said it was acutely aware of the fact that any attempt by a publisher to impose a uniform style and approach would risk the loss of readership and reduced advertising revenues. It was not, therefore, in Gannett's commercial interests to have an editorial policy of interference with the autonomy of local editors. Gannett said that it was committed to maintaining the autonomy of local editors, as outlined to the Commission in previous investigations.

6.40. Gannett said that it did not issue any formal editorial guidance, either in the UK or the USA. Its editorial policy was simply 'to produce newspapers that reflect the views of their communities and be their 'voices''. Gannett believed that its newspapers must be the authoritative source of news that readers could trust. It was also their role to help their communities to meet change.

6.41. Gannett's philosophy was that its businesses were primarily local businesses. They operated in local markets, had local interests and had local economic pressures as well as the macro-economic climate. Gannett said that it therefore had a policy of localism: planning and budgeting started with local management teams before being subject to dialogue with Gannett centrally, Gannett then had a similar dialogue with Gannett Co Inc—there was no imposition of central profit or performance targets uniformly across the group, budgetary decisions were a two-way process. It was also local management's responsibility to get the balance between editorial and advertising space right. The local businesses had a degree of autonomy: Gannett did not micro-manage its different operations.

6.42. Gannett said that it was conscious of the particular need to ensure accurate representation of Scottish issues and to preserve the expression of a diversity of opinions on these and other issues. Gannett said that it believed that its role as the purchaser of SMG's titles incorporated a requirement to ensure that those titles continued to represent local views, and in particular to provide a forum for the debate of issues that are close to the heart of their readers. Gannett believed that, in the post-devolution climate, it was crucial that Scottish issues continued to be aired and debated. Gannett was aware, not least from the press debate leading up to SMG's choice of Gannett as its preferred bidder, of the strength of readership and political feeling on this issue. Quite apart from this, it would be entirely detrimental to the business prospects of these titles in Scotland for this to be ignored. Gannett therefore had no intention of reducing the level of Scottish coverage.

6.43. The *Evening Times* was described as a 'consumer champion', characterized by its campaigning journalism, even in the face of opposition from advertisers. This was entirely consistent with Gannett's approach. Gannett's 'Mission Statement' as stated on its web site is: 'Our newspapers must be the authoritative source of information that readers can trust; being willing to listen but not afraid to question'. Gannett told us that it took its public service obligation seriously. 'Editors who took up issues with the authorities, local councils, hospitals, etc were supported even to the point where advertising was lost.' Gannett provided a number of examples of campaigning journalism, including an article covered by the *Darlington & Stockton Times* relating to Chesterfield, an Edwardian House in Darlington, which was knocked down to make way for a new development of flats. This was controversial and provoked strong feeling in the local area. The *Darlington & Stockton Times* still ran the story, however, despite the fact that a sponsor of and advertiser in both the *Northern Echo* and the *Darlington & Stockton Times* was behind the scheme. Gannett stated: 'In the ethics of the newspaper business there was a wall between the business and editorial sides that both sides respected.'

6.44. We questioned Gannett about two claims which had been brought against Gannett Co Inc in the USA involving allegations concerning journalistic and editorial freedom. Gannett informed us that the first claim had been settled with an agreed severance payment. The result of the second claim was still pending. Gannett Co Inc informed us that it did not regard either of these cases as concerning interference by central management in editorial issues and detailed the context of these cases to us. Gannett Co Inc emphasized its commitment to the principle of editorial freedom.

6.45. Gannett said that it was the policy of Gannett Co Inc to give complete editorial freedom without interference from the US management. Gannett noted that the CC had acknowledged this itself in paragraph 2.48 of the RIM report. Gannett, therefore, said that it did not envisage any impact on the Scottish titles involved in the transaction arising from the ownership by its parent company of titles in the

USA, nor did it believe that the proposed transfer would lead to any loss of independence of the local editors or remoteness from local communities.

6.46. Gannett said that it was [*Details omitted. See note on page iv.*]. It said that it was acutely aware of the importance of editorial independence and of the fact that this was reflected in SMG's own editorial policy; it would not therefore wish to interfere with the fundamental basis on which the titles were currently operated.

6.47. SMG recognized the consistency between its approach and that of Gannett. Gannett indicated that its current policy of editorial independence would therefore apply to the SMG titles. In particular Gannett informed the CC that:

- (a) It is the policy of Gannett to produce newspapers that reflect the views of local communities and effectively act as their voices. Its newspapers must be an authoritative source of news that its readers can trust.
- (b) It confers autonomy on its local editors and does not issue any formal editorial guidance. Gannett believed that editorial rights and freedoms were firmly enshrined within its *modus operandi*.
- (c) It recognizes that it would not be in its commercial interests to interfere with the autonomy of its local editors and that any attempt to impose a uniform approach would result in a loss of readers and advertisers.
- (d) The current editorial approach of the SMG titles was consistent with that of Gannett's titles.
- (e) As all of the SMG titles were based in Scotland, Gannett intended to maintain the quality and level of coverage of Scottish issues and opinions.

6.48. We asked Gannett specifically for details of any changes that it envisaged making to the way in which the titles currently operated including editorial, coverage, political stance, target readership, and printing and distribution. It was committed to maintaining the autonomy of local editors, as outlined in previous investigations. It did not issue any formal editorial guidance either in the UK or the USA. It looked to the people in the business and their sense of ownership of the content of the papers as a main safeguard. Gannett explained that its management was entirely neutral as to the political stance of its titles, subject to the requirement that they provided balanced and accurate coverage of local views. On the issue of SMG's *Sunday Herald* editorial advisory board, Gannett said that while it currently found it difficult to understand its value in practice, it would enthusiastically embrace any operations at SMG titles if they worked well.

### ***Financial and efficiency issues***

6.49. We asked Gannett to explain the basis of the size of the bid that it had made for the titles. Gannett said that it had long been aware of the titles; they were very well known, very prestigious, and had been on Gannett's 'target list' for a long time. The acquisition of these titles would take Gannett into new geographic territory, and it believed that they had very good prospects for growth. In determining the size of its bid, Gannett had looked at what the business had done historically, its current trading performance, the franchises it had, the newspaper sales, performance over time, and the opportunities that Gannett saw in these markets.

6.50. Gannett said it believed that it could generate operating efficiencies principally through the use of its purchasing power, the combination of national sales operations and [*Details omitted. See note on page iv.*]. Once it had familiarized itself with market conditions, Gannett said that it would look for any opportunity for additional market entry, whether by a newspaper or niche products.

6.51. Gannett considered that the role of its titles was to report accurately on what was happening in the local communities served by those titles, and reflect the views and concerns of people within those communities. By definition, this included readers and advertisers. Gannett said that it therefore aimed to produce newspapers that were attractive to both readers and advertisers and that pricing was set in a local market context to attract both readers and advertisers. Investment in technology and product quality was

a continuous process and there was no direct linkage to cost savings, save that efficient operations facilitate the generation of earnings from which to fund such investments.

6.52. Gannett currently had ten newspaper printing sites: three based in the South of England, in Brighton, Southampton and Weymouth; four based slightly further north, at Colchester, Oxford, Worcester and Newport in south Wales; and the remaining three located in the North of England, at Bolton, Bradford and York. Post acquisition, Gannett said that it would evaluate press capacity and utilize any available capacity as efficiently as possible, though it added that [

*Details omitted. See note on page iv.*

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