

# 7 Views of third parties

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## **Introduction**

7.1. In this chapter we summarize the evidence put to us by third parties in written and oral submissions.

## **Newspaper publishers**

### ***Archant Limited***

7.2. Archant Limited said that there appeared to be no significant overlaps between the circulation areas of SMG and Gannett which suggested that there were no obvious competition concerns.

### ***Daily Mail and General Trust plc***

7.3. DMGT said that it considered the merger would have no adverse effects on the public interest.

### ***Dunfermline Press Group***

7.4. The Dunfermline Press Group (Dunfermline Press) said that it had an excellent working relationship with Newsquest through its Berkshire and Buckinghamshire operation and that it had no objection per se to the sale of the Scottish titles. Dunfermline Press, nonetheless, wished to raise a matter which it considered to be of significant public interest.

7.5. The local and regional newspaper industry had been consolidating around a number of key players all of whom were committed to providing high-quality news resources in the communities they served. This had been a key factor in ensuring that there was a vibrant local press throughout the land.

7.6. However, in recent years Dunfermline Press had to endure the increasing practice of large national newspaper groups using their titles to attract the Dunfermline Press's core advertisers with hugely discounted rates. Dunfermline Press's newspapers already had to compete with a host of local publications and radio and television but could not complain where opponents were making some commitment to the areas in which they were operating.

7.7. However, a trend was developing where national owners, whether from the UK or abroad used rates alone to attract those customers traditionally considered to be local. This could only put further pressure on companies which had invested heavily in providing top-class editorial services for their communities. If such companies had to reappraise further the resources they were spending to combat competitors who were able to cut rates without making any further editorial commitment, the service to local communities would suffer in the longer term.

7.8. Local newspaper companies were generally renowned for their editorial excellence and that, in theory, should be enough to persuade advertisers that they should be the titles of choice. However, if recognized quality publications, such as *The Herald*, were to make significant rate cuts to attract new advertisers, local newspaper groups might have to consider their own cost savings if they were to remain viable. That could only mean a deterioration in the local services they provided.

7.9. Rate-cutting tactics were not a necessary step for nationals to follow, of course, and in Slough Dunfermline Press was in competition with Newsquest but that did not compromise the quality of its publications there.

7.10. Where nationals used their existing rate cards to win business, it was not possible to complain. But Dunfermline Press remained concerned that the longer-term viability of local newspaper publishing in its present form could not be sustained in the face of aggressive competition based on price alone.

7.11. Dunfermline Press said that it was aware that some terms of the Competition Act should give protection against indiscriminate price-cutting. But the reality of addressing the matter by these means

was different. It appreciated that the CC would not wish to stifle fair competition. However, it should be noted that the esteem in which the local press was currently held came at a cost that might have to be reduced if advertising were canvassed on price alone.

### ***Johnston Press plc***

7.12. Johnston said that it did not believe the proposed transfer would be contrary to the public interest. Gannett had an impeccable record as a publisher of local and regional newspaper titles and Johnston was convinced that a transfer would be good for the newspaper titles involved and for the readers and advertisers.

### ***D C Thomson & Co Ltd***

7.13. D C Thomson said it did not consider that the proposed transfer would operate against the public interest.

### ***Trinity Mirror plc***

7.14. Trinity Mirror said that as Gannett did not publish in the area, it saw no reason to make specific representations regarding the transaction.

### ***The Scotsman Publications Ltd***

7.15. Scotsman Publications said that there was no evidence that Gannett would not allow their editors editorial freedom. It said that in any case it would be unwise, from a commercial viewpoint, for Gannett to change the nature of the SMG titles. It presumed that Gannett was well aware of the role of *The Herald* and the *Sunday Herald* in Scottish cultural and political life. It also considered it to be important that the editors were based in Scotland.

7.16. Scotsman Publications said that it believed there was scope for reducing costs at the SMG newspapers. Scotsman Publications had reduced its editorial budget by 10 per cent over the last two years. It expected Gannett to also reduce costs in this area. There were no recognized editorial ratios. The aim was to have sufficient people to produce the kind of newspaper one wished to create commensurate with the budget available. Scotsman Publications suggested to us that the *Sunday Herald* had received elements of cross-subsidy from both other SMG titles and more importantly from the television side of SMG in the context of the cross-media promotion arrangements that had been set up between the television and newspaper sides of SMG. It considered that these cross-subsidies amounted to an element of unfair competition vis-à-vis *The Scotsman* and *Scotsman on Sunday*.

7.17. Scotsman Publications said that it did not think an editorial board would be acceptable to it. It was more important to choose the type of editors that could tune into the 'Scottish viewpoint'. It was also difficult to stop a determined proprietor who wanted to pursue a particular view with their newspapers. On the other hand, the tradition of Scottish readers meant that particular views could rapidly damage circulation.

7.18. Scotsman Publications said that it was possible to change the nature of a newspaper if one decided to do so over a period of five or ten years but it could not be changed overnight unless one wished to lose readership. Newspapers were now differentiating themselves, not by how they presented the news, but by how they marketed themselves in terms of giveaway CDs or the latest diet plan. How publishers sold newspapers was beginning to relate to how much marketing money was available. The *Daily Mail* and the *Daily Mirror* were good examples of newspapers that rarely allowed a week to pass without launching a game or something similar. *The Sunday Times* gave away CDs which increased sales and which in turn enabled it to put up advertising rates.

7.19. Scotsman Publications said that the large publishers had adopted an attitude of 'live and let live' and did not wish to become involved in regional battles. The arrival of Gannett in Scotland might

lead to the introduction of free newspapers. Competition among newspapers in Scotland was likely to increase and some smaller publishers were likely to become vulnerable. Scotsman Publications said that Scotland was not yet saturated with weekly and free newspapers, and it expected Gannett to exploit its expertise in this area.

## **Associations and trade unions**

### ***Chartered Institute of Journalists***

7.20. The Chartered Institute of Journalists (the Institute) said that it deplored the prospect of too many newspapers falling into too few hands. However, this consideration was overridden by the fact that if a proposed merger were refused or resulted in the loss of journalistic jobs it would be even more calamitous. The Institute, therefore, raised no objections.

### ***Graphical, Paper and Media Union***

7.21. The Graphical, Paper and Media Union (GPMU) said that it had now had the opportunity to discuss both with its local and national officials, who were responsible for the newspaper industry, their concerns about the possible takeover by Gannett of SMG. The GPMU said that, in the circumstances of the newspaper industry at the present time, Gannett would in all probability be the best option from the point of view of the GPMU and its members.

### ***Incorporated Society of British Advertisers***

7.22. The Incorporated Society of British Advertisers (ISBA) said that it had evaluated the transfer from the perspective of Britain's 300 leading advertisers, which it represented. ISBA said that it understood there was no geographical overlap between the circulation areas of the titles currently owned by Gannett and those for whose transfer they were seeking consent. The weekly circulation of titles currently owned by Gannett (whose advertising space sales were handled by Newsquest) was 9,718,290, or 13.9 per cent of the 69,723,503 copies of regional newspapers circulated each week in the UK. The analogous figure for the three SMG titles was 1,225,950, or 1.8 per cent of the total, which would take Gannett's market share after the transfer to 15.7 per cent.

7.23. As Gannett did not have significant interests in other media, nor did the transfer give it an excessively dominant position in the market for regional press advertising space, ISBA had no issues with the transfer as proposed.

### ***Institute of Practitioners in Advertising***

7.24. The Institute of Practitioners in Advertising (IPA) said that it was the trade association and professional institute for UK advertising, media and marketing communications agencies. Its 230 corporate members were primarily concerned with providing strategic advice on marketing communications, including creating and or placing advertising. Based throughout the country, they were responsible for over 80 per cent of the UK's advertising agency business with an estimated value of £7 billion in 2002. The appropriate and cost-effective placement of media was as critical to the success of an advertising campaign as the advertising message itself—and the IPA was thus interested in any changes of media ownership which might affect beneficially or otherwise the quality of the station or publication concerned or their relative strength within the marketplaces in which they operated.

7.25. In formulating its views with regard to any takeover, the IPA were keen to discover whether the proposed acquisition would be likely to result in the new body holding a dominant position in any given market. The IPA assessed the change via three key criteria. The overall market share likely to be controlled by the new group, in this instance expressed in terms of total weekly circulation. The extent to which the proposed acquisition of the titles in question would overlap with existing publications owned by the acquiring company and thereby potentially create a local monopoly of available media in the category, with a consequent danger of abuse. The extent to which, in overall terms, alternatives might exist for advertisers to the portfolio of titles likely to be created as a result of such a move.

7.26. Based on these criteria the IPA said that it had no objection to the acquisition of the indicated SMG titles by Gannett. In overall terms, Gannett's acquisition of *The Herald*, the *Sunday Herald* and the *Evening Times* would result in its share of weekly circulation only rising from 13.9 to 15.7 per cent. None of the proposed new titles overlapped with Newquest's existing portfolio of newspapers. Since *The Herald* and *Sunday Herald* competed with *The Scotsman/Scotland on Sunday* and the English national newspapers rather than against existing Newsquest titles, there was no question of a diminution of competition as a result of the move. Equally, the *Evening Times* had competition in the form of *The Glaswegian* and *Daily Record*, which were both owned by Trinity Mirror.

### ***National Union of Journalists***

7.27. Mr Paul Holleran said that he was the national organizer for Scotland for the National Union of Journalists (NUJ) and had been carrying out the job on a salary basis for seven years. He had been in publishing all his life. The NUJ covered reporters, sub-editors, photographers, designers and most of the editorial management.

7.28. Mr Holleran said that the NUJ had a good working relationship with SMG and most important decisions were discussed with the NUJ. There had as yet been no discussions with the new Gannett management.

7.29. Mr Holleran said that he thought it likely that Gannett would wish to make some staff cuts when it took over SMG although there had already been staff reductions in recent years. He did not believe there was room for staff reductions in the editorial area. Mr Holleran said he considered that Gannett had paid too high a price for SMG.

7.30. Mr Holleran said that there had been concerns expressed in the Scottish Parliament about the quality of the press, the driving down of quality, political coverage and international and business coverage.

7.31. Mr Holleran said that SMG had maintained quality and had been willing to invest. The NUJ considered that a good newspaper proprietor could be recognized by the level of industrial democracy and the working relationships between the NUJ and the management. With the arrival of Gannett, local newspapers in Scotland might become more vulnerable.

7.32. Mr Holleran said that he had worked over the last six months with the Scottish Civic Forum, which was set up through the Scottish Executive with representatives from various organizations and groups. Proposals were being put forward which would need legislation to provide for safeguards and guidelines for proprietors and editors in respect of quality, ethics and interference. A bill was being produced and the current level of derogation to the Scottish Parliament was being examined.

### ***Society of Editors***

7.33. The Society of Editors said that it had no specific points to raise other than that it was always concerned that the independence of editors should be maintained with regard to decisions on the content of the newspapers and the employment of journalists. Gannett was an established and reputable publishing organization in the UK and the Society of Editors had many members who were editors in the group.

### ***The Newspaper Society***

7.34. The Newspaper Society said that the ownership structure of the regional and local newspaper industry had changed radically in the last decade. Ownership consolidation had taken place. This had helped ensure a vigorous, well-resourced and effective regional and local newspaper industry. It was dictated by the growing competition faced by the regional and local press from all media sectors, new and traditional, and by the need for the industry to evolve to meet the changing needs of its readers and advertisers.

7.35. Dedicated and focussed regional press companies helped to ensure that the regional newspaper industry retained its vigour and maintained a central role in the changing communications industries.

Such companies preserved the position of the regional press against a growing number of media competitors at a national and local level—print, broadcast and electronic. These include commercial companies and the state-subsidized BBC. They helped support regional and local newspapers' enormous investments in journalism, which provided an essential dimension to local news and editorial coverage.

7.36. The generic characteristic of regional newspaper companies was that titles circulated in circumscribed geographical areas, providing editorial and commercial services for local communities. Each title operated independently from other titles owned by the company in different geographic areas. High local circulations and household penetrations were essential to the viability of regional and local newspapers. Competition came from a variety of sources—other regional and local newspapers, paid-for and free, daily, weekly and Sunday, national newspapers, magazines, including dedicated advertising periodicals, directories, letterbox services, direct mail, and a proliferation of broadcast and electronic media—national, regional and local radio, television (BBC and commercial), cable and new electronic media, including the Internet. This competition was likely to intensify with digital television and radio services, with related data services and other multimedia applications.

7.37. Development of specialist regional newspaper companies within the industry, which itself remained diverse in comparison with the media sectors against which it competes, ought to be fostered. The Newspaper Society considered that the expansion of dedicated, traditional regional newspaper companies, as had been demonstrated by Newsquest, had operated in favour of the public interest by ensuring the continuation and development of locally based, editorially focussed publications. These companies' traditions of responsibility, expertise and editorial independence were being maintained, to the short-term and long-term benefit of readers, advertisers and their local communities. The proposed acquisitions, which were the subject matter of the current reference, fell within the pattern of development described above. They did not involve issues relating to circulation overlap.

7.38. The CC and the Government were aware that the Newspaper Society had consistently supported proposals for the further deregulation of media ownership controls. Its members campaigned for relaxation of cross-media ownership controls under the Broadcasting Acts 1990 and 1996. They supported the changes to the newspaper transfer provisions of the Fair Trading Act under the Deregulation and Contracting Out Act 1994, which facilitated joint ventures and lessened the burden of automatic MMC reference. In particular, other larger and smaller companies endorsed the increase in circulation thresholds, under the *de minimis* provision, which removed smaller circulation titles' transfers from the necessity of a full CC reference. The Newspaper Society's submissions to the Government consistently argued for further relaxation in the cross-media ownership rules and repeal of the special newspaper merger controls. The Newspaper Society was currently in discussions with the Government on the Communications Bill and how that might be amended to achieve the Government's—and Puttnam Committee's—declared policy objectives of deregulation of regional and local newspaper transfers.

7.39. Regional newspapers faced fierce competition from all media. The industry was less concentrated than other media sectors, which were not subject to the same mandatory controls. These controls impacted upon the regional and local newspaper industry to its competitive disadvantage.

7.40. The Newspaper Society's submissions had been supported by an independent report by NERA. Copies of this report were held by the CC. The CC considered evidence from NERA as set out in its report *Regional Independent Media Limited and Gannett UK Limited/Johnston Press plc/Guardian Media Group plc* November 2000 Cm 4887 in paragraphs 6.77 to 6.84.

7.41. The Newspaper Society had stated before that it saw no special grounds for concern about current consolidation trends. In any event, given the ever increasing sources of information available to any individual, it seemed increasingly unlikely that editorial plurality considerations should require its halt. It believed that general competition provisions and controls should, and do, prevent newspaper companies' commercial activities operating in a way which was contrary to the public interest.

## **Advertising groups**

### ***Clyde Property***

7.42. Clyde Property said that it had no real objection to a takeover of the three SMG titles by Gannett.

## ***Countrywide North Limited***

7.43. Countrywide North Limited said that it did not consider the transfer to be against the public interest.

## **Local authorities**

### ***Aberdeenshire Council***

7.44. Councillor Audrey Findlay (Leader of Aberdeenshire Council) said that she had studied the proposed transfer under which the SMG titles of *The Herald*, the *Sunday Herald* and the *Evening Times* were to be sold to Gannett. Although the three titles did not enjoy a significant readership in the Aberdeenshire Council area—the *Evening Times* had almost no sales in north-east Scotland—it was a matter of some concern that the newspapers, which had a strong Scottish tradition, might have their distinctive ability to represent Scottish issues watered-down by new proprietors who did not have a base north of the border. That said, Aberdeenshire Council did not see grounds, in terms of public interest, other than this concern, for objecting to the sale of the titles to Gannett.

### ***Glasgow City Council***

7.45. Councillor Charles Gordon (Leader of the Council, Knightswood Park Ward 4, Glasgow) said that he considered that the proposed acquisition by Gannett of certain SMG newspapers (*The Herald*, *Sunday Herald* and *Evening Times*) was in the public interest if it ensured the continuation of all three titles with their editorial offices and editorial control in Glasgow.

7.46. *The Herald* and *Evening Times* had a long association with the city and the West of Scotland. Both newspapers had been owned by companies who had been headquartered in the city. It was regrettable that the acquisition would see the ownership move to a company headquartered outwith Glasgow. It would mean that only one morning and evening newspaper in Scotland would be, after this acquisition, both owned and edited in Scotland.

### ***Renfrewshire Chamber of Commerce***

7.47. Renfrewshire Chamber of Commerce said that its members were of the opinion that the Gannett takeover was the best solution. It avoided a monopoly situation, which would have been the position if Barclay brothers had been successful in their bid. If the Barclay brothers, owners of Scotsman Publications, had triumphed there was a real concern that the Glasgow-based newspaper would have been closed to remove competition. This would not be the situation with Gannett as it had no other Scottish titles and so was likely to encourage competition rather than stifle it.

### ***Renfrewshire Council***

7.48. Councillor Jim Harkins (Leader of Renfrewshire Council) said that, whilst recognizing that Gannett had an established reputation as a forward-thinking and well-established media organization, he was concerned that the titles to be transferred were recognized as reflecting an extensive range of Scottish current affairs and content. Councillor Harkins said that he would have no objection to the transfer if this need to reflect Scottish affairs was fundamental to the agreement.

## **Other interest parties**

### ***Ms Karen Gillon MSP***

7.49. Ms Karen Gillon MSP (convenor of the Scottish Parliament's Education Culture and Sports Committee) said that the committee had been concerned for some time about the proposed sale by SMG

of newspapers within its ownership (*The Herald*, *Sunday Herald* and the *Evening Times*). The issue had also been debated by the Parliament in a Members' Business debate. The committee's initial concern had been that the highest bidder appeared to be Scotsman Publications where editorial independence may have been compromised and, also, because such a merger would have compromised the diversity of the Scottish media. The committee had been concerned throughout that any sale should not lead to a monopoly situation and the committee wished to emphasize the value of the diversity and plurality of the Scottish media.

7.50. Ms Gillon said that *The Herald* was a West of Scotland newspaper so it covered Glasgow and *The Scotsman* was an East of Scotland newspaper that covered Edinburgh and the borders. However, in recent years *The Scotsman* had striven to move into the West while *The Herald* had tried for a more pan-Scottish focus with the aim of becoming the Scottish national newspaper. Both newspapers gave a solid coverage of the Scottish Parliament in a way that *The Times* and other English newspapers did not.

7.51. Ms Gillon said that *The Herald* was politically neutral. *The Scotsman* was not politically neutral and had a more anti-Scottish-Parliament viewpoint.

7.52. Potentially there might be scope for a new publisher to introduce new weekly newspapers although Ms Gillon said that her own constituency (Clydesdale) already had four paid-for weekly newspapers. Gannett had an anti-union reputation. Ms Gillon said that Scottish trade unionism within the print media had been positive in its effect.

7.53. Ms Gillon said that editorial independence remained important. She thought that commercial interests, existing competition and Gannett's reputation in this area would be a reasonable safeguard. Ms Gillon said that she did not consider it was essential for Scotland to have the legislative competence to deal with Scottish media matters.

### ***Mr Tim Luckhurst***

7.54. Mr Tim Luckhurst said that he was currently a freelance columnist writing for a broad range of newspapers including *The Independent*, *The Spectator*, *The Guardian* and *The Herald*. He was a former editor of *The Scotsman* and a former adviser to the Labour Party's late Donald Dewar. In September 2000 Solstrale Associates, a company created by himself and Alan Ruddock, had approached SMG and Scotsman Publications with a plan to merge the two newspaper companies.

7.55. Mr Luckhurst said that *The Herald* and *The Scotsman* were routinely referred to by their proprietors and their readers as national newspapers. In fact neither title was truly national. Each sold the majority of its daily sale in its own restricted area of Scotland. *The Herald* and *The Scotsman* were in fact city or regional titles, not nationals in any sense of the term. He said that both the newspapers were in decline and had been so for some years. SMG had generally protected editorial independence whereas the owners of *The Scotsman* allowed less freedom. The *Sunday Herald* had been launched with the intention of defending *The Herald* from *The Scotsman*. The profitability of the *Evening Times* was affected to a degree because *The Herald* also carried advertising on motoring, recruitment and property.

7.56. The Barclay brothers had spent a great deal of money on journalism, over substantial periods, and had invested significantly in editorial staff and the quality of the newspaper. Mr Luckhurst said a criticism might be that they had sought to change the editorial perspective, quality and nature of the title over too short a period of time. The Barclay brothers could continue to subsidize *The Scotsman* because they were wealthy but *The Herald* had changed hands regularly over the years. Mr Luckhurst said that he would not be surprised if it changed hands again in two years' time because no management strategy at *The Herald* had managed to reverse the downward cycle of readership numbers.

7.57. Editorial freedom meant that an editor could decide what went into a newspaper on a daily basis. Proprietors, however, were entitled to set a broad range of principles, for example, *The Scotsman* was pro free market, pro the union of the UK, but sceptical of British membership of the European single currency. However, with *The Scotsman*, Andrew Neil tended to get involved in many individual stories. *The Scotsman* had come to be perceived as a less independent, less tolerant, less Scottish newspaper while *The Herald* by comparison was perceived as having greater authority and greater independence of mind.

7.58. Mr Luckhurst said that one possible remedy with regard to editorial independence was to use editorial boards of the kind used by the *Washington Post*, the *Irish Times* and the Scott Trust of *The Guardian*. In such cases the editor might be able to appeal to the board for protection against undue interference.

7.59. Mr Luckhurst said that the Scottish broadsheet newspapers were in decline with *The Times*, *The Independent*, *The Guardian*, *The Daily Telegraph* and the *Daily Mail* eating into circulation levels. Mr Luckhurst said that a merger of the Glasgow and Edinburgh titles was desirable so that there could be a Scottish broadsheet capable of competing with the English broadsheets. It was also desirable so there could be economies of scale for editorial staff and journalists; a single advertising sales operation and a single printing operation and distribution network. He would have proposed to keep all four titles but with separate metropolitan sections for Edinburgh and Glasgow. Mr Luckhurst thought it likely that, if Gannett acquired the SMG titles, the question of merging the Glasgow and Edinburgh titles would, at some point, resurface.

7.60. Mr Luckhurst said that culturally, intellectually and by educational and political tradition Scotland was distinct. Newspapers in Scotland needed to reflect this and the editorial staff needed to be in Scotland to experience Scottish political debate. Only in this way would newspapers be produced that appealed to Scottish readership. *The Herald* was a different newspaper from anything Gannett currently owned and contained little if any editorial overstaffing, with the *Sunday Herald* being produced as a high-quality product considering the limitation on its editorial budget. The editorial staffing of the Scottish broadsheets was much smaller than for the English broadsheets. *The Herald* had a slightly larger staff and a slightly larger editorial budget than *The Scotsman*.

### ***Miss Mary E Mackenzie***

7.61. Miss Mary E Mackenzie said that as a shareholder of STV, now SMG, she was unhappy with the loss of UK shareholders' control of the newspaper group to a foreign company.

7.62. Generally it would appear that foreign control of newspapers published/printed within the UK was prevalent, so this allowed a potential for interests which were different from the UK, or indeed inimical to the UK, to influence UK public opinion.

7.63. As a long-term reader of *The Herald* (and also *The Scotsman*) Miss Mackenzie said that she saw *The Herald* as a balanced newspaper, probably with a tendency to view internal Scottish affairs from a West of Scotland perspective, but this was countered by *The Scotsman's* tendency to view internal Scottish affairs from an East of Scotland perspective.

7.64. Miss Mackenzie said that in matters of financial coverage she saw *The Herald* as having an edge on *The Scotsman* in breadth and depth (both UK and Scottish matters) but both could expand a bit into other (European/US) markets. Each, however, might consider this to be the remit of, for example, *The Financial Times*.

7.65. The Editorials of *The Herald* were usually fair, balanced and constructive, and covered both Scottish, UK and global matters. If the policy was anti any party, or pro any political party, this was not normally obvious.

7.66. The present range of letters to the Editor was exceptionally good—range of subjects, quality of letters, including arguments used, depth of coverage, and, most unusually, letters which were as the author provided them, ie letters did not appear to be edited. The result was that contributors were from throughout Scotland, and beyond, thus opening a window on uncensored public opinions. This existing freedom from editorial meddling was of immense value in the preservation of freedom of the press. From a Scottish electorate's point of view this particular department should be given prominence in discussions about the future direction and content of *The Herald*, under new and foreign ownership.

7.67. Miss Mackenzie said that she had been a contributor, much of her life, to newspapers which had a space for letters to the Editor. She regarded this as an important service for a democratic policy.

7.68. No newspaper/periodical could stand still, and, inevitably competition would take its toll, therefore the integrity and powers of an appointed editor, supported by top staff and an editorial board,

were crucial to the health of a group of newspapers. The Scottish perspective was different from other parts of the UK, including the London press. A healthy democracy, such as the UK, must include differing viewpoints of events, decisions and commercial actions. Because many advertisers were UK, or even global PLCs they might seek to influence the contents of a newspaper by heavy advertising or by withholding expected advertising. This could also apply to quangos and to the Government (UK/Westminster or Scotland/Edinburgh). The CC should address the dangers of power-hungry advertisers, and the harm that could be done if there were inadequate controls.

7.69. Advertisers might take umbrage when a newspaper reported adversely on a PLC's published results, or current difficulties, and gave a balanced account of a shareholders' AGM or EGM. The strength of safeguards for 'publish and be damned' were vital to an open democracy, and to an accountable press. Miss Mackenzie said that shareholders like herself were concerned that the moves of a foreign/US giant, like Gannett, could operate against the integrity of *The Herald* and its sister newspapers.

### ***Dr Harry W Reid***

7.70. Dr Harry W Reid said that he was editor of *The Herald* from February 1997 to October 2000. He had also served as deputy editor of *The Herald* and features editor of *The Scotsman*. In 2001 he was awarded honorary doctorates by Edinburgh and Glasgow Universities for services to Scottish journalism.

7.71. Dr Reid said that, whatever one thought of aspects of its financial stewardship, SMG proved to be responsible proprietors of *The Herald*, which it acquired in 1996. Its commitment to editorial independence was genuine. The period of 1997 to 1999 was a particularly sensitive one in Scottish public life. First there was the watershed general election, which paved the way for devolution; then the Scottish referendum on the devolution proposals; then elections for the new Scottish Parliament. Throughout this period SMG were model proprietors in so far as it had guarded the editorial independence of *The Herald*. It also launched the *Sunday Herald* which had developed impressively, also benefiting from SMG's commitment to editorially led newspapers. It could well be that Gannett would want to enhance profitability in its new acquisition. *The Herald* had always been a profitable newspaper and over the years it had helped to subsidize the *Evening Times*, and more recently the *Sunday Herald*. Senior editorial staff on *The Herald* had accepted this situation though at times they might have wished for more of the newspaper's profits to be reinvested in the product.

7.72. The *Sunday Herald* had made steady progress since its launch in 1999 and Dr Reid considered that it should be profitable within a year or so. He was less certain of the position regarding the *Evening Times*. He said that he concluded during his time with SMG that it was somewhat overstaffed. Gannett had wide experience of evening newspapers in the UK and it would no doubt make comparisons and reach its own conclusions.

7.73. Dr Reid said that, given the quality of the product being produced, both *The Herald* and the *Sunday Herald* were slightly understaffed. This was particularly true of the *Sunday Herald*. Both newspapers provided thoughtful and responsible journalism and thus had independent editorial perspectives on all current Scottish matters. This was an important function at this pivotal time in Scotland's political and economic development. He was particularly concerned about the future of the *Sunday Herald*. It would be tragic if there were any threat to the future of this young and vibrant newspaper. In the highly competitive Scottish newspaper market, *The Herald* titles had in recent years provided stability. That stability should be maintained.

7.74. Dr Reid said that from an editorial perspective, the future of the *Sunday Herald* was the key issue. He suspected that assurances and guarantees should be gained on this matter. The newspaper's circulation progress had been steady, if unspectacular. For a newspaper launched only four years ago it evinced remarkable maturity and authority. It was already a key voice in the interconnecting Scottish political, business, commercial and cultural worlds. It had worked well with its older sister newspaper *The Herald*, developing useful synergies. Yet it was clearly a discrete and independent product. Any moves towards a so-called 7-day *Herald* (in other words, a merger of the two titles), would be unfortunate, and possibly disastrous. In the wider Scottish context the future of *Evening Times* was less crucial. Dr Reid said that it should be developed as a lively city newspaper. If it could be made seriously profitable that would be excellent news for its two sister newspapers.

### ***Mr Michael Russell MSP***

7.75. Mr Michael Russell MSP said that the Scottish National Party (SNP) had been prominent in commenting on the proposed sale of the SMG newspaper and magazine titles and had tabled two motions in the Scottish Parliament on the issue. The SNP's key concerns had been:

- (a) plurality in the ownership of the Scottish Press;
- (b) retention and creation of jobs;
- (c) investment in the Scottish media; and
- (d) continued and strengthened editorial freedom.

7.76. One of the proposed bids would have been likely to cut across some of these concerns and in particular the first, and accordingly the SNP were strongly opposed to a bid from any consortium headed by the publishing interests of the Barclay brothers.

7.77. Michael Russell said that the SNP judged the Gannett bid by the same criteria and as it did not diminish the plurality of ownership it passed the first and most critical test. Whilst there was some anecdotal evidence of an over-rigid approach to cost cutting in other Gannett titles the SNP had no substantive evidence that this approach would be applied to the present SMG titles and it believed that the best way to approach this matter now was to give Gannett positive encouragement to invest in the Scottish titles should it be permitted to acquire them.

7.78. The SNP would keep a close watch on how such ownership developed but, if Gannett was willing to build the Scottish titles so that they could not only be profitable but also an example (in terms of investment and editorial independence) to other newspaper owners in Scotland, then they would have the SNP's active support.

7.79. The SNP would, of course, have been keen on a Scottish-based and financed bid for the titles and it regretted that such a bid did not emerge. The SNP would also have wished to see an automatic referral of any bid because of its impact on the overall Scottish media and it continued to support the devolution of competition and media regulation powers to the Scottish Parliament as part of the process of completing the powers of the Parliament. In all these circumstances the SNP, therefore, did not object to the purchase of the titles by Gannett but retained some reservations about the process and its possible outcome.

7.80. Michael Russell said that with regard to the Issues Letter published on 31 January 2003 he would like to re-emphasize the question of investment in the titles and the support that was needed to ensure editorial independence and the development of the Scottish media in general. As the owner of one of the major players in the Scottish media the SNP would wish to be sure that Gannett realized its responsibilities in this area and was prepared to give indications of how they would exercise those responsibilities. Information on plans for the titles and the structure would be particularly germane.

7.81. On the question of ownership, the SNP noted the concerns raised with the CC about the prospect that only one significant daily title would remain in Scottish ownership after the takeover, if approved. The SNP shared that concern and did not regard such a situation as being desirable or healthy. As a partial solution it would suggest that Gannett be required to register and incorporate the company holding the newspapers in Scotland, making it subject to Scots Law and with a Scottish management team based in Scotland. A very similar solution was applied to the takeover of the Belfast Telegraph when Independent News and Media took control.

### ***Mr Alex Salmond MP***

7.82. Mr Alex Salmond MP said that he had received a letter from the Newsquest Media Group Chairman, Mr James Brown, on 16 December 2002 which provided reassurance on the crucial point of the continued editorial independence of the SMG titles under the proposed new ownership.

## ***Professor Philip R Schlesinger***

7.83. Professor Philip R Schlesinger said that the media market in Scotland was a distinctive one in the UK. The reasons lay in the country's separate national institutional life and the extensive autonomy that it had enjoyed within the British state. The press pursued a Scottish agenda as well as a British one and in the broadsheet market it was well recognized that there was a 'city-state' or highly regional pattern of consumption. Broadcasting too reflected both Scotland's distinctiveness within the UK and its internal diversity. Scotland's media were important in defining and sustaining the country's identity and in reflecting its political, economic, social and cultural particularities.

7.84. Since 1999, Scotland had been a devolved nation within the UK and the only part of the state to have its own parliament (as distinct from the assemblies in Wales and in Northern Ireland). Of course, media law, policy and regulation were 'reserved' UK matters. Nevertheless, it was clear from the Communications Bill (and the surrounding debate) that Scotland's national distinctiveness was being recognized in pending legislation, as it had in the past. Since Scotland had become a subordinate polity in its own right, the role of the media generally had assumed a new importance in the democratic process. What happened to newspapers—and not least those presently owned by SMG—was a matter of considerable public interest. Debate in Scotland, which had also had echoes in Westminster, had shown the weight attached to the opinion-forming and reporting roles of *The Herald* and *Sunday Herald* in particular. Post-devolution Scotland needed a mature press that was capable of responding to its new political status and it also needed diversity of media ownership.

7.85. Of the various bids made for the SMG newspapers that by Gannett had the potential to be in the public interest. However, it was Professor Schlesinger's view that conditions should be attached to any sale in order to safeguard several key principles:

- (a) The guarantees of editorial independence and non-interference presently given to the newspapers' editors by SMG should be maintained. The present editorial contract offered one model that might be followed. The minimal guarantee might be strengthened as suggested below.
- (b) Gannett should be asked to consider what taking over a newspaper of record and other important titles entailed for managerial practice. These were Scottish papers that addressed Scottish readerships. Professor Schlesinger said that in his view, the newspapers should be managed in Scotland, the editor should be located in Scotland and the company should ensure that it was sensitive to the country's political status and national distinctiveness. There were also city and regional considerations to be borne in mind.
- (c) A flourishing press in Scotland required investment in the newspapers' future. The country needed journalism of quality and the possibility of building journalistic careers north of the border.

7.86. Any tests for this sale would be applied under present legislation. The above points were congruent with meeting the CC's public interest criteria of 'the accurate presentation of news' and 'the free expression of opinion'. Professor Schlesinger noted that these considerations were incorporated into Clause 361 (2A) of the Communications Bill. Professor Schlesinger said that what he had proposed above—namely that the Scottish market be recognized as distinct—was also congruent with Clause 361 (2B) of the Communications Bill. This gave support to the importance of maintaining a 'plurality of views in each market for newspapers in the United Kingdom or a part of the United Kingdom' that may be specified.

7.87. The Communications Bill also introduced another potential safeguard to those outlined above. In Clause 373 (a-c) provision was made for 'altering the constitution of a body corporate' in respect of the appointment of directors and the establishment of an editorial board. A formal procedure was also invoked in respect of the appointment or dismissal of an editor, journalist or director. Professor Schlesinger drew these points to the CC's attention as a helpful approach to further safeguarding the public interest.

7.88. Professor Schlesinger said that editorial freedom was likely to be modified by the relationship between the editor and the Managing Director and the commercial parts of the newspaper. There was always going to be a fine judgement about how much risk the newspaper should take in, for example, pursuing an unpopular line. Professor Schlesinger said that one could argue for some kind of written

autonomy for an editorial board which could operate in a protective fashion in that it was well publicized and could be a trigger point if editorial encroachments were purely commercially driven. It was also desirable for the editor in certain circumstances to be able to make a case for a particular editorial line to the Managing Director of the parent company.

### ***Mr Mike Watson MSP***

7.89. Mr Mike Watson MSP (Glasgow Cathcart) said that he did not have concerns relating to the proposed transfer. Indeed, this was a preferable outcome to that which was widely anticipated, namely the bid by the Barclay brothers who owned other Scottish titles, most notably *The Scotsman*. *The Herald* and the *Sunday Herald* were of considerable importance in national terms in Scotland, while the *Evening Times* was an important regional newspaper.

7.90. Mike Watson said that on the question of the titles being bought by another Scottish company, that he believed it was important that diversity both in ownership and in opinions of the Scottish media, should be maintained as it was at present. Mike Watson said that he did not have a great knowledge of Gannett, but it seemed to him that the proposed transfer should be allowed to proceed and did not appear to be in conflict with public interest.

### ***Mr Pete Wishart MP***

7.91. Mr Pete Wishart said that he was the Member of Parliament for North Tayside. He was the Chief Whip of the House of Commons and the spokesman for culture, media and sport and transport.

7.92. Mr Wishart said that the SNP did not have great objections to the takeover of SMG by Gannett. However, it was keen to retain plurality in the ownership of the Scottish press; to see investment in the Scottish media and a continued and strengthening of editorial freedom. SMG was a responsible owner and would like to continue to see editorial freedom being in place if Gannett was successful.

7.93. Mr Wishart said that he had no real issue with the performance of *The Herald* in recent years. However, he was disappointed with the editorial policy of *The Scotsman* under its new editor in chief. The SNP would have been greatly concerned had the Barclay brothers acquired the SMG titles. However, the SNP would also have objected to SMG acquiring *The Scotsman*. Plurality of ownership and editorial policy was desirable.

7.94. Mr Wishart said that *The Herald's* editorial approach and focus was very much Scottish. To preserve this it was necessary to have the newspaper's headquarters in Scotland and subject to Scots law and for editorial independence to be maintained. Gannett would need to understand that the SMG newspapers were national newspapers rather than local. Gannett was a strong player with considerable resources and hopefully could build on the SMG titles. Mr Wishart said that he did not yet see the English broadsheets as significant players in the Scottish market. One way of defining Scottishness was by the degree of coverage of the Scottish Parliament, elections and legislation.

P GEROSKI (*Chairman*)

J HANRATTY

E POLLARD

S WILKS

A YOUNG

R FOSTER (*Secretary*)

7 March 2003