

Submission from Kent Messenger Group

10 May 2004

Archant/INM Merger Inquiry

Thank you for your letter of May 4, 2004.

We are usually very supportive of such inquiries, and like to be as helpful as we can. However, we feel we have already given as much as we can in respect of this inquiry and have nothing further to add at this time.

Our first submission was to the Competition Commission dated June 30, 2003. Our second submission was to the Office of Fair Trading dated March 19, 2004.

If you do not have copies of this correspondence, we are more than happy to supply them, but assume they will be in your records.

Yours sincerely

DAVID LEWIS
Chief Executive

Kent Messenger: letter to the Office of Fair Trading

March 9, 2004

Re: Acquisition by Archant of INM London Regional Newspapers

I refer to your faxed letter addressed to David Lewis dated 26 February 2004, and the questions contained within it.

I thought it would be useful firstly to include the information and our response dated 30 June 2003 to the Competition Commission (Appendix A). I think that gives much of the information you are now seeking. The answers to your new questions are as follows:-

1. Appendix A includes all the publications we sell and distribute across Kent and the Dartford/Gravesend area.
2. For the relevant area, the publications are the Dartford and Swanley Messenger, the Gravesend Messenger, the Dartford Informer/Extra and the Gravesend Extra. Maps of their coverage are included in Appendix A.

Current ABC/VFD circulations and revenues are as follows:-

	ABC / VFD	Advertising Revenue £
Dartford & Swanley Messenger	Weekly Paid – 4,333	[X]
Gravesend Messenger	Weekly Paid – 4,846	[X]
Dartford Informer/Extra	Weekly Free – 46,995	[X]
Gravesend Extra	Weekly Free – 37,065	[X]

Where advertising is sold as a package we have used our best estimate to allocate to individual products.

Odd copies of the Kent Messenger and other KM publications will be sold in the Gravesend, Dartford and South East London area, but these are not significant and not the core area of these publications.

The answer to question 2e is wider than limited to publications. We believe that all publications, magazines, journals, daily papers, national papers, radio and television to some extent compete for local advertising. We have examples in Kent of advertisements we have carried in the past in our newspapers which are also being carried on radio, and also advertising for Situations Vacant which has now appeared on television in Kent.

We therefore believe it is incorrect to think that competition for local advertising is limited to other publications. There is evidence to show that some Situations Vacant advertisers are being attracted onto the internet, and some organisations have said they intend to increase their use of this media in the future.

In relation to the publications which compete with ourselves of a similar type, that is covered in questions 10, 11 and 12 of Appendix A. The main publications are the INM London regional newspapers, those owned by Gannett and Kent on Sunday.

3. We find it difficult to fully understand the question, and therefore our response may be incorrect. When you say "increased by 5 to 10%" do you mean by between 5 and 10%, or is it something more specific? Surely if all companies raise their rates at the same time by the same amount then would not that be an indication of some anti-competitive behaviour?

However, if the 5-10% price increase was a direct result of inflation, wage inflation or the increasing cost of newsprint, then it would be consistent for all printed media, and therefore no doubt all media would be similarly increasing their prices by similar amounts as a direct result of cost inputs going up by a significant amount.

If the price increase was cost-driven and all newspaper publishers had similar cost increases, then it is unlikely that there would be any shift between 2a, b or c, but obviously a shift to d is possible in terms of the internet, radio and television which would not be impacted by a newsprint price increase, but would be affected by wage inflation.

If your question is "what would be the effect of regional newspapers increasing their price over and above the general cost of production by between 5 and 10%?" (and all publishers in the area did the same – which is extremely unlikely) then we consider our answers would be:-

- a. We are not aware of any local authority published newspapers in the area, so it is unlikely that there would be any switch in this direction.
- b. We do see that certain categories of business would move towards, or increasingly move towards, niche publications such as Auto Trader and property-related publications, but it is more likely to be a reduction in their proportionate spend rather than a complete move.
- c. A regional newspaper such as the Metro and Evening Standard are important in the area, especially within the M25. Evening Standard classifieds are a natural source for sales and services and recruitment advertisements, but we have no evidence of a switch which we could provide, because we do not monitor the Evening Standard or Metro publications.
- d. As mentioned earlier and in Appendix A, we do believe that radio (there is a local radio station in the area as well as the London stations), television and the internet are becoming important alternatives to local newspapers. There is also growth in Loot, Friday Ads or specialist jobs and motors and property publications which will be attractive if local newspapers price themselves out of the market. Clearly at the end of the day advertisers are looking for responses at a cost-effective level, and they will determine individually what media produces the best result for them.

It is impossible to give evidence to support our beliefs, but clearly the launch of the Metro in London, the growth of magazines, the growth of niche publications such as Loot, AutoTrader, the growth of the internet and adverts carried on it are themselves evidence that the OFT can quite easily research.

4. By and large I think this question has been covered in Appendix A or the answer to 3. above. If local newspaper publications become uncompetitive on price then all advertisers in whatever category will seek alternatives. The exception to that is perhaps

the recruitment section, where from our personal experience as users of these media for specialist positions, these tend to be limited markets that provide a response to the advert producing a selection of applicants. Where this occurs the demand is less price-sensitive. For example our company recently recruited a Financial Controller and on several occasions we had to use the Financial Times, at great expense because of its national and international coverage, although we only wished to recruit someone who lived locally to Kent or the South East of England. Clearly there is wastage but we perceived that the FT was the publication suitable applicants were most likely to read. Similarly if we are looking for editorial, production, advertising or marketing staff or managers then there are relevant national niche publications that will produce the best result.

With the exception of recruitment as mentioned above, we do not think it is possible to rank the alternatives.

5. The factors that we look at when considering launching new local newspapers, and we have launched a number over the last 10-15 years, are as follows:-
 - a. How good/professional are the current publishers in the market area (what are the opportunities?)
 - b. How many existing publishers of local newspapers are there in the area?
 - c. What is the size of the market; is the market big enough to sustain the answer in b. above plus an additional publisher?
 - d. Does the market cover a wider area, eg Croydon may be an area on its own but economically it may be part of the South London market.
 - e. For us, one crucial question is: Is it in Kent or near Kent? As a family-owned business with our strategies linked to Kent and its markets, then launching a paper in Perth, Scotland is of no interest to us.

6. I can only refer you to Appendix A for this answer. In relation to Kent and South East London, then Archant is merely replacing the existing Independent News & Media owned publications. There is, in this area, no increase in the number of publishers and no lessening of the other publishers. The only way there could be a substantial lessening of competition would be if the OFT were suggesting that Archant were going to behave in a non-competitive manner, and I assume you are not suggesting that. Certainly we have no reason to believe that will be the case.

We hope this information is of assistance to you.

Yours sincerely,

J B SMITHERS
Financial Director

Appendix A—Letter to Competition Commission

June 30, 2003

Thank you for extending your deadline for the return of the Independent News and Media enquiry.

Our response is enclosed and hope we have satisfied the requirements of the questionnaire. As will be apparent from our document, some items were not relevant. The territory under review is not one of our core areas of business.

However, if we can provide further information to assist your enquiry, please do not hesitate to contact my office.

Yours sincerely

DAVID LEWIS
Chief Executive

NEWSQUEST/INDEPENDENT NEWS & MEDIA ENQUIRY: 2003

COMPETITION COMMISSION RESPONSE BY KENT MESSENGER LIMITED

Kent Messenger Limited's products and businesses

1. Kent Messenger Limited and Subsidiaries ("KM") is the publisher of local newspapers and associated ad hoc niche magazines, a contract printer, and the owner via subsidiaries of five local radio stations. The area covered is predominantly restricted to the Kent area outside the M25. For the avoidance of doubt, we do cover the Dartford and Swanley towns within the M25, but do not cover extensively the Sevenoaks and Edenbridge area. See Appendix I for details of newspapers.

KM also has a website, kentonline.co.uk, distributes leaflets with its free and paid-for titles, and has recently started to organise exhibitions.

2. (a) None
- (b) In April 2003, KM closed its evening papers in the Medway Towns area, Medway Today/Kent Today. ABC prior to closure 16,191.

In 2001, KM closed a loss-making weekly free title in Maidstone with a VFD of 42,996, and in its place launched a monthly magazine called Maidstone Focus.

In February 2002 KM launched a new weekly paid-for title called the Dartford and Swanley Messenger, covering those areas, which currently has an ABC figure of 4,708.

In September 2002 KM launched a county-wide newspaper style monthly publication called Kent Homes, which has a distribution sale of approximately 5,000.

3. No.

Linkages between publishers

4. (a) In respect of the largest publishers within the UK, KM currently prints the London edition of the Metro under contract for a subsidiary of DMGT. It has in the last five years undertaken short-term contract printing for the Guardian and News International, but not currently.
- (b) No joint purchasing arrangements.
- (c) No distribution/circulation arrangements.
- (d) No sharing of press-related resources.
- (e) KM cooperates with both a subsidiary of DMGT and a subsidiary of Newsquest to publish a title called Appointments South East. Costs of the publication are shared, and sales revenue within our Kent area belongs to KM.
- (f) There are no joint or cooperative advertising activities.

5. None that we are aware of in Kent.

The relevant market

6. We do not believe that local weekly newspapers (both paid-for titles and those distributed free) constitute a distinct economic product market. This is too simplistic and is not reflected in the underlying economic pattern of our business, nor, as we understand it, the economic business within the vast area covered by Greater London which I think would be the main market area for your investigation.

Both weekly paid and free papers survive only by the advertising content that they carry. For free newspapers advertising is 100% of their revenue, but obviously with paid titles there is an element, albeit small, contributed by the readers who buy the product. Weekly paid-for titles could not survive on their own without advertising revenues.

Advertising requires a level of readership, and in broad terms that is attention of individuals spending time to read our publications. We therefore see any media that competes for time of our readers and any media that competes for advertising spend to be a competitor to weekly paid-for titles and weekly free titles. Daily titles are obviously a main competitor, but so is the internet, television and radio. Radio revenues have increased over the last 20 years from zero to a significant part of the global advertising spend. The launch of publications which carry no editorial such as Loot, FridayAds or specialist jobs and other similar products attract both readers' attention and also advertising spend. The launch of the Metro in London no doubt has also changed the dynamics of the press in that area. We have noticed also a trend to niche magazine style publications which attract the more upmarket style of advertiser, and can demand and achieve a slightly higher advertising yield than is traditional in the newspaper style products.

Situations Vacant advertising revenue has been a significant part of local newspapers in the UK, but is now facing the challenge from growth of jobs being found and filled by internet-based companies.

7. It is difficult for us to answer this question since we only compete with Newsquest and Independent News & Media in a very small area of your investigation. This is basically restricted to the Dartford/Swanley and Gravesend areas. In relation to the overall area that you will be considering, ie London and the South East, this is such a minor area that it is impossible to give a sensible answer to this question.

In no market do we compete head to head with any Newsquest title. That is not to say we do not compete with them in the Dartford/Gravesend area, but we do not have a product which exactly covers the area of one of their products. The Bexley/Dartford and Gravesham New Shopper is a significant publication in the area, but according to JICREG statistics, only 68,614 are distributed within the total VFD figures of 134,017. In fact, that is an edition of an even larger publication.

8. Frankly, we are not able to answer this question sensibly. We know virtually nothing of the Independent News & Media titles in the Greater London area, nor the Newsquest titles other than the New Shopper that circulates in the Bexley, Dartford and Gravesham area. We would obviously feel that the area should be the area which covers the titles mentioned in the news release from the DTI dated 20 May 2003.
9. Maps are enclosed.

10. The only Independent News & Media titles to be acquired in our area are the Dartford & Swanley Times, Gravesend Reporter, the Dartford and District Express and the Dartford & Swanley Express.
As we are in direct competition with both paid and free with the Independent News & Media in the areas mentioned above. As mentioned earlier, we only partially compete with Newsquest/Gannett with regard to the New Shopper since their edition covers a wider area.
11. No areas are considered to be core areas for our title or those of Independent News & Media or Gannett. That is not to say that Dartford and Gravesend are not important, but it is simply an area in which we all compete, but could not be considered by any to be a core area.
12. We are not aware of any other weekly paid-for or free newspaper-style titles that are competitors within the Dartford and Gravesend areas in which we operate. That is not to say there are no other attractions for advertisers, or other media in which advertisers can operate, but none are newsprint-style weekly paid-for or free titles.

Kent on Sunday is a new publication launched by a competitor which covers the whole of Kent and that part of South East London which was traditionally Kent. We have no figures of how many are currently distributed in the Dartford and Gravesend area, nor any measurement of their success in attracting advertising.

Editorial issues, Entry conditions and Advertising

- 13-24. Given the limited overlap between our publications and the vast number of Newsquest publications in the UK, or even Greater London, and the area covered by Independent News & Media in the Greater London area and Gravesend, we do not consider that we have anything of particular interest to say in relation to questions 13 to 24.

Given the extremely short period of time that we were asked to respond to these questions, we feel it inappropriate and impossible to provide rushed answers. If you have particular queries or concerns in respect of any of these questions then we would be more than happy to address these in full in a more sensible timescale.

We enclose our 2003 rate card.

Effects of the Merger

- 25-30. It is difficult to give any view on the likely effects of the merger since the major changes will be, I imagine, within the Greater London area, and less so in what we perceive to be the non-core areas of Dartford and Gravesend.

In most of Kent we currently compete with one competitor within a majority of the market areas. This has mainly arisen by the Adscene titles acquiring the Kent weekly paid-for titles from Emap, which was approved by the Monopolies Commission, the selling of the combined business onto eventually SouthNews Plc and the selling of SouthNews onto Trinity Mirror. The merger of the Newsquest and Independent News & Media titles in Gravesend and Dartford will mean that we will in those markets compete with one other publisher.

This will be a challenge, but a challenge we are used to in the rest of Kent.

Currently we are more concerned about the economic changes that are occurring and any erosion of traditional revenues from weekly paid and weekly free newspapers into other forms of media, including the internet.

We see no significant barriers to entry for any well-managed, well-published publication. The owners of the Kentish Times and Gravesend Reporter paid-for titles have seen a dramatic reduction in their ABC circulation figures over the last 13 years. In response to this opportunity, KM launched during the last six years two paid-for products into the Dartford and Gravesend markets, where we felt the area was not being properly served by the existing publications.

APPENDIX 1

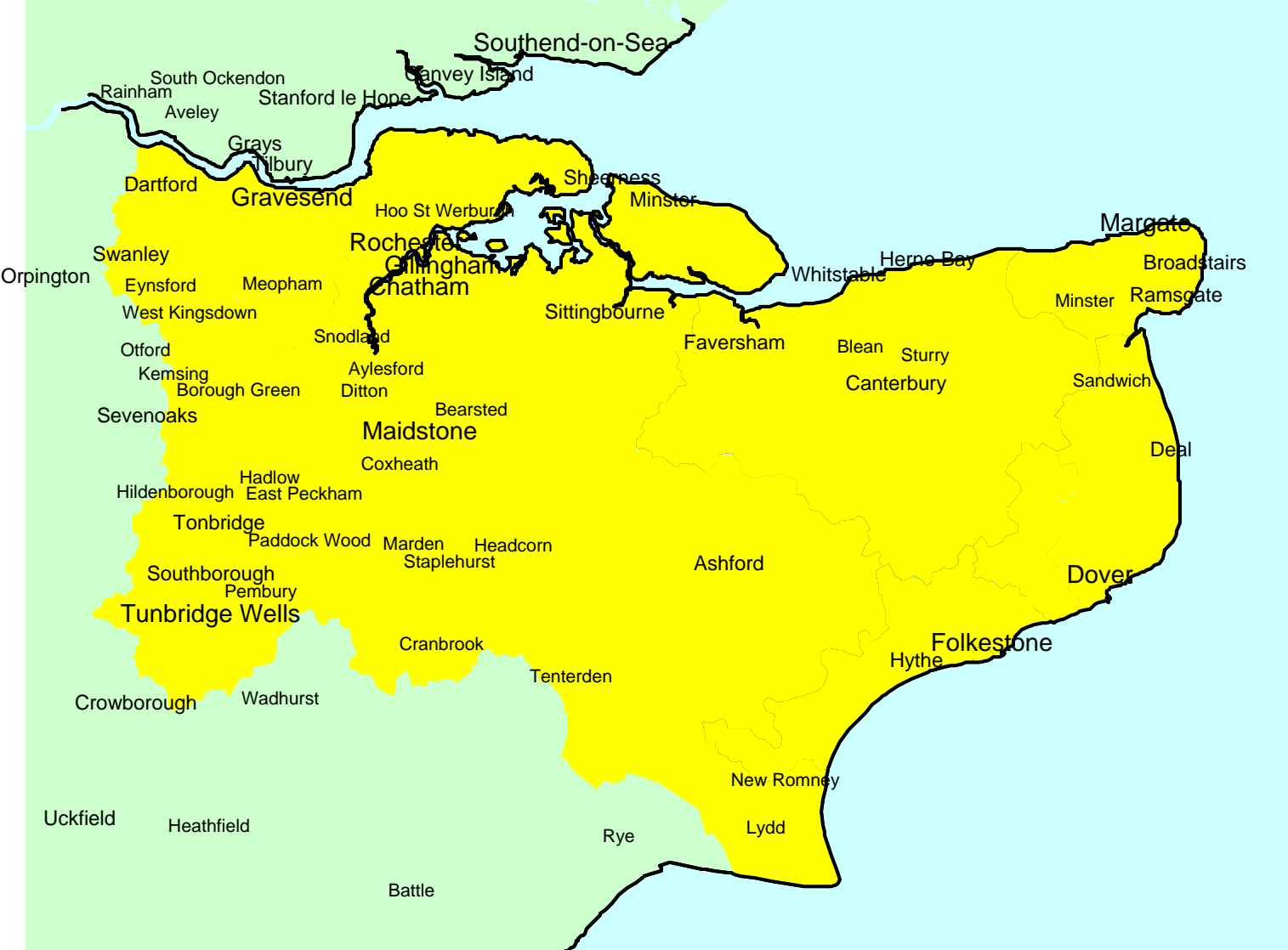
KENT MESSENGER - NEWSPAPER CIRCULATION SUMMARY

PAID FOR TITLES	Period	Circulation Area	Circulation ABC Jan - June 2002	Circulation ABC July - Dec 2002
Dartford Messenger Swanley Messenger	Weekly	Dartford Swanley	4,619	4,708
East Kent Mercury Dover Mercury	Weekly	Deal, Sandwich, Walmer Dover	14,170	14,443
Gravesend Messenger	Weekly	Gravesend & District	5,326	5,394
Kentish Express 4 local editions: Ashford, Tenterden, Romney & Folkestone	Weekly	Ashford & District, Folkestone, Romney	20,491	20,213
Kentish Gazette (series) Faversham News Herne Bay Gazette Whitstable Gazette	Weekly	Canterbury Faversham Herne Bay Whitstable	28,857	28,511
Kent Messenger - 6 local editions: Maidstone, Malling, Weald, Medway 1, Medway 2**, Sittingbourne, County	Weekly	Maidstone, West & North Kent	64,328	62,171
Kent Today - ceased publishing end of Mar 03 Medway Today - ceased publishing end of Mar 03	Daily	North Kent, Sheppey, Sittingbourne Medway Towns	16,878	16,191
Medway Messenger (Monday) - launched beginning April 03	Weekly	Medway Towns		16,000 PS
Sheerness Times Guardian	Weekly	Isle Of Sheppey	8,521	8,665
What's On	Weekly Supplement	Inserted in all paid for newspapers		
FREE TITLES	Period	Distribution Area	Distribution VFD Jan - June 2002	Distribution VFD July - Dec 2002
Ashford KM Extra	Weekly	Ashford & District	30,239	30,671
Canterbury KM Extra	Weekly	Canterbury, Herne Bay, Whitstable, Faversham	63,403	63,529
Dartford & Swanley Informer Extra	Weekly	Dartford & Swanley	47,491	47,460
Folkestone & Dover KM Extra	Weekly	Folkestone, Hythe, Dover, Deal	58,947	61,008
Gravesend KM Extra	Weekly	Gravesend	36,776	36,915
Maidstone KM Extra	Weekly	Maidstone & District	51,613	52,547
Medway KM Extra	Weekly	Medway Towns	83,803	84,188
Sittingbourne KM Extra	Weekly	Sittingbourne	18,442	18,371
Thanet KM Extra	Weekly	Isle Of Thanet	57,004	57,249
Tonbridge & Tunbridge Wells KM Extra	Weekly	Tonbridge, Tunbridge Wells	43,445	43,458
Magazines & Niche products	Period	Circulation Area	Jan - June 2002	July - Dec 2002
Maidstone Focus	Monthly	Maidstone & District	33,000 PS	33,000 PS
East Kent Focus - launched Mar 03	Monthly	Inserted in Kentish Gazette Group	N/A	28,511 PS
Kent Jobs	Weekly	Kent	2,404	2,294
Kent Homes - launched Sept 02	Monthly	Kent	N/A	5,000

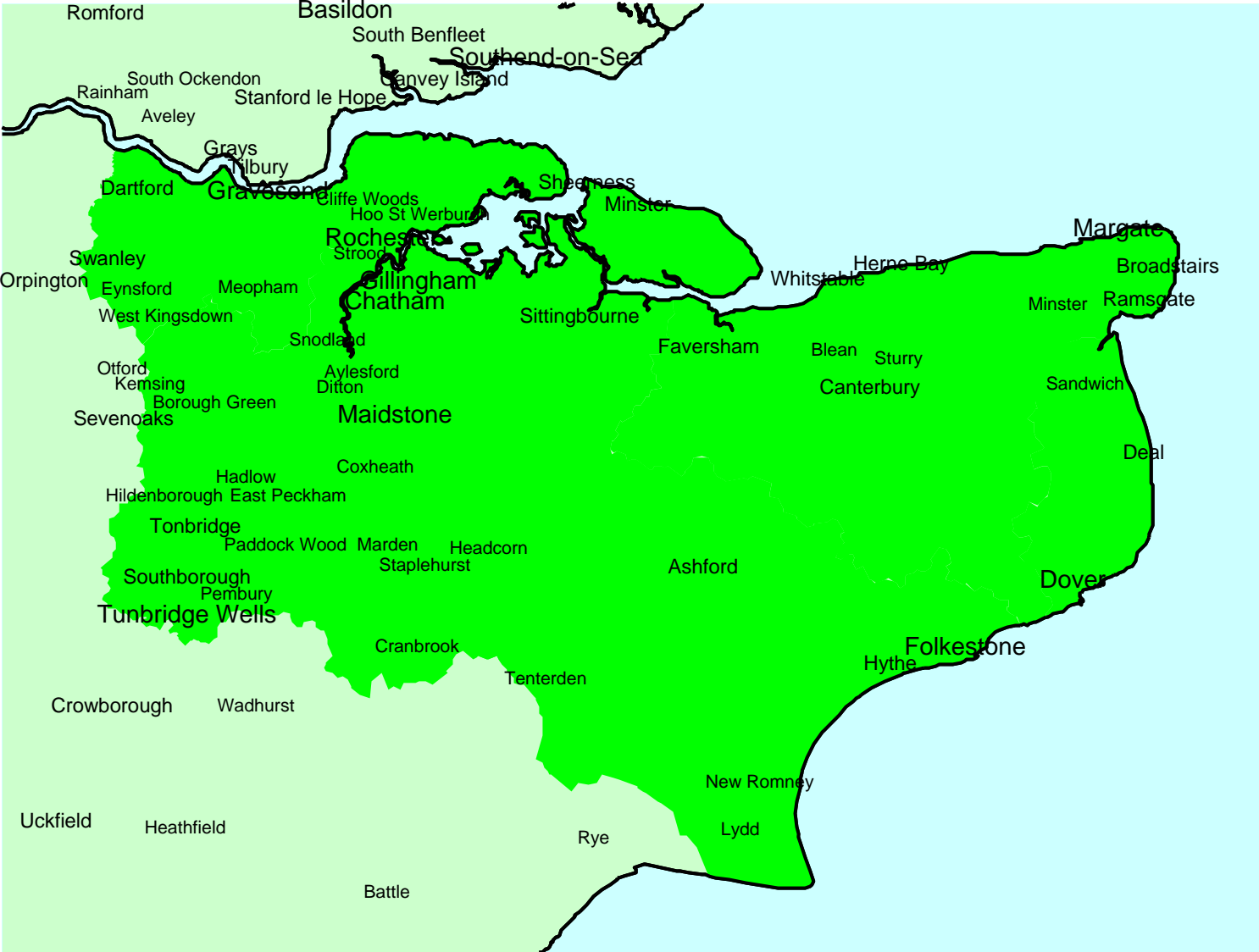
** Medway 2 - is Medway Messenger (Friday)

PS - Publishers Statement

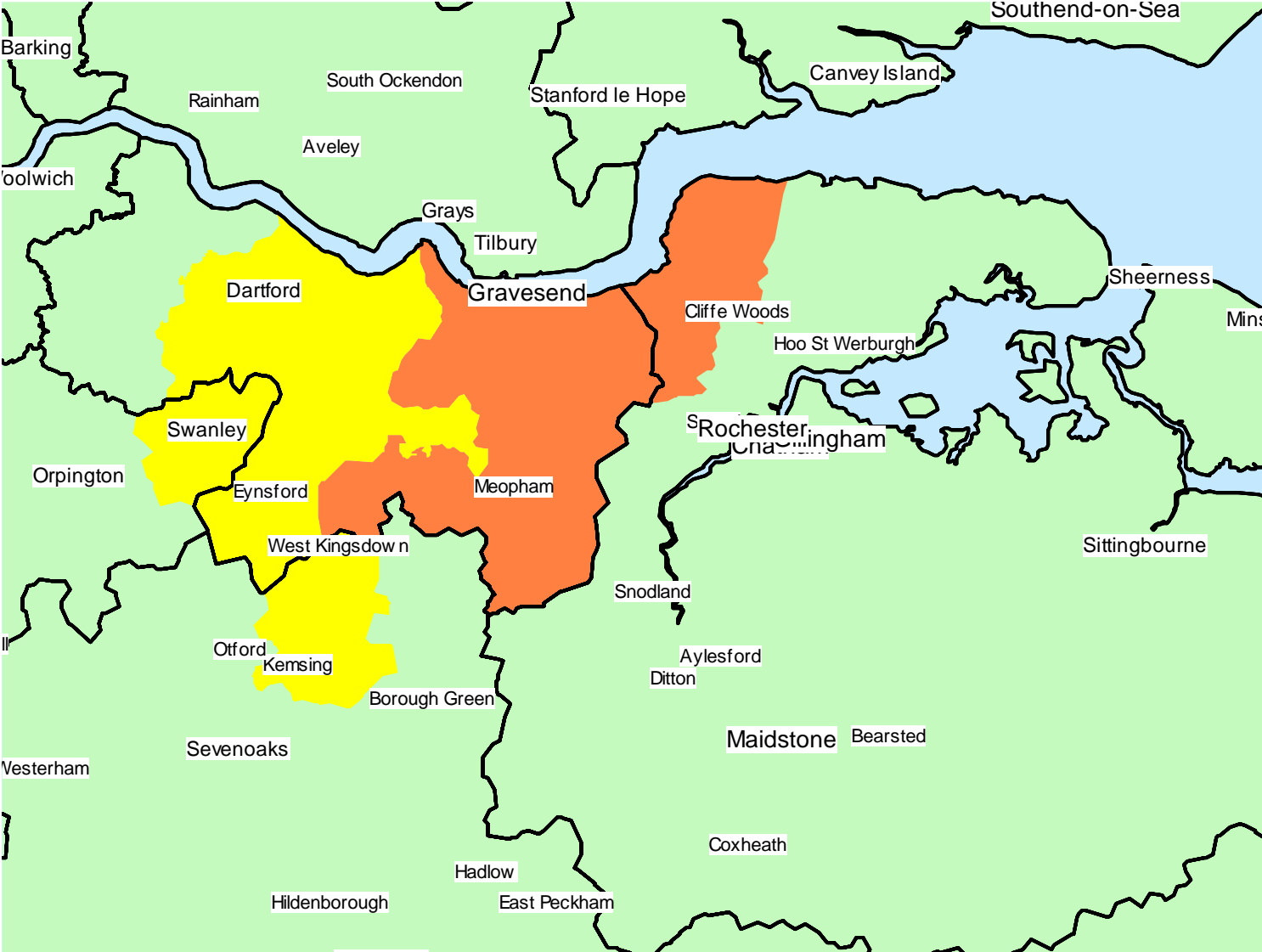
Appendix 2 (Kent Messenger Paid & Free Coverage)



Appendix 3 (Kent Messenger Paid Coverage)

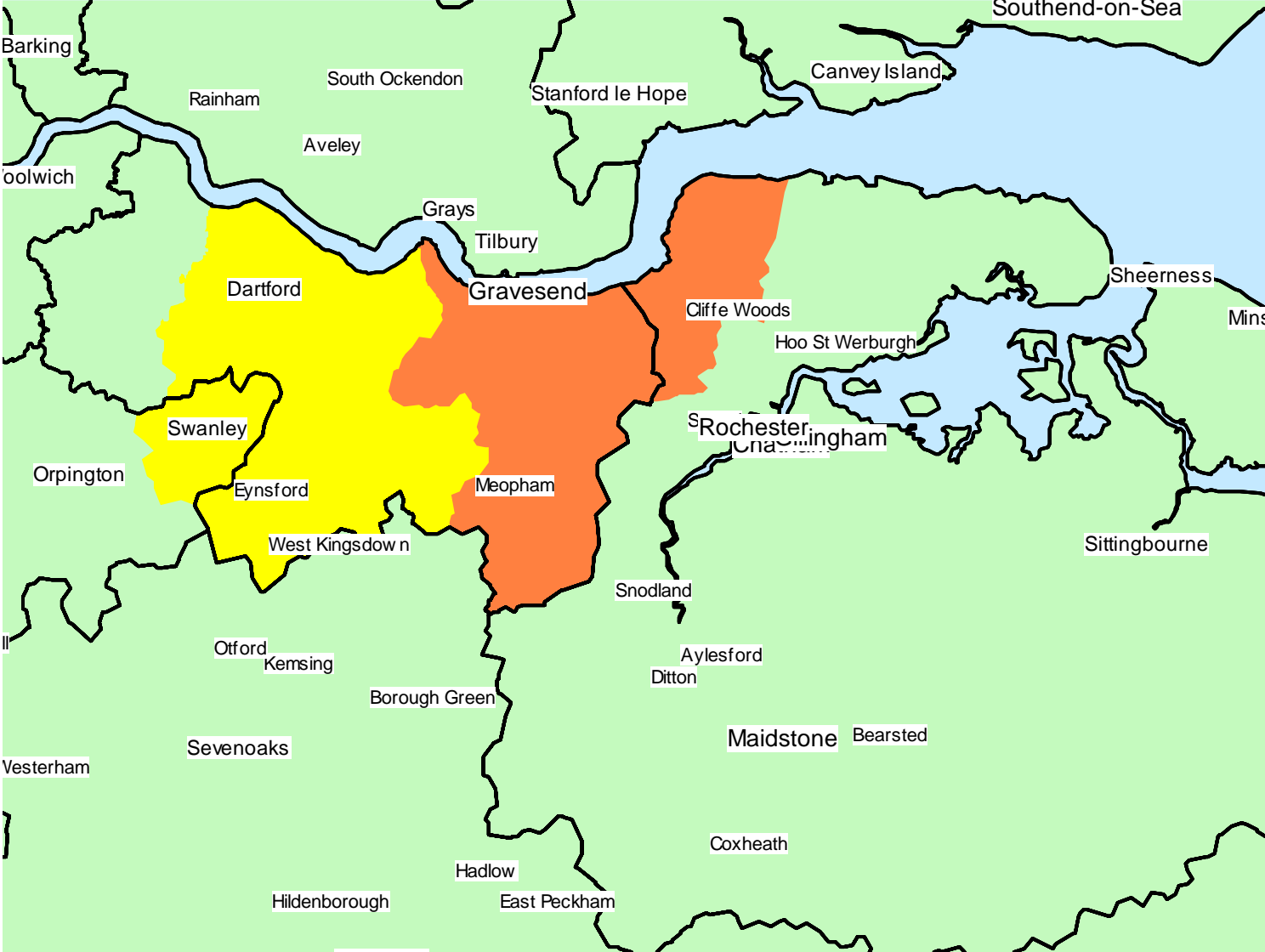


Appendix 5 (Coverage of Dartford & Swanley Informer & Gravesend KM Extra)



 Dartford & Swanley Informer Extra  Gravesend KM Extra

Appendix 6 (Coverage of Dartford & Swanley Messenger & Gravesend Messenger)



■ Dartford & Swanley Messenger

■ Gravesend Messenger