

14th May 2004

ARCHANT/INM MERGER INQUIRY - COMMENT OF TRINITY MIRROR PLC ("TRINITY MIRROR")

Thank you for your invitation of 4 May 2004 to comment on the investigation by the Competition Commission ("CC") of the acquisition by Archant Limited ("Archant") of London newspapers of Independent News and Media plc ("INM").

Summary

In the time available, Trinity Mirror has not been able to carry out a detailed analysis of the likely effects of the transfer on competition for readers and/or advertisers. However, Trinity Mirror's general impression is that the transfer would be unlikely to result in a substantial lessening of competition, not least because:

- (a) there are other newspaper publishers present in [many] of the local markets where there is overlap between the newspapers of INM and Archant;
- (b) in any local markets where only INM and Archant currently have weekly newspapers, Archant will no doubt continue to face competition:
 - (i) from the threat of new entry by major publishers, and also by local independent publishers and entrepreneurs; and
 - (ii) in relation to advertising, as in other local markets, from other printed media (such as advertising-only publications and direct mail leaflets) and also from alternative media (such as the internet).

Trinity Mirror's own position

As the CC is aware, Trinity Mirror is itself a major publisher of weekly titles in Greater London. A map showing the areas in which Trinity Mirror's weekly titles circulate was included by the CC in its October 2003 report on the proposed transfers of certain titles from INM to Newsquest (London) Limited - diagram 5.2 of the report (copy attached). [This map remains broadly accurate.]

In the time available, Trinity Mirror has not been able to conduct any analysis of the extent to which its weekly titles circulate in the same areas as those which have been transferred by INM to Archant, nor of the impact that the transfer is likely to have in specific areas. The views set out below reflect Trinity Mirror's general experience of publishing local newspapers.

Product market

It is necessary to look at newspapers on a case by case basis to assess to what extent they are viewed as substitutes by readers and advertisers. There is no hard and fast rule as to which newspapers are and are not effective substitutes for each other, and each local market must be considered on its own facts. For example, the fact that weekly newspapers are (by definition)

published only once a week, does not preclude competition from daily evening newspapers (many of which have particular days ear-marked for particular types of advertising and, in effect, focus on specific categories of advertising on a weekly basis) or from paid-for/free morning/Sunday newspapers. In London it is necessary to consider competition (in particular for advertising) between local weekly newspapers and the London-wide Metro (free daily) and Evening Standard (paid-for daily).

It must also be borne in mind that local newspapers typically compete for local advertising with a wide range of other existing media including other printed media (such as advertising-only publications) and alternative media (such as the Internet, radio and television).

As a general rule, Trinity Mirror considers that the relevant product market is typically wider than just weekly newspapers and any assessment of the competitive effects of the transfer must take into account competition from other local/regional newspapers, and also from other printed and alternative media.

Geographic market

As regards the geographic markets against which to analyse the effect of the transfer, Trinity Mirror agrees with the Commission's conclusion in previous inquiries that, in the case of local newspapers, the market for readers and advertisers is inherently a local one.

Since competition between regional/local newspapers takes place at a local level, Trinity Mirror does not consider that regional/national concentration levels have any relevance to the dynamics of competition between local newspapers.

Entry of new competitors

The ease with which further competitors can enter the market depends to a large extent upon the nature, type and scale of newspaper being launched, as well as on the nature of the publisher.

The barriers to entry are low for free titles and advertising-only publications (especially the latter). The major risk in any launch relates to the level of revenue that a title expects to achieve, regardless of the nature of the product. However, it is not uncommon for groups of advertisers actively to support the launch of a new title, thus substantially reducing the risk on the revenue side. Such support is most common for entrepreneurs rather than major publishers and is often based on local contacts.

On the cost side of the equation, existing major publishers clearly have the ability to utilise existing infrastructures to support launches.

For an entrepreneur, many of the costs can be contracted out. Printing will be provided by a third party, whilst distribution and editorial (freelance) can also be contracted to third parties. From a salary cost perspective, entrepreneurs are also able to operate with more aggressive commission-based salary structures and avoid the social costs of providing pension schemes. The absolute level of IT equipment required will depend upon the structure of the business but IT equipment is now relatively inexpensive. Property costs can be contained through the use of short term leases in less attractive locations. In other words, the costs of a launch can be controlled and minimised in terms of risk.

In terms of recovery of expenditure in the event of exiting the market, given that the up front expenditure is unlikely to be significant, the exit costs would equally be small. In most cases, unless the title has failed completely, the title can be sold and any costs recovered through the sale process.

Advertising

Trinity Mirror's experience is that in most, if not all, local areas, other printed and alternative media that are effective substitutes to local newspapers for most, if not all, advertisers.

Further, even if, in a particular local market, there were a small number of advertisers with fewer (or no) alternatives as a result of the transfer, it would not be the case that the newspaper in question could, profitably, charge advertising rates above the competitive level. Most advertisers have a budget for the amount that they are prepared to spend on advertising in local newspapers. If rates are increased above the competitive level, advertisers will typically reduce the frequency or size of adverts so as not to spend more on advertising, or stop advertising entirely (whether or not they switch to an alternative advertising format).

Editorial policy

Trinity Mirror is not in a position to comment on the editorial policy of Archant but would note that it has no reason to believe that Archant's policy would have a negative impact on the editorial independence of the INM titles.

[We are happy for the above views to be published on your web-site and attributed to us.]

Kind regards

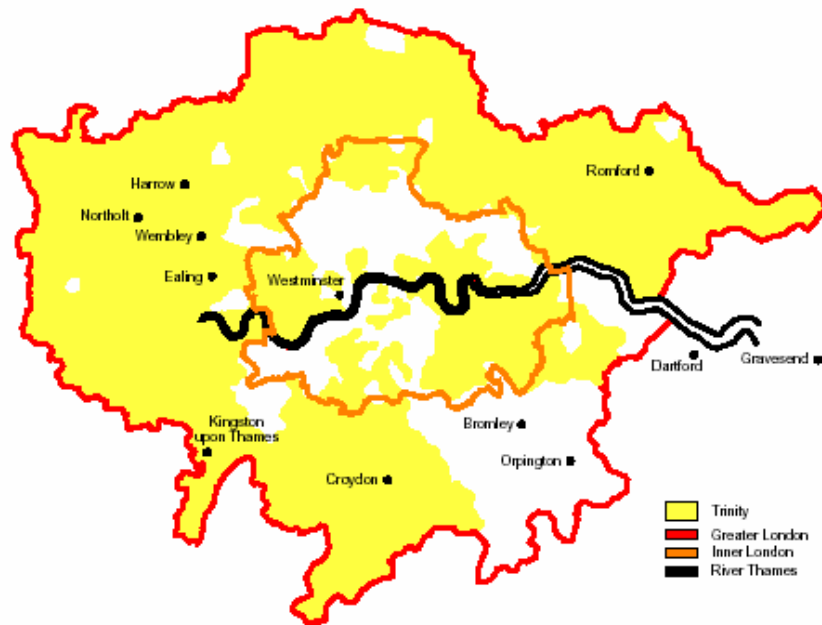
Yours sincerely

Stephen D Parker

Managing Director Regional Newspapers

FIGURE 52

Trinity 10%+ circulation in Greater London



Source: CC based on Newspaper Society data.