

The implications of the proposed transfer

The present arrangements for the running of the newspaper businesses

3.1 Mr Iliffe told us that immediate responsibility for running the businesses lies with the companies which publish the newspapers (see paragraphs 2.2 and 2.5), but that he himself is closely involved in the main operation of the businesses from the Birmingham office. So far as the BPM newspapers are concerned, his involvement rests on his being proprietor of those newspapers, as already explained. So far as the Coventry newspapers are concerned Mr Iliffe told us that he alone of the three trustees is involved with the boards of the companies concerned in decisions on the day-to-day running of those businesses; the other two trustees confirmed to us that they are not consulted and do not expect to be consulted on such matters, though Mr Iliffe reports to the trustees twice yearly on the performance of both series of newspapers. These arrangements reflect Lord Iliffe's wishes as expressed in a memorandum to the trustees in which, while acknowledging that their powers are unfettered by the memorandum, he expresses the wish that they should pay special attention to the views of Mr Iliffe on matters relating to the trust generally, and particularly, *inter alia*, on the exercise of voting rights attached to shares held by the trustees.

3.2 Mr Iliffe is closely involved with the selection of the Editor-in-Chief of the Birmingham Post & Evening Mail series and of the principal editors of both the BPM newspapers and the Coventry newspapers, such as the editors of the *Birmingham Post* and the *Birmingham Evening Mail*, and the *Sunday Mercury*, and the editors of the *Coventry Evening Telegraph* and the *Cambridge Evening News*. The holders of these posts are in practice selected, and their responsibilities determined, by Mr Iliffe in consultation with the senior executives of the Birmingham Post and Mail Ltd and of Coventry. As an example, a statement of responsibilities was given by Mr Iliffe to the Editor-in-Chief of the BPM newspapers on his appointment in 1980. Part of this statement is at Appendix 3.1; the editor of the *Coventry Evening Telegraph* has been assigned similar responsibilities by Mr Iliffe. The editors of the other newspapers are selected by the boards of the companies that publish them, but Mr Iliffe is in a position to exercise influence over these appointments if he wishes to do so. He is also in a position to influence the way in which the boards of the various newspaper publishing companies run their separate businesses, but BPM Holdings is only entitled to appoint one director of North Wales Newspapers Ltd.

3.3 Accurate presentation of news and free expression of opinion are matters for decision by the editors of the various newspapers and the boards of directors to whom the editors are responsible. Editorial freedom in these matters is reflected also in the statement of responsibilities of the editors (Appendix 3.1).

Competition

3.4 The newspapers covered by the reference are published in widely different areas, so that most of them are not competing with each other. There is some overlap between the main Birmingham and Coventry newspapers, and small numbers of each are sold in the other's circulation areas. Mr Iliffe told us that it is for each board to decide how to compete with other newspapers, including other Iliffe newspapers.

The reasons for the transfer

3.5 Mr Iliffe told us that he and his co-trustees regarded the technical difference of ownership and control between the BPM newspapers and the Coventry newspapers as inconvenient. It might make difficult any reorganisation of the structure of the family companies or any movement of assets between them. While no such change was at present under consideration, the proposed transfer was immediately desirable for a particular financial reason.

3.6 This reason concerned the treatment of tax relief for trading losses. The companies had been advised that, under section 29 of the Finance Act 1973, there was a restriction on surrender between them of such relief, because for this purpose the companies owning the BPM newspapers could not be regarded as being under the same control as the companies owning the Coventry newspapers; that restriction would no longer apply if the proposed transfer were to take place. This could improve the financial strength of the business as a whole, and so improve the prospects of the newspapers and better safeguard employment which at present, for both series of newspapers together, stands at 2,634 (including part-time employees). At Appendix 3.2 is a summary of the recent financial performance of BPM Holdings and Coventry.

3.7 A particular consideration in dealing with the trading losses of the total newspaper business was that YIT would carry a considerable burden of interest payments arising from the recent purchase of shares in BPM Holdings by Yattendon Holdings PLC; the debt interest will ultimately fall on YIT. If as a result of this YIT sustained losses, the transfer would allow those losses to be set for tax purposes against profits made by BPM Holdings and its subsidiaries, and not only, as at present, against profits made by the Coventry newspaper business.

Changes which would occur as a result of the transfer

3.8 Mr Iliffe assured us that, apart from the potential benefit mentioned in the preceding paragraphs, the change of ownership was purely technical and would leave the practical control and management of the newspapers entirely unchanged. The other two trustees confirmed that the way in which they carried out their responsibilities would not be affected by the transfer.