

## Fleet Holdings PLC

4.1. The following paragraphs 4.2 to 4.6 describing the history of Express Newspapers are based on material from the relevant paragraphs of Chapter 4 of our report, published in 1981, on the proposed transfer of newspapers owned by South Wales Argus (Holdings) Ltd to Express Newspapers Ltd.

4.2. Sir Max Aitken (later Lord Beaverbrook) acquired an interest in the *Daily Express* soon after its foundation in 1900, and in 1916 bought the newspaper outright. He founded the *Sunday Express* in 1919. During the 1920s he purchased the London *Evening Standard* and extended the printing of the *Daily* and *Sunday Express* to plants in Manchester and Glasgow. In 1974 the Glasgow printing plant was sold, as was a Glasgow evening paper, the *Glasgow Evening Citizen*, and the printing of the Scottish *Daily* and *Sunday Express* was transferred to Manchester. In 1977 Trafalgar House Ltd – now Trafalgar House Public Limited Company (Trafalgar) – purchased Beaverbrook Newspapers Ltd, subsequently renamed Express Newspapers Ltd (now Express Newspapers PLC).

4.3. Trafalgar is a holding company, subsidiaries of which are concerned with a wide range of activities including property investment, development and management, housebuilding, general contracting, civil engineering, cargo and passenger shipping, the operation of hotels and until 1982 the publication of newspapers and magazines. Trafalgar's principal publishing subsidiaries were Express Newspapers, Fleet Financial Publishing Ltd and Morgan Grampian which published in the United Kingdom a wide range of business and specialist consumer magazines.

4.4. Following its acquisition by Trafalgar, Express Newspapers was able to expand its activities and range of titles in order to make full use of its printing capacity and manpower. In 1978 the company launched the *Daily Star* and in 1981 the *Sunday Express* colour magazine. In 1980 *The Standard* (now called the *London Standard*), then owned by Express Newspapers, replaced the old *Evening Standard* and the *Evening News*; Associated Newspapers Group, which had owned and published the *Evening News*, acquired a 50 per cent shareholding in *The Standard*. In order to achieve the expansion in printing capacity needed Express Newspapers acquired or modified presses, it extended its Manchester building and constructed a new printing hall there, it installed a new press line in Fleet Street, it integrated the printing of *The Standard* with its other Fleet Street printing and spent substantial amounts on new technology, including facsimile transmission between Manchester and London. The number of people employed by Express Newspapers (including those working on *The Standard*) increased by 18 per cent, from 6,910 in 1979 to 8,150 in June 1981.

4.5. In 1967 Express Newspapers acquired the *Falmouth Packet* series of newspapers initially as a training ground for journalists needed on its national newspapers. In 1970 the company acquired three titles in Devon, *The Mid-Devon Advertiser*, the *Teignmouth and Dawlish Advertiser* and the *Totnes Times and Western Guardian*. Express Newspapers believed that this series would fit in with the *Falmouth Packet* series, but joint management of the two groups proved unworkable and the Devon titles were sold to the Mirror Group in 1976. Express Newspapers acquired another weekly, the *Cornwall Courier*, for which it already had a printing contract, in 1980. The *Courier* had been losing money, but the company considered it would be a commercial proposition given better advertising management and stronger financial backing.

4.6. Express Newspapers recognised that in 1981 its own experience in newspaper publishing was almost entirely limited to national newspapers and that the publication of provincial newspapers required a different approach and different skills; Express Newspapers recognised that it must be left to local men who had the local responsibility. In particular the editors of provincial newspapers needed to be free to follow the policy that, in their judgement and from their knowledge of the local community, was most likely to lead to success. Any sort of direction from outside would almost certainly produce confusion and failure.

4.7. In 1981 Express Newspapers acquired South Wales Argus (Holdings) Ltd which published one daily evening provincial newspaper, the *South Wales Argus*, together with the *Weekly Argus* and *The News*, circulating in parts of South Wales; their total circulation at the time was about 83,000.

4.8. In February 1982 the share capital of Express Newspapers and of Morgan Grampian was acquired from Trafalgar by Fleet Holdings PLC (Fleet). The consideration was an issue of Fleet's shares which were then distributed by Trafalgar to its shareholders under the demerger provisions. The effect of the demerger was that the activities of Fleet became entirely separated from those of Trafalgar. Fleet took over all the interests which Trafalgar had in newspapers and magazines, with the exception of the *London Standard* which Fleet did not acquire because it told us that consent could not be obtained from Associated Newspapers. At present the *London Standard* is partly in the ownership of Trafalgar and partly in the ownership of Associated Newspapers, though it has continued to be printed under contract with Express Newspapers on its Fleet Street presses, and the pension funds for the employees of Express Newspapers also cover those of the *London Standard*. Lord Matthews, Chairman of Fleet, is also now executive Deputy Chairman of Trafalgar and Chairman of the Evening Standard Company Limited, the owner of the *London Standard*.

4.9 At present Fleet publishes five national titles: the *Daily Express*, the *Scottish Daily Express*, the *Daily Star*, the *Sunday Express*, and the *Scottish Sunday Express* (including the *Sunday Express* colour magazine). These papers are published in London and Manchester, with the Scottish editions, like those for the North of England, published in Manchester. Just under 61 per

cent of the copies of the *Daily Express* are printed in London, and just over 39 per cent are printed in Manchester. The figures for the *Sunday Express* are 63 per cent published in London and 37 per cent in Manchester. The pattern is different for the *Daily Star*. Thirty-five per cent of the copies are published in London and 65 per cent are printed in Manchester.

4.10. Fleet is the second largest publisher of national daily newspapers in the United Kingdom, and, if national Sunday papers are taken into account, the third largest. In 1980 the circulation of the *Daily Express* accounted for 17.5 per cent of the circulation of popular newspapers, and in 1984 this figure was 15.3 per cent; but as a percentage of the popular newspapers the circulation of the *Daily Star* has increased from 8.2 per cent in 1980 to 12.5 per cent in 1984. The share of the popular newspaper circulation held by the *Daily Express* and the *Daily Star* together has risen from 25.7 per cent in 1980 to nearly 28 per cent in 1984.

4.11. In addition to its national titles, Fleet publishes two provincial evening newspapers, one in South Wales acquired in 1981 and one in Greenock acquired during the course of this inquiry. It publishes nine provincial weekly newspapers and three free newspapers circulating in South Wales, Cornwall and parts of Devon. It also has, under its Morgan Grampian subsidiary, eleven free newspapers which circulate in North London, Cambridge, Ely and Huntingdon. The purchase of two more free newspapers – the *Wirral Globe* and the *Caerphilly Campaign* – is currently being negotiated.

4.12. A list of the newspapers which Fleet publishes and their circulations is at Appendix 4.1. The combined circulation of Fleet's five national newspapers is 5,977,000, while the combined circulation of its provincial newspapers is 138,072 plus approximately 600,000 free newspapers.

4.13. Fleet at present employs some 6,300 on its national titles and some 660 on its provincial newspapers.

### **Free newspapers**

4.14. As will be seen from Appendix 4.1, Fleet, in common with many other newspaper publishers, publishes free newspapers; and, taking into account the proposed acquisition of the *Wirral Globe* and *Caerphilly Campaign*, the total distribution will be in excess of 800,000 copies a week. A small number of these free newspapers (ie those in Cornwall) appear in the same circulation areas as Fleet's provincial paid-for newspapers, and are published primarily to defend those newspapers from competition against the free newspapers of other publishers.

4.15. Fleet told us that its particular skills in promoting the controlled circulation of magazines have proved useful in selecting suitable areas for circulating free newspapers. (Controlled circulation is the circulation of free material, often magazines, to specifically defined individuals who have been selected as a result of demographic study and product research in defined markets.) Fleet's policy for free newspapers is to select areas of the country

where the population density is likely to support free newspapers, and from which it is likely that the circulations could spread in time into neighbouring areas.

### **Fleet's other activities**

4.16. The Board of Fleet has set itself the task to consolidate Fleet's newspaper operations, and then to develop them, and to expand into related media activities and other suitable areas. The demerger document in 1982 stated: 'Although the Directors believe that Fleet will remain primarily in newspaper and magazine publishing, they will examine possibilities for diversification'.

4.17. This diversification has been made possible by Fleet's improved financial position. Its trading profits (before taxation, interest and income from fixed asset investment) improved from £10.1 million in the year to 30 June 1983 to £17.1 million in the year to 30 June 1984. Fleet's trading profits of £5.8 million in the six months to 31 December 1983 increased to £8.4 million in the six months to 31 December 1984. Fleet's interests, apart from newspapers, and its growth in other media, are described in the following paragraphs.

### **Magazines and periodicals**

4.18. Fleet's magazine interests are managed by its subsidiary Morgan Grampian PLC. Morgan Grampian was founded in 1929 by the merger of two private companies, Morgan Brothers (Publishers) Limited and the Engineer Limited which published the *Engineer*, a leading weekly engineering magazine with a title founded in 1856. Morgan Grampian grew by mergers with Grampian Press Limited in 1967 and with Product Journals Limited in 1969. In 1978 Morgan Grampian was acquired by Trafalgar, and, as we mentioned in paragraph 4.8, it was acquired in 1982 by Fleet as part of the demerger.

4.19. Since 1969 there has been considerable growth in the magazine field. Morgan Grampian has both launched new titles (eg *Building Design*, *Electronics Times*, *Estates Times*) and acquired existing titles (eg the two medical titles *Pulse* and *The Practitioner*, *Daltons Weekly*). A list of the magazines at present published by Morgan Grampian is at Appendix 4.2. Turnover from magazines in 1983-84 was £68.2 million.

### **Television and radio**

4.20. Late in 1983 Fleet bought an interest (increased in 1984 and now 31 per cent) in TV-am which Fleet told us was incurring substantial losses at the time, but which is now trading profitably. Fleet told us that it was in fact invited to invest in the company, and agreed to take a leading part in the arrangements which led to its recovery. Fleet provides two directors, Lord Matthews and Mr Irvine, who is Chairman of TV-am's executive committee. Its news board is, however, entirely independent. Fleet told us that though it participated in the shaping of TV-am's programme strategy, it did not seek to

influence the content of individual television programmes. The investment was useful because it provided revenue when advertising turned away from newspapers to television, and so provided Fleet with more than one source of advertising revenue which it saw as a fixed amount revolving in different media.

4.21. Fleet also has an interest in the HTV group (Harlech Television) (2.3 per cent of the voting shares), but it described this as small and passive. In local radio Fleet has a 6.4 per cent interest in Capital Radio, and a director again in the person of Mr Irvine, but it described its influence as relatively small. It has a 6.3 per cent interest in Clyde Radio, and a 0.29 per cent interest in the voting shares of Cardiff Broadcasting Company Limited, but Fleet told us that in neither case does it have a director or play any active role.

### **Other interests in the United Kingdom**

4.22. In June 1984 Reuters was floated publicly. Fleet told us that it played a significant part in this operation. At present it holds 8.79 per cent of Reuters 'A' shares and 8.74 per cent of Reuters 'B' shares. We were told that there is an orderly marketing agreement between the principal shareholders in Reuters which provides for their holdings not to be sold without the agreement of the other principal shareholders before 1 January 1986, and for any sales after that date to be the subject of consultation. The 'A' shares are not freely marketable: they are subject to pre-emption rights, but after 14 May 1987 they may, subject to certain consents, be converted indirectly to 'B' shares on a one-for-one basis. Fleet told us that, based on a market value on 11 July 1985, its direct investment in Reuters was valued at approximately £104 million.

4.23. Fleet has also extended its business activities into films. It joined with Industrial and Commercial Finance Corporation Limited to establish and finance a company, Britannic Film and Television Limited, to undertake the production of low budget feature films, mainly for television. Fleet also collaborated with Goldcrest Films and Television Limited in the production of a television series and a feature film.

4.24. Fleet also has an investment in the Press Association Limited: 420 'A' shares, representing some 5.27 per cent of the Association's total shares.

4.25. Fleet told us that it intended to develop further its range of media interests both by organic growth and by acquisition where suitable opportunities arose. It considered its management skills well suited to this purpose. Fleet also told us that it had the ability and wish to develop into other areas of activity in order to provide a better balance of activity and to reduce reliance on advertising.

### **Fleet's interests in the United States**

4.26. As will be seen from Appendix 4.2, Morgan Grampian has interests in the United States in the circulation of three technical magazines.

## **Organisation and management structure**

4.27. Fleet Holdings PLC acts as the holding company of the group. Lord Matthews is the Executive Chairman of the Board. The Managing Director is Mr I A N Irvine who joined Fleet's Board after a period as a senior partner of Touche Ross and Co. Fleet's Board also includes the Managing Director of Express Newspapers, the Chairman and Chief Executive of Morgan Grampian, the editor of the *Sunday Express*, the Company Secretary, and, in a part-time non-executive capacity, Sir David McNee, former Commissioner of the Metropolitan Police.

4.28. Under its main Board, Fleet is organised into the following five divisions:

- national and regional newspapers (Express Newspapers PLC);
- magazines and free newspapers (Morgan Grampian PLC);
- property (Ludgate Properties Ltd);
- investments (Fleet Group Investments Ltd); and
- other media interests (TV-am Ltd, Britannic Film and Television Ltd).

4.29: There are special lines of communication that apply in the case of Fleet's national newspaper business. The editors of the three national newspaper titles (*Daily Express*, *Daily Star* and *Sunday Express*) are directly responsible to the Chairman, Lord Matthews, on matters of editorial policy. The editors have direct access to the Chairman at all times or, if he is not immediately available, to the Managing Director, Mr Irvine. In addition, the Managing Director of Express Newspapers has a direct reporting relationship to the Chairman on matters affecting the special characteristics of the national newspapers and the frequent need for urgent decisions on matters affecting the national press.

4.30. Fleet told us it had 21,340 shareholders, of which 78, with holdings in excess of 100,000 shares each, are holders of 77 per cent of the total in issue. It also said it was the only British national newspaper proprietor with a widely held public shareholding.

## **Editorial policy**

4.31. Fleet told us that its national titles were known for a certain tone and philosophy, and every editor when he joined the group had a direct responsibility to the Chairman for the operation of his paper, the political views of which would be known to him before his appointment. Lord Matthews told us that, apart from the occasional rare instance, he did not intervene with the editors. He gave us as an example a case where he intervened to insist that an editor, having criticised an action, should give a right of reply to the person concerned.

## **Implementation of new technology**

4.32. Fleet told us that Fleet's printing works were the most modern in Fleet Street, but still operated on the traditional system of 'hot metal'. It had reached agreement with the unions for the introduction of the computer-

assisted system known as photocomposition in Manchester, but its introduction in London was likely to take time. In fact Fleet had ordered computerised composing systems for installation and operation in the autumn in Manchester and (if this could be negotiated with the unions) in London. Fleet told us that it now operated photocomposition in its provincial newspapers, and over the last 18 months had further updated existing equipment.

4.33. Fleet told us that since the Express newspapers had been taken over by Trafalgar in 1977, and more particularly since 1982 when they had been owned by Fleet, their prospects, and the morale of the employees who worked on them, had greatly improved. In Fleet's view this was the proof of an efficient and well-managed company. Lord Matthews told us that the finances of Fleet had now been put on a firm footing (see paragraphs 4.17 and 4.34), and the company was able now to expand its base. He told us that it saw the need to make provision for funds which might be needed to cover the cost of redundancies that might be negotiated, arising mainly from the introduction of new technology.

### **Financial results**

4.34. Fleet's trading profit increased from over £10 million in the year to 30 June 1983 to over £17 million in the year to 30 June 1984. Over half of its trading profit came from its Morgan Grampian magazines, though the figure of 57 per cent in the year 1982-83 fell to 53 per cent in the year 1983-84. On the other hand while 28 per cent of profits came from national newspapers in 1982-83, 37 per cent did so in 1983-84. During the six months to 31 December 1984, only 35 per cent of profits came from magazines and 52 per cent from national newspapers. An analysis of Fleet's turnover and trading profit for the two years to 30 June 1984 and the two half years to 31 December 1984 is at Appendix 4.3.