

2 The local newspaper background

2.1. The reference of the proposed transfer by Courier to EMAP lists 18 provincial newspapers comprising one paid-for morning newspaper, one paid-for evening newspaper, 11 paid-for weekly newspapers and five weekly newspapers for free distribution. Courier also publishes two weekly advertising free sheets which are not included in the reference.

2.2. EMAP publishes three paid-for evening newspapers, 18 paid-for weekly newspapers and 14 weekly newspapers for free distribution. The areas in which each company's newspapers circulate are shown in Appendix 2. Circulation is principally in towns and surrounding villages and not in major cities such as Birmingham or Coventry.

Local newspapers in the United Kingdom

2.3. The last detailed investigation into the concentration of ownership in the provincial press was carried out by the 1974–1977 Royal Commission on the Press.¹ In our most recent reports on inquiries into the transfer of ownership of newspapers we have where appropriate drawn on information provided by the Press Council to describe trends in the concentration of the provincial press since the Royal Commission's report. The latest year for which information on number of titles, circulation and ownership of provincial newspapers is available is 1985.

Provincial morning newspapers

2.4. We noted in our 1985 report on United Newspapers and Fleet Holdings² that the circulation of provincial morning newspapers rose in the late 1970s but subsequently fell over the next few years. There were small increases in circulation in 1984 and 1985 but in 1985 the total number of copies of provincial morning newspapers circulating in the United Kingdom was still lower than in 1981 (Table 2.1). The number of titles has remained more or less constant since 1973. So far as we are aware, no new provincial morning newspaper has been launched for the last ten years.

2.5. Courier owns one provincial morning newspaper. EMAP does not own any provincial morning newspapers. The transfer of Courier titles to EMAP would therefore have no effect on the concentration of ownership of provincial morning newspapers.

Provincial evening newspapers

2.6. The circulation of provincial evening newspapers fell during the 1970s and continued to decline to 1985 when the first small increase for many years was recorded (Table 2.2). Between 1981 and the end of 1985 nine provincial evening newspapers closed or merged or were subsumed under another title. No new evening newspapers were launched.

2.7. The Royal Commission on the Press reported an increase in the concentration of ownership of provincial evening newspapers between 1961 and 1974 when the share of circulation accounted for by the five largest owners of provincial evening newspapers rose from 54 per cent to 58 per cent and the share of circulation accounted for by the ten largest owners rose from 75 per cent to 81 per cent. There is little evidence of any strong trend towards increased concentration in more recent years. Table 2.2 shows the ownership of provincial

¹Royal Commission on the Press. Final Report, 1977. Cmnd 6810.

²United Newspapers PLC and Fleet Holdings PLC. Cmnd 9610.

TABLE 2.1 Owners of paid-for provincial morning newspapers in 1981 to 1985

	1981		1982		1983		1984		1985	
	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000
<i>England and Wales</i>										
International Thomson Organisation PLC	2	155	2	147	2	145	2	142	2	145
Eastern Counties Newspapers Group PLC	2	134	2	130	2	129	2	133	2	137
United Newspapers PLC	2	127	2	122	2	120	2	117	2	118
Pearson PLC	1	94	1	92	1	90	1	86	1	86
Trinity International Holdings PLC	1	73	1	76	1	70	1	70	1	74
Bristol Evening Post PLC	1	71	1	66	1	63	1	64	1	70
Associated Newspapers Holdings PLC	1	58	1	60	1	59	1	57	1	57
Yattendon Investment Trust Ltd	1	36	1	37	1	34	1	32	1	29
Courier Press (Holdings) Ltd	1	11	1	10	1	11	1	11	1	11
<i>Scotland and Northern Ireland</i>										
Pergamon Press Ltd	1	736	1	736	1	743	1	766	1	762
International Thomson Organisation PLC	2	202	2	200	2	202	2	205	2	207
D C Thomson & Co Ltd	1	132	1	130	1	129	1	128	1	128
Lonrho PLC	1	110	1	110	1	112	1	112	1	117
Century Newspapers Ltd	1	52	1	46	1	52	1	45	1	43
Irish News Ltd	1	43	1	41	1	42	1	42	1	43
Total	19	2,034	19	2,003	19	2,001	19	2,010	19	2,027

Source: The Press Council

TABLE 2.2 The ten largest owners of paid-for provincial evening newspapers in 1985 and EMAP and Courier: circulation and number of titles, 1981 to 1985

	1981		1982		1983		1984		1985	
	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000
Associated Newspapers Holdings Ltd	14	844	13	818	13	821	13	817	13	813
International Thomson Organisation PLC	10	873	10	842	8	761	8	761	8	762
United Newspapers PLC	7	521	7	474	6	477	5	459	7	533
Pearson PLC	11	506	10	461	10	458	10	456	10	454
Yattendon Investment Trust Ltd	5	447	3	288	4	297	6	434	4	418
Claverley Company	2	326	2	325	2	328	2	331	2	330
The Guardian and Manchester Evening News PLC	1	313	1	301	1	296	1	302	1	312
Trinity International Holdings PLC	1	226	1	204	1	201	1	205	1	209
Lonrho PLC	2	203	2	187	2	189	2	180	2	194
Portsmouth and Sunderland Newspapers PLC	3	206	3	200	3	201	3	194	3	191
Total	56	4,465	52	4,100	50	4,029	51	4,139	51	4,216
EMAP PLC	2	72	2	70	2	71	2	73	2	74
Courier Press (Holdings) Ltd	2	27	2	26	2	25	2	25	2	24
Others	23	1,072	25	1,149	24	1,126	22	982	19	908
Total	83	5,636	81	5,345	78	5,251	77	5,219	74	5,222

Source: The Press Council.

evening newspapers in the years 1981 to 1985 by the ten largest publishers of provincial evening newspapers in 1985. The five largest publishers of newspapers in 1985 accounted for 57 per cent of circulation and the ten largest for 81 per cent of circulation. The figures for 1981 are 57 per cent and 79 per cent respectively.

2.8. EMAP and Courier both publish provincial evening newspapers (Table 2.2). In 1985 EMAP was the 16th largest publisher of provincial evening newspapers and Courier equal 23rd (out of 26). Combining the circulations of EMAP's and Courier's newspapers in 1985 would have made an EMAP/Courier group the 15th largest publisher of provincial evening newspapers. The effect of the transfer on the national concentration of ownership of provincial evening newspapers would be negligible.¹

Paid-for weekly and bi-weekly newspapers

2.9. In our report on United Newspapers and Fleet Holdings we noted an overall decline in the circulation of paid-for weekly and bi-weekly newspapers which had continued since the early 1970s but which had been particularly marked after 1980. Table 2.3 shows that between 1981 and 1985 the total circulation of paid-for weekly and bi-weekly newspapers fell by over 20 per cent. In 1985 there were some 160 fewer titles than in 1981.

2.10. The Royal Commission on the Press gave the market share of the five largest owners of weekly and bi-weekly newspapers as 13 per cent in 1961 and 25 per cent in 1974. The figures for the ten largest owners were 18 per cent and 36 per cent respectively. Table 2.3 shows for the years 1981 to 1985 the ownership of weekly and bi-weekly paid-for newspapers by the ten largest owners of these newspapers in 1985. Between 1981 and 1985 there was some further concentration of ownership. The largest five undertakings accounted for 29 per cent of total circulation in 1981 and for 30 per cent in 1985; the largest ten undertakings accounted for 41 per cent of total circulation in 1981 and for 46 per cent of total circulation in 1985.

2.11. In 1985 EMAP was the 11th largest owner of paid-for weekly and bi-weekly newspapers and Courier equal 14th. On the basis of 1985 circulation figures and ownership the transfer of Courier titles to EMAP would make EMAP the third largest owner of weekly and bi-weekly paid-for newspapers with a 4 per cent share of the market compared to D C Thomson's 10 per cent and Pearson's 8 per cent share. (These figures include a provincial weekly newspaper, D C Thomson's Weekly News, printed simultaneously in Dundee, Aberdeen and Manchester for wide distribution in the North of England and South of Scotland. This paper seems clearly distinct in production and circulation from the purely local newspapers with which this inquiry is concerned. Were it to be excluded from these figures, D C Thomson's market share would fall to around 2 per cent making EMAP/Courier the second largest owner of weekly and bi-weekly local newspapers.) The market share of the five largest owners (including D C Thomson) would rise to nearly 31 per cent and the market share of the ten largest owners to 47 per cent. In 1986 EMAP increased its circulation of weekly and bi-weekly paid-for newspapers by acquiring the titles of Scarborough and District Newspapers and of Bedford County Press; the combined circulation of EMAP and Courier for such newspapers rose to 445,000.

Free newspapers

2.12. We have commented in previous reports on the growth in the number and circulation of free newspapers since the mid-1970s and the establishment of these newspapers as an advertising medium and as a vehicle for local news and opinion. The growth in competition between free and paid-for local newspapers for advertising is illustrated by figures provided by the Advertising Association which show that free newspapers attracted 26 per cent of total expenditure on regional newspaper advertising in 1985 compared with 5 per cent in 1973 and 7 per cent in 1977. Although the editorial content of free newspapers remains variable it was again brought to our attention that there is an incentive to publishers to include

¹ In 1986 EMAP acquired a third provincial evening newspaper but this had a circulation in 1985 of less than 20,000.

TABLE 2.3 The ten largest owners of paid-for weekly and bi-weekly newspapers in 1985 and EMAP and Courier: circulation and number of titles, 1981 to 1985

	1981		1982		1983		1984		1985	
	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000	Number of titles	Aggregate circulation '000
D C Thomson & Co Ltd	3	1,142	3	1,079	3	1,044	3	993	3	931
Pearson PLC	103	1,109	95	1,016	92	925	84	761	82	757
Reed International PLC	43	346	41	366	26	350	32	373	34	355
F Johnston & Co Ltd	30	354	27	337	27	333	20	274	26	352
United Newspapers PLC	40	325	40	297	46	298	41	265	47	347
British Electric Traction Co PLC	17	139	47	336	44	304	44	309	44	334
Associated Newspapers Holdings PLC	32	349	32	332	33	374	33	379	23	318
The Guardian and Manchester Evening News PLC	34	233	32	207	32	205	28	201	31	256
Lonrho PLC	22	302	17	233	18	231	18	247	18	255
International Thomson Organisation PLC	36	346	36	291	26	217	26	210	31	241
Total	360	4,645	370	4,494	347	4,281	329	4,012	339	4,146
EMAP PLC	10	187	10	182	10	170	12	179	12	219
Courier Press (Holdings) Ltd	12	109	12	141	12	148	12	148	12	148
Others	621	6,557	547	5,625	521	5,570	515	4,798	476	4,510
Total	1,003	11,498	939	10,442	890	10,169	868	9,137	839	9,023

Source: The Press Council.

news items of interest to local readers. Advertisers must be convinced that free newspapers are read by their target audiences; they will not buy space on the strength of distribution figures alone.

2.13. Estimates of the total number of separate titles and the total circulation of free newspapers in the United Kingdom vary. The Press Council estimates that in 1985 there were about 730 separate titles with a combined circulation of 33.5 million; the Association of Free Newspapers put the number of titles at over 800 and total circulation at 35.5 million. All but a very few free newspapers are weekly or bi-weekly. About 70 per cent of free newspapers are published by companies which also publish paid-for newspapers. Table 2.4 shows the number of titles and the circulation of those owners of free newspapers with an aggregate circulation of more than 500,000 in 1985 together with EMAP's and Courier's free newspapers.

TABLE 2.4 Owners of free newspapers with an aggregate circulation of over 500,000 in 1985, EMAP and Courier

	<i>Number of titles</i>	<i>Total circulation '000</i>
Reed International PLC*	59	3,001
Pearson PLC	59	2,695
United Newspapers PLC	36	1,878
International Thomson Organisation PLC	35	1,743
Yellow Advertiser Newspaper Group Ltd†	‡	1,456
The Guardian & Manchester Evening News PLC	31	1,338
The British Electric Traction Co PLC	25	1,135
Associated Newspapers Holdings PLC	22	1,047
Trader Group Newspapers†	‡	810
Eastern Counties Newspapers Group Ltd	51	780
Southern Newspapers PLC	15	762
Yattendon Investment Trust Ltd	24	686
F Johnston & Co Ltd	15	587
Portsmouth & Sunderland Newspapers PLC	9	530
Billington & Wright Ltd†	‡	506
Claverley Company	12	501
EMAP PLC	9	310
Courier Press (Holdings) Ltd	6	252
Others	‡	13,500-15,500‡
Total	730-800‡	33,500-35,500‡

Source: The Press Council and industry estimates.

* Includes the Daily News, a free daily newspaper from Birmingham.

† Publishes free newspapers only.

‡ Exact figures not available.

2.14. In 1985 EMAP published nine free newspapers with a total circulation of 310,000 and Courier six free newspapers with a total circulation of 252,000. The combined 1985 circulation of EMAP and Courier free newspapers would have made EMAP the 14th largest publisher of free newspapers in that year. In 1986, the acquisition of three free newspapers by EMAP and the conversion of one of Courier's paid-for weekly newspapers to a free newspaper increased the combined circulation of their free newspapers to 802,000.

Areas affected by the merger

2.15. The circulation areas of the newspapers owned by Courier and EMAP are shown in the map at Appendix 2. The only area in which the two companies have newspapers in direct competition is the town of Lutterworth where Courier's Rugby Advertiser group of newspapers¹ and EMAP's Market Harborough Mail both circulate. The Advertiser and the Mail together sell about 1,300 copies per week in this town, covering around 25 per cent of households. (See paragraph 5.13.)

2.16. EMAP provided an analysis (see Table 2.5) of circulation of Courier and EMAP newspapers in East Anglia and the East and South Midlands, described by EMAP as 'the central area'. This area is shown in the map at Appendix 2. The most significant change which would result from the merger would be a joint share of 31 per cent of sales of weekly paid-for newspapers.

¹ Midweek Advertiser, Rugby Advertiser and Rugby Review.

TABLE 2.5 Sales of provincial newspapers in East Anglia, East and South Midlands (central area) 1985

	<i>Morning daily</i>	<i>Evening daily</i>	<i>Weekly paid-for</i>	<i>Total paid-for</i>	<i>Free</i>	<i>Total</i>
Area circulation ('000)	143	721	1,046	1,910	6,010	7,920
Number of newspaper owners operating in the area	2	9	24		39	
EMAP area circulation ('000)	0	76	256	332	627	959
EMAP area % share	0	10.5	24.5	17.4	10.4	12.1
EMAP rank	—	5th	1st	—	2nd	—
Courier area circulation ('000)	11	14	68	93	165	258
Courier area % share	7.7	1.9	6.5	4.9	2.7	3.3
Courier rank	2nd	9th	5th	—	15th	—
EMAP + Courier area circulation ('000)	11	90	324	425	792	1,217
EMAP + Courier area % share	7.7	12.4	31.0	22.3	13.1	15.4
EMAP + Courier rank	2nd	5th	1st	—	1st	—

Source: EMAP.

2.17. We have noted that the region taken by EMAP as the basis for the analysis in Table 2.5 is more widely drawn than the Midlands and East Anglia circulation areas as shown at Appendix 2. On its periphery are areas such as Nottingham, Derby, Stratford-upon-Avon, Oxford, Southern Essex and the East Anglian coast where neither EMAP nor Courier newspapers circulate. We have also noted that even within EMAP's and Courier's Midlands and East Anglia circulation areas, there are major centres of population such as Northampton, Luton and Cambridge, where neither group has a newspaper. We have therefore also looked at the extent to which EMAP and Courier are major suppliers in more narrowly defined regions within the central area.

2.18. In Northamptonshire, for example, on the basis of figures supplied by EMAP and Courier, EMAP at present supplies about 30 per cent of the locally produced newspapers and Courier supplies about 1 per cent. EMAP's share of paid-for newspapers in the area is rather higher at 47 per cent and combined with Courier this share could rise to about 54 per cent.

2.19. In Warwickshire (excluding Coventry) Courier is a major supplier with a share of around 40 per cent of all types of local newspaper. EMAP newspapers do not circulate in this area.

New entries into the newspaper market

2.20. EMAP and Courier provided us with their estimates of the costs of setting up a new local newspaper. Both companies took the view that the new paid-for newspapers whether daily or weekly, were unlikely to be set up, none having been established in their main circulation areas in the last ten years. They therefore confined their estimates to the establishing of a new weekly newspaper for free distribution. EMAP's estimate was that a new free newspaper, printed and distributed by a contract newspaper printer, could be run by a full-time staff of 15 at an annual cost of £500,000 to £600,000, requiring working capital of at least £70,000. EMAP believed that anything from £130,000 to £500,000 might be necessary to cover initial losses, depending upon the degree of competition. Courier believed that the launch costs of a new free newspaper would be significantly less than those indicated by EMAP. It is our view that EMAP's estimates are high, even for a new free newspaper starting on its own without the support of an existing newspaper group, and that for an existing group the launch cost of a new free newspaper could be considerably less expensive.