

# 7 Conclusions

7.1. We are required by section 59(3) of the Fair Trading Act 1973 to report whether the transfer of the newspapers of Courier Press (Holdings) Ltd (Courier) to EMAP PLC (EMAP) may be expected to operate against the public interest taking into account all matters which appear in the circumstances to be relevant and in particular the need for accurate presentation of news and free expression of opinion.

## **Circumstances of the application for consent to the transfer of the newspapers**

7.2. We have been told by Courier that the proposed transfer of Courier titles to EMAP has arisen, largely, from the dissatisfaction of a number of its shareholders with the restrictive arrangements for the transfer of Courier's shares imposed by the company's Articles of Association. Because of these restrictions the shares have been difficult to sell and are considerably undervalued.

7.3. Courier further put it to us that, once the management of Courier learnt in November 1986 that a number of shareholders had decided to seek to realise a proportion of their shareholdings by arranging an offer for the shares, the Board decided that it would not be possible to maintain the independence of the company and that the interests of all shareholders would best be served by a sale of the company. We accept that, given the legitimate aspirations of Courier shareholders to obtain a market value for their shareholdings and the unlikelihood that these aspirations could be realised while trading in the shares is restricted to the present small circle of shareholders, Courier is faced with an urgent need to increase the marketability of its shares. Moreover members of the present Board of Courier are approaching retirement age. In these circumstances we see the force of the logic which led Courier's directors to the conclusion that they had no effective alternative but to seek new owners for the company who could provide continuity of direction and offer shareholders an amount reflecting the underlying value of the company.

7.4. We are satisfied therefore that the present Board of Courier is in a position where it has little alternative but to seek a buyer for the company. Should the present proposal fall, Courier is likely to seek another purchaser.

## **The offer from EMAP**

7.5. EMAP has told us that its offer for Courier was essentially reactive, taking advantage of a position which had unexpectedly arisen, rather than being part of any precisely formulated development plan. None the less, EMAP has confirmed that, given the opportunity, it is particularly keen to expand by acquiring further newspapers operating in areas contiguous with its main areas of circulation. It is thus not surprising to find that, according to Courier, EMAP's bid for Courier was the most satisfactory.

7.6. It is of course entirely proper for the directors of Courier to seek to realise for their shareholders the highest available price for their shares. The question which we must therefore address is: given the likelihood that Courier will not continue as an independent company, would the public interest be adversely affected by the particular proposals in front of us?

## **The proposed merger**

### **Effect on efficiency and employment**

7.7. EMAP has put it to us that it is likely that a combined EMAP/Courier group would be able to achieve improved efficiency in production scheduling and might be able to increase the efficiency of its marketing. But the main theme of

EMAP's evidence is that it regards Courier as an efficient company and no major changes in its management or operational methods are envisaged as a result of the merger.

7.8. As to employment within a combined EMAP/Courier, both EMAP and Courier have told us that EMAP has pledged its commitment to the separate development of each newspaper title and, for the foreseeable future at least, to continue the separate management of the EMAP and Courier groups. We have received confirmation from a number of third parties that EMAP is indeed committed to the devolution of responsibilities to local production managers and editors.

7.9. We accept that EMAP would continue its policy of devolving editorial and management decisions to the local level but expect that in the longer term the EMAP management would make structural changes to improve overall efficiency. The central marketing of some advertising may bring advantages to a combined group.

7.10. We have no reason to believe that the proposed merger would lead either to substantial redundancies or to large scale redeployment of labour within a combined group. Indeed, EMAP and Courier have both put it to us that, by increasing the career opportunities within a single group, a merger may bring benefits to employees. While such benefits are by their nature unquantifiable, we acknowledge that they might well arise and we note in this context that those chapels of the NUJ which have given us written evidence have welcomed the proposed merger.

7.11. We conclude that the merger would not be likely to result in adverse effects on employment and would be likely to provide opportunities for improving the efficiency of the combined group.

**Competition between newspapers**

7.12. There is one small area of the East Midlands in which three newspapers of the Courier group and one of the EMAP group overlap. This single case apart, Courier and EMAP have told us that their titles circulate in geographically distinct areas and that EMAP and Courier titles cannot be regarded as being in direct competition. We accept that this is the case.

7.13. The single exception is the Lutterworth area of Leicestershire. The area of overlap of the four newspapers is, however, only a small part of their main areas of circulation and none of them is primarily intended to serve Lutterworth. Courier's Midweek Advertiser, Rugby Advertiser and Rugby Review are targetted principally upon Rugby, while EMAP's Market Harborough Mail serves principally the Market Harborough area. EMAP has told us, and we accept, that the Rugby and Market Harborough newspapers are not in competition in their main areas of circulation and that it intends to continue to publish all four titles, which will remain in direct competition in the Lutterworth area. On this basis we conclude that the proposed merger would not result in any direct reduction in competition between paid-for or free newspapers.

**Accurate presentation of news and free expression of opinion**

7.14. Both Courier and EMAP are committed to policies of editorial independence. The offer document issued by Laurence Prust & Co Ltd on behalf of EMAP contains, at section 9, a written confirmation of EMAP's continued commitment to such a policy.

7.15. EMAP explained that editorial freedom had always been the group's policy. Its editors were allowed a 'free hand in their respective areas and the only common policy was that they avoid anything obscene or vulgar, and in politics and religion should give a fair balance to everyone'. Editors are given the authority and responsibility for newspaper editorial without interference from EMAP management.

7.16. We have no reason to doubt EMAP's exposition of the extent of the editorial freedom within the EMAP group and this has not been contested by any third party. We are satisfied that EMAP would not as a result of a merger change its policy of allowing its editors a high degree of editorial independence.

## **Concentration of ownership**

7.17. In recent years, in considering cases involving the transfer of local newspapers (most recently in the report on United Newspapers and Fleet Holdings)<sup>1</sup> we have emphasised the following matters which we consider important in measuring increases in concentration:

- (a) owners of national newspapers becoming owners of, or increasing their ownership of, local newspapers;
- (b) increases in the national concentration of ownership of local newspapers by the largest owners of local newspapers (either in terms of total circulation or of titles owned); and
- (c) increases in the local concentration of ownership of local newspapers in a particular area.

7.18. Neither EMAP nor Courier owns a national newspaper so (a) above does not apply.

## **National concentration of ownership of local newspapers**

7.19. As to (b), the proposed merger would bring about a group which would be the second or third largest owner of weekly or bi-weekly paid-for newspapers in the United Kingdom by circulation. EMAP has, however, pointed out that a combined EMAP/Courier, despite its place in the national circulation table, would produce only around 5 per cent of the weekly paid-for newspapers in the United Kingdom, some 450,000 copies out of a total of nine million. The increase in market share from EMAP's present 3.4 per cent (310,000 copies) would be only 1.6 per cent. In the field of free newspapers a combined EMAP/Courier, with 19 titles and a combined circulation of around 800,000, would be only the 12th largest by circulation and tenth largest by titles owned. The proposed merger would have little effect on concentration of ownership of regional daily newspapers. We conclude that by any normal competition yardstick, the position of a merged group could not be considered dominant.

## **Local concentration of ownership of local newspapers**

7.20. As to (c) of paragraph 7.17, a large part of both EMAP's and Courier's newspaper businesses are in the Midlands and East Anglia regions of England particularly in market and small towns. We have therefore given particular attention to the effect of the proposed merger in these areas. Chapter 2 (paragraphs 2.15 to 2.19) provides a detailed analysis of the changes in concentration that would occur if the merger took place. The only significant changes relate to weekly paid-for and free newspapers. On the basis suggested by EMAP it would retain its premier position in weekly paid-for newspapers and increase its share of the circulation from 24.5 per cent to 31 per cent. For free newspapers the new group would move from second to first position in terms of concentration. The increase would be less than 3 per cent and the total share only 13 per cent.

7.21. As we explain in Chapter 2, the boundaries of the area used by EMAP for its estimates of concentration, in what is called 'the central area', have been rather widely drawn. On more narrowly drawn boundaries the levels of concentration would be higher, particularly in relation to weekly paid-for newspapers. For example, in Northamptonshire EMAP's share of the weekly paid-for newspapers is over 45 per cent and could rise to over 50 per cent after a merger.

7.22. EMAP acknowledged that a combined EMAP/Courier would clearly be the market leader for paid-for weekly newspapers in the Midlands and parts of East Anglia. But EMAP pointed out that the actual increase in local dominance as a result of the proposed merger would not be great. EMAP was not aware that its present market share had ever been held to represent an unreasonable dominance of the local market. It did not believe that the proposed merger materially altered the scale of its share of that market.

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<sup>1</sup> United Newspapers PLC and Fleet Holdings PLC. Cmnd 9610, August 1985.

7.23. EMAP also pointed out that the Midlands and East Anglia were areas with an unusually large number of competing local newspapers. Several of the large cities and towns, for example Leicester, Northampton, Birmingham, Oxford, Coventry and Burton, maintained morning or evening daily newspapers combining national and local coverage. Competing newspaper groups producing weekly newspapers operated, within or close to the area, in Leamington Spa, Kenilworth, Banbury, Oxford, Northampton, Rugby, Tamworth and Nuneaton. EMAP believed that in most parts of their areas of operation, EMAP's and Courier's readers benefited from a choice of local newspaper titles and that after the proposed merger EMAP/Courier would be in direct competition with other newspaper interests throughout the area. Market share statistics therefore produced, in EMAP's view, a misleading impression of a combined EMAP/Courier group's dominance in any one local market.

7.24. Nevertheless, the proposed merger would result in further concentration of ownership of local newspapers. We have to decide the effects on the public interest of this increased concentration. We have taken account of the changes that have been occurring in the competition that faces weekly paid-for newspapers and have related this to the concern expressed by successive Royal Commissions on the Press (most recently in July 1977)<sup>1</sup> about the effects of such concentration. We believe that since the publication of that report there have been significant changes in market conditions facing the traditional local paid-for newspapers, with increased competition from free newspapers, local radio and television. These changes include the switch from free advertising sheets to free newspapers with considerably increased news coverage and editorial matter. As a result of these changes competition from free newspapers has become much more effective, many new free newspapers have been set up and many paid-for, weekly and bi-weekly newspapers have lost circulation or gone out of business.

7.25. EMAP has shown that it can run local newspapers successfully and profitably and the company has an enthusiastic and effective management. We consider that in the long term the benefits of allowing EMAP to apply its management would help to maintain Courier's newspapers.

7.26. We conclude that no detriment to the public interest would be likely to arise from the increased concentration of ownership which would result from the merger.

**The shareholding in the  
Lincolnshire Standard  
Group**

7.27. We received comments on the proposed merger from the Managing Director of the Lincolnshire Standard Group (LSG). He told us that EMAP had in 1984 made a partial bid for shares in LSG and pointed out that EMAP and Courier both owned shares in his company and that a combined EMAP/Courier would hold about 12.28 per cent of the share capital of LSG. While not claiming that this shareholding would in any sense constitute a controlling interest or give EMAP any material influence over the management of LSG, LSG has put it to us that an EMAP shareholding of this size in a group in which EMAP is known to have sought to acquire a substantial stake could reduce the marketability of LSG's shares.

7.28. LSG's newspapers circulate in areas contiguous with and, to a small extent, overlapping those of EMAP. If EMAP were to acquire LSG there would be a further concentration of ownership which might have to be considered in the light of circumstances at the time of the acquisition.

7.29. EMAP, however, has told us that it now has no intention of making a further contested bid for LSG. Moreover, if at any time it became clear that EMAP's shareholding was blocking efforts by any third party to acquire LSG it would not remain as an unwanted owner of LSG's shares. In these circumstances we do not consider that a public interest issue arises.

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<sup>1</sup> Royal Commission on the Press. Final Report, 1977. Cmnd 6810.

## Conclusion

7.30. We conclude that the transfer of the newspapers of Courier Press (Holdings) Ltd to EMAP PLC may be expected not to operate against the public interest.

D G RICHARDS (*Chairman*)

C C Baillieu

M B Bunting

P K R Mann

D Churchill

M Kersen

S N Burbridge (*Secretary*)

6 March 1987