

4 The evidence of the main parties

Background to the transfer

4.1. P & N told us that while its weekly paid-for newspaper publishing business had not been unprofitable in recent years competition from other media, particularly the growth of free newspapers, had been eroding its market share of advertising and had depressed circulation. In these circumstances AKN was becoming increasingly vulnerable unless it was supported by other activities since, because of the nature of newspaper publishing in Kent, the chances of expansion by acquisition were remote; the only alternative was to launch new titles. In 1983 P & N launched free newspapers in Maidstone, Tunbridge Wells and Canterbury but after 18 months or so losses were still running at an unacceptably high level and all three were discontinued.

4.2. In these circumstances and because of the directors' desire to protect the long-term security of the shareholders of both families, it was then considered expedient to consider the disposal of the company's newspaper interests and in February 1988 the directors of P & N decided that the company should invite offers for its newspaper publishing interests. A number of companies were contacted, many of whom had expressed an interest in AKN in recent years. The companies were asked to bid for the titles referred to in Appendix 1, paragraph 7, together with the newspaper presses based at Sittingbourne and other assets owned by Kent Web Offset Ltd, another subsidiary of P & N.

The views of P & N

4.3. The directors and shareholders had in mind three overriding factors that would determine which would be the successful bidder. The best financial package was to be balanced with the bid offering most security for the present workforce and the prospect of continuing and developing the newspaper titles on offer.

4.4. P & N received a total of eight offers, three of which were at a level which met P & N's expectations and were considered in some detail. Two of these offers, one of which involved substantial redundancies, were declined on the basis that either one or two of P & N's criteria were not fully met. The EMAP offer was accepted, although it was not the highest offer, as it met the main considerations of the directors and those expressed by a consensus of P & N's shareholders.

4.5. In reaching this decision EMAP's past record was examined and the directors of P & N took the view that EMAP's policy of expansion and the creation of additional titles offered the most likely prospects for job security and the possibility of expansion. Moreover, EMAP's editorial policy in the conduct of its paid-for newspapers convinced the directors of P & N that AKN's editorial integrity would be maintained and the freedom given to AKN editors would be continued.

4.6. P & N's directors also took account of the prospect that the proposed acquisition would not reduce the choice of local newspapers in Kent and competition with other groups would be maintained and in some ways enhanced.

4.7. P & N told us that it was now to concentrate on its sheet-fed general printing and related activities as well as the development of its property portfolio and other investment interests.

4.8. EMAP told us that it believed its purchase of AKN would not affect the accurate presentation of news or free expression of opinion of either EMAP or AKN newspapers. It highlighted a number of factors on which it based that belief:

- (a) EMAP had a long tradition of giving freedom in editorial matters to its editors 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. If there was any change in this policy it was highly likely that the motivation and performance of its editors and journalists would decline.
- (b) EMAP believed that local newspapers which did not give balanced views soon came to alienate substantial portions of their potential readers, show a loss of circulation, trust and respect, and consequently of advertising revenue.
- (c) EMAP also expressed the view that the growth of those regional newspaper publishers who remained independent of the national newspaper scene should be encouraged. The trend towards an oligopoly market at the national level should be counter-balanced and safeguarded by the local press to ensure accurate neutral reporting.
- (d) EMAP said that as one of the largest non-national newspaper publishers, it had achieved success through a positive policy of decentralisation and local editorial freedom. This was an important ingredient in ensuring that future readers and advertisers had genuine choice and guaranteed effective access to quality newspapers giving a neutral, balanced viewpoint.
- (e) EMAP confirmed that only one shareholder, British Rail Pension Fund, controlled more than 5 per cent of equity voting rights, having 5.1 per cent: the company was therefore free of undue influence by any individual.

4.9. Referring to the information that it provided for Appendix 9(a), EMAP told us that the change in concentration of paid-for newspapers would be 0.6 per cent and EMAP would still have a significantly smaller share of paid-for title circulation than International Thomson, Pearson, Associated News or United Newspapers. There would be no change of free newspaper shares.

4.10. EMAP suggested that the newspaper industry is more dynamic with more titles and more individual publishers than was the case ten years ago. It told us that total newspaper titles increased from 1,355 in 1980 to 1,877 in 1987 (source: Benn's Media Directory). Free newspapers were said to have greatly increased competition and forced many traditional publishers, EMAP included, to become more efficient. Regional newspapers must now compete more with other media such as radio, television and national newspapers. On this basis EMAP expressed the view that some concentration of ownership in regional newspapers was not against the public interest.

4.11. EMAP felt that competition in Kent would be enhanced by the transfer. AKN does not have any free newspapers in its portfolio. Its two main rivals, KMG and Adscene, both have more titles and considerably greater circulations, in Kent, and expertise in publishing both paid-for and free newspapers. EMAP explained that in its view market needs can often be best served by giving full consumer choice of paid-for and free titles, which has been demonstrated over recent years in its strategy for growth. It also felt that KMG and Adscene would respond positively to any challenge.

4.12. EMAP said that all AKN's existing titles would be retained and that the number of publications might be increased by the launch of additional free newspapers to increase competition. By running AKN's published newspapers more efficiently, EMAP would be able to compete more aggressively for advertising which would enhance customer choice and benefits.

4.13. EMAP told us that it intended to continue to employ all AKN's present workforce. Furthermore, as it had done with its other acquisitions, it hoped to create new opportunities for employment and prospects consequent to the

acquisition. EMAP told us that it did not centrally negotiate with unions, but followed its policy of decentralisation and left this to individual operating companies.

4.14. In its submission to us SOGAT '82 (see paragraphs 5.7 and 5.8) said that when Senews was taken over by EMAP, SOGAT experienced difficulties in maintaining previously established collective bargaining agreements. Recognition, particularly in clerical areas, was unilaterally withdrawn in all five companies. This matter is presently being considered by ACAS.

4.15. EMAP responded to this by restating its belief in a policy of decentralised management and its wish to talk and listen to employees on a one-to-one basis. EMAP recognised that every individual has a right to belong to a trade union if they so wish.

4.16. EMAP stated that it neither operated nor encouraged centrally negotiated agreements. It believed that those who worked within the EMAP group of companies enjoyed doing so and were often able to meet their career aspirations. The success of EMAP's employee share schemes (paragraph 2.19) was a testimony to the investment that employees wished to make in EMAP.

4.17. EMAP referred to its assurance during the Commission's inquiry in relation to its acquisition of Courier Press (Holdings) Ltd that it would not seek to use its shareholding in the Lincolnshire Standard Group to obstruct any takeover of that company. In keeping with that assurance EMAP advised us that these shares were sold to Adscene which successfully bid for the company in February 1988.

4.18. At the time of the Courier report mentioned in paragraph 2.6, EMAP drew attention to two trends which increased competitive pressure on the regional newspaper publisher. It told us that these trends have since become very significant in terms of competition, particularly for advertising. They are:

- (a) The impact of free newspapers on publishers of traditional paid-for newspapers. The development of free newspapers is seen to provide readers and advertisers with greater quality, flexibility and value.
- (b) The second trend is the continuing increase in television's advertising revenue market share at the same time as new technology allows regional editions of national newspapers to be produced. When these two factors are combined with the deregulation of commercial radio, it is clear that the competition for advertisers' business will become increasingly fierce. EMAP believed that its acquisition strategy, including the AKN transfer, would help it to compete more effectively in this changing environment.

4.19. In response to a complaint put to the Commission of EMAP heavily discounting advertising rates in its Ashford free newspapers, EMAP described in detail its rates charged in that area.

4.20. EMAP was aware that other newspaper groups in the area also heavily discounted rates. However, despite the competitive environment EMAP confirmed that there was no cross-subsidisation between its newspapers. In keeping with its decentralised policy, each newspaper was expected to pay its own share of costs. It had to be recognised that its Ashford newspapers were new and that it would take a year or two to establish them as profitable newspapers. Despite this, EMAP confirmed that each of its 21 newspaper operating companies was profitable in its own right.