

6 Views of third parties

Contents

	<i>Page</i>
Introduction	77
Newspaper publishers	77
Coalville Times Ltd	77
Home Counties Newspaper Holdings plc	77
Johnston Press plc	77
Kent Messenger Group Newspapers	77
The Midland News Association Ltd	78
Northcliffe Newspapers Group Limited	79
Southnews plc	80
Tindle Newspapers Limited	80
Trinity International Holdings plc	80
Trade associations	80
Guild of Editors	80
The Incorporated Society of British Advertisers Ltd	80
Institute of Practitioners in Advertising	81
National Federation of Retail Newsagents	81
The Newspaper Society	82
Trade unions	83
Chartered Institute of Journalists	83
Graphical, Paper and Media Union	83
National Union Journalists	83
Birmingham Post & Mail NUJ Chapel	85
Coventry Evening Telegraph NUJ Chapel	86
Wolverhampton Express & Star and Cronicle NUJ Chapel	87
Major advertisers	87
Bolton Williams Design and Print	87
The Ogilvy Media Company	88
Optimedia International Limited	88
Riley	88
Sainsbury's Supermarkets Ltd	89
Thomson Holidays	89
TMP Worldwide	89
Western International Media Limited	89
Zenith Media Ltd	89
Local authorities	89
Birmingham City Council	90
Coventry City Council	90
Kettering Borough Council	91
Leicestershire County Council	91
Northampton Borough Council	91
North Warwickshire Borough Council	92
Sandwell Metropolitan Borough Council	92
Others	92
Mr Malcolm Hill	92

Introduction

6.1. We invited views from newspaper publishers, trade and consumer associations, trade unions, local and district councils, chambers of trade and commerce, and major advertisers in Mirror Group and MIN newspapers. This chapter summarizes the views we received.

Newspaper publishers

Coalville Times Ltd

6.2. Coalville Times Ltd (Coalville) said that it was a small independent paid-for weekly newspaper, circulating in north-west Leicestershire and on the fringes of south Derbyshire, and the last privately-owned newspaper circulating in Leicestershire. The remaining similarly privately-owned newspapers in the area, the *Loughborough Echo* and the *Hinckley Times*, had recently been acquired by MIN.

6.3. Coalville complained that its commercial viability was constantly being threatened by larger newspaper publishers in the area running prolonged offers of free and below-cost advertising in their weekly free publications. This advertising was directed particularly to estate agents and motor dealers, the lifeblood of any local newspaper. In one case a paid-for rival newspaper, in addition to offering below-cost advertising, was deliberately giving away its daily evening newspaper free on the same day that the *Coalville Times* appeared, and with a gift that exceeded its normal cover price on other days.

6.4. Coalville argued that such practices could only be sustained at great cost by large newspaper groups. Their aim was to buy turnover and circulation and eventually recoup losses incurred by increasing cover charges, following the demise or acquisition of competitive newspaper titles within the area. Mirror Group, with its vast finances, would only perpetuate such unfair practices which were depriving communities across Leicestershire of independent paid-for newspapers. In conclusion, Coalville believed that safeguards should be imposed on the proposed merger, and similar mergers, to ensure that smaller independent local newspapers were protected from the predatory behaviour of larger newspaper groups.

Home Counties Newspaper Holdings plc

6.5. Home Counties Newspaper Holdings plc, which publishes local newspapers in Bedfordshire, Hertfordshire, Buckinghamshire and the Greater London area, thought the proposed acquisition was unlikely to operate against the public interest.

Johnston Press plc

6.6. Johnston considered that the proposed acquisition would not operate against the public interest. *The Mirror* was a national newspaper and did not in practice perform the same role either editorially or commercially as MIN publications, which served their markets in far greater depth by concentrating overwhelmingly on local news matters. By their very nature, *The Mirror* and its associated publications could not do this. In addition, *The Mirror* was only one of a number of national newspapers serving the West Midlands area. The proposed merger could not, therefore, be seen as a threat to plurality or freedom of choice in MIN's area of operation.

Kent Messenger Group Newspapers

6.7. Kent Messenger Group Newspapers (KMGN) considered that the continuing acquisition of smaller newspaper groups by larger newspaper groups was no longer in the public interest. KMGN pointed out that MIN was established as a management buyout, heavily supported by financial institutions in the City of London and others. At the time it was thought that management buyouts would enable efficient managements to use their considerable expertise to re-enliven and modernize businesses in which they were prepared to

invest all their time and money. Many within the industry welcomed management buyouts as a means of continuing the independence and diversity of the local and regional press, including many advertisers.

6.8. KMGN considered that the merchant banking system, at the heart of financing most management buyouts, worked against the continuing independence of the businesses initially supported by lending banks. When a company's trading performance improved, share values increased sufficiently for the merchant banks to take their profit, especially by selling to large corporations which had their own monopolistic reasons for paying a high price, perhaps even over-paying.

6.9. KMGN argued that, wherever a local or regional newspaper was acquired in this way, the public lost:

- (a) a company which completely and entirely focused on the good moral and financial health of its own region;
- (b) a company which was entirely composed of staff dedicated to the regions in which they operated; and
- (c) a company which maintained high editorial standards; in order to make larger profits to pay for greater investment by the purchasing party, savings were often made in the editorial department, which were never replaced.

The Midland News Association Ltd

6.10. MNA, publisher of two evening newspapers in the West Midlands, the *Express & Star*, printed simultaneously in West Bromwich and Wolverhampton, and the *Shropshire Star*, submitted written evidence and attended a hearing.

6.11. MNA pointed out that, in general, the newspaper industry, advertisers and retail newsagents would have no real concerns if a regional publisher merged with a national newspaper publisher. Since they operated in different, largely non-competitive markets, the individual or even combined size or dominance of the combined organizations would not be especially relevant. For example, Associated Newspapers and Northcliffe had avoided any unacceptable excessive competitive advantage to either their national title, the *Daily Mail*, or their many evening titles across Great Britain, by managing and marketing them through two separate organizations. On the face of it, despite a potentially dominant aggregation of market share in circulation terms, Mirror Group's acquisition of *The Birmingham Post*, the *Birmingham Evening Mail* and the *Coventry Evening Telegraph* did not appear to be excessive. However, far from indicating an intention to manage *The Mirror* and *The Independent* separately as national newspapers, Mirror Group and MIN had announced in a press release their intention to form a combined Mirror/Midlands board.

6.12. MNA believed that a long-stated Mirror Group policy was to attempt to regionalize its national titles by more localizing of its newspapers' news content, and by selling regional advertising, especially transport and job vacancy advertising. So far this policy appeared to have failed, although currently Mirror Group was pursuing it with vigour in Ireland since acquiring the *Irish Independent*. Mirror Group's proposed acquisition of MIN's daily newspaper titles could therefore be seen as a way of elbowing its way into the Midlands regional advertising market, on the back of an existing virtual local monopoly, though MNA also accepted that the proposed regional board could be seen as an example of Mirror Group's commitment to supporting regional and local publishing.

6.13. MNA added that MIN had also consistently sought to consolidate wherever practical its increasing local newspaper franchise monopoly. It had acquired from Newsquest the only competitive newspaper in Birmingham to its two daily newspapers, *The Birmingham Post* and the *Birmingham Evening Mail*, and now controlled the sole alternative weekly newspaper in Birmingham, the *Birmingham MetroNews*, as well as two Solihull weekly titles. In Coventry, as well as publishing the evening newspaper, MIN owned the only serious weekly title. MIN also published the *Sunday Mercury* and the *Sports Argus* from Birmingham. More recently, MIN had sought to infiltrate into adjoining areas to the west of Birmingham by publishing an evening newspaper, the *Black Country Evening Mail*. To support this title it had acquired, again from Newsquest, weekly newspaper titles in Willenhall, Darlaston, Wednesbury, Stafford, Cannock, Lichfield, Rugeley and Wolverhampton, to add to its existing Walsall weekly newspaper. MNA estimated that about 40

per cent of *Express & Star's* sales were in areas where it competed directly with MIN titles, particularly the Birmingham *Evening Mail*. If MIN's monopolistic tendencies were not enough on their own to merit concern, its potential to dominate the daily newspaper market in Birmingham and its immediate surrounds when aggregated with a regionalized *The Mirror* would be awesome. That was even without including *The Birmingham Post* and *The Independent* newspaper titles.

6.14.MNA calculated that MIN's penetration in some parts of Birmingham was close to 50 per cent, with a market share of evening newspapers sold in Birmingham in excess of 95 per cent. Nationally, *The Mirror* enjoyed 17 per cent of the UK's national newspaper circulation market. When *The Mirror's* circulation in Birmingham was added to *The Independent* and *The Birmingham Post*, these three titles would represent in excess of 20 per cent of all morning newspaper sales. In MNA's estimate, it was not unreasonable to assume that the combined circulation of all the daily newspaper titles controlled by a new Mirror/MIN regional board could amount to around 50 per cent of the total market in the Birmingham area, a dominant position which would be accentuated by the new company's ability to dictate trade terms to traditional newspaper retailers, or avoid them altogether by expanding its direct delivery.

6.15.MNA also thought it inevitable that Mirror Group would try to win an even larger share of the Birmingham market by expanding MIN's present offer in Saturday's Birmingham *Evening Mail* of 10p off the *Sunday Mercury* to include Mirror Group titles with the package.

6.16.MNA explained that a further point of concern lay in a statement contained in a joint Mirror Group/MIN press release dated 4 July 1997 about the planned merger which said 'The combination of MIN's strong regional presence in the Midlands and Mirror Group's national brands will present new revenue opportunities. These will include the ability to offer advertisers a new range of cross title packages.' MNA argued that this could clearly be seen as an attempt by Mirror Group to utilize the combined daily newspaper circulation dominance of *The Mirror* and MIN titles to encroach on other newspapers' share of the regional advertising market. The entry of *The Mirror* in the Midlands' regional advertising market was most unlikely to enlarge the size of the advertising spend. Instead, it would be used to enhance the Birmingham *Evening Mail's* dominance and divert to *The Mirror* some of the spend which would otherwise have gone to other newspapers in the region.

6.17.This could be done very simply by developing new predatory-priced advertising sales packages to include a Midlands regional edition of *The Mirror*, especially for job and transport advertisements. The opportunity to predatory-price such advertising sales packages could be attributed to unspecified cost savings in production or sales effort. Any form of joint selling would provide extensive opportunities for Mirror Group to dominate the West Midlands newspaper market.

6.18.MNA therefore believed that it was not unreasonable to conclude that the proposed merging of Mirror Group's national newspaper titles with MIN's morning, evening, weekly and Sunday titles, all concentrated around Birmingham and Coventry, was not without anti-competitive intentions. The creation of a single Mirror/MIN regional company controlling so many daily and weekly newspapers in the Birmingham/Coventry area could establish an unacceptable market dominance, excessive enough to form an effective local monopoly. This could represent a serious anti-competitive threat to open and fair competition to other publishers and would be against the interests of newspaper retailers and, above all else, advertisers in the West Midlands. MNA argued that in the light of these concerns the merger should be refused unless Mirror Group was prepared to be bound by specific undertakings to mitigate the effects of these concerns.

Northcliffe Newspapers Group Limited

6.19.Northcliffe explained that regional and local newspapers were facing ever-growing competition for readers and advertisers from a wide range of competing media. This trend, clearly demonstrated by the decrease in number of copies of regional newspapers sold and by the industry's ever smaller share of total advertising revenue, was set to continue.

6.20.Regional and local newspapers derived between 60 and 80 per cent of their revenue from advertisers with the balance coming from readers via the cover price. However, unlike other forms of competing advertising-only media, local and regional newspapers performed an invaluable social function. The revenue enabling them to continue to perform this function was under constant erosion. In Northcliffe's view,

diversity of opinion in the regional press could best be protected and nurtured if newspaper publishers, who were committed to the regional press, consolidated their ownership of titles along regional lines. Only if this happened would they be able to confront the competitive pressures placed upon them without compromising the editorial content and quality of their product. This consolidation had resulted in a large structural change within the industry over the last three years, but there was no evidence whatsoever that diversity of opinion has suffered as a consequence.

6.21. Northcliffe believed that the proposed merger should be considered in this context. Mirror Group had a proven record as a responsible and competent newspaper publisher. It would not be to its benefit to change the nature and editorial diversity of MIN's titles and therefore the acquisition should, in its broadest sense, be regarded as being in the long-term interests of the readers and advertisers served by the MIN publications. The continuing process of consolidation would also benefit the regional newspaper industry as a whole.

Southnews plc

6.22. Southnews plc said that it had no reason to believe that the proposed acquisition might operate against the public interest.

Tindle Newspapers Limited

6.23. Tindle Newspapers Limited saw no reason why the proposed merger should operate against the public interest.

Trinity International Holdings plc

6.24. Trinity thought it was in the long-term interests of the regional press for regional and local newspapers to be owned by major companies, which had the financial capacity to develop their titles in an increasingly competitive market. Accordingly, it believed that the proposed acquisition was in the long-term interests of the regional press and there was no reason to believe that the proposed acquisition would operate against the public interest.

Trade associations

Guild of Editors

6.25. The Guild of Editors said that it had no objections to the proposed merger.

The Incorporated Society of British Advertisers Ltd

6.26. The Incorporated Society of British Advertisers Ltd (ISBA) believed that the proposed merger would not lead to an excessive concentration of media ownership, either geographical or by media sector. The ISBA did, however, urge caution regarding any further acquisitions by Mirror Group in the Midlands region, particularly the West Midlands, as it believed these would probably lead to an excessive concentration of ownership which would not be in the interests of advertisers.

Institute of Practitioners in Advertising

6.27. The IPA did not believe the proposed merger would operate against the public interest. In a discussion on the general considerations which guided advertisers in placing advertising in national and regional newspapers, the IPA made the following points:

- (a) Factors determining which newspapers to use included (i) the cost per 1,000 circulation; (ii) the target market; (iii) the catchment area to be covered; and (iv) the readership profile of the newspaper(s).
- (b) In general, advertising rates per reader in regional newspapers were significantly higher (often by a factor of three) than in national titles. There was some evidence that the response to advertising in regional newspapers was also higher but by significantly less than a factor of three.
- (c) Regionalized editions of national titles might be used, for example, for a large store launch or for a special promotion, but their use for regional advertising was generally limited.
- (d) 60 per cent of advertising in regional newspapers was classified advertising. Regionalized editions of national titles also attracted some classified advertising associated with their regional sections.
- (e) The scope for cross-title packaging involving national and regional titles was therefore limited.
- (f) For advertisers the distinction between morning and evening newspapers was not significant. The important distinctions related to: (i) circulation levels; (ii) the catchment area covered; and, (iii) the readership profiles of the newspapers.
- (g) There was a degree of competition between evening dailies and free weeklies. Paid-for weeklies tended to circulate where the presence of evening titles was weaker so competition was less direct.
- (h) Regional newspapers' share of advertising had declined slightly more than that of the national titles. As far as other media were concerned, their impact was small. Of these other media, local radio and directories were the most important.

National Federation of Retail Newsagents

6.28. The NFRN, with 25,000 members, representing around 40 per cent of retail newsagents, submitted written evidence and attended a hearing.

6.29. The NFRN told us that it had concerns regarding the merger which broadly broke down into four main areas: production; advertising; editorial; delivery/distribution and wholesaling.

6.30. First, the NFRN noted that the financial press had made much of Mirror Group's lower cost base and its desire to use its wider procurement expertise and experience, together with production techniques, to reduce MIN's costs. In the NFRN's experience, cost savings of this type were often sought by rationalizing printing into large print centres and reducing the number of editions of local newspapers, in favour of national titles. The NFRN was concerned that, in the production of time-sensitive products like evening newspapers, there was a real risk that the number of editions would be reduced, together with the overall selling period and the ability to increase production at short notice to meet local news stories. The public would therefore risk losing access to local news, which was vitally important to local communities. Also concentration of print production would inevitably involve a longer distribution chain which usually involved road transport. Environmental issues would therefore have to be considered.

6.31. Regarding advertising, the NFRN said that traditionally local publishers had provided a balance between local and national interests. There was now a real risk that by merging Mirror Group's approximately 20 per cent of national daily circulation within some areas (Birmingham, central and West Midlands) with all local paid-for titles and free sheets in other areas (Derbyshire, Leicestershire, Lincolnshire and Northamptonshire) under one ownership, local or regional advertisers would fall foul of national agreements, which precluded similar products being advertised in other groups' titles. This, together with other similar links between national and local newspapers, would clearly restrict public choice.

6.32. Similarly, local stories or initiatives, for example local fund-raising schemes, which conflicted with national policies, politics or priorities would be rejected. This would clearly create a situation where local identity would be lost and which would allow for the 'cloning' of titles.

6.33. The NFRN added that as national newspapers became more regionalized it would also widen their sphere to attract both national and regional advertising revenue. More sinister than that, however, was the move to regionalized publishing of national newspapers. This could severely restrict capacity for the printing of independent regional titles, which presently contracted out their printing, and would make the start-up costs of any new publications wishing to enter the market prohibitively expensive.

6.34. Referring to the delivery/distribution of newspapers, the NFRN told us that traditionally local publishers had been more retailer-friendly and had sought to ensure the future of their retailers through a combination of better margins, closer contacts and home delivery incentives, for example the Birmingham *Evening Mail's* preferred agents scheme. Conversely, national publishers often took the opposite route by imposing swingeing margin reductions on newspaper retailers without prior consultation. The NFRN noted that Mirror Group had started the race to reduce retailers' margins and it had been an enthusiastic player under its current management. If Mirror Group's policies were imposed on MIN's paid-for local titles, then the NFRN thought it reasonable to forecast the demise of many neighbourhood retail newsagents and the withdrawal of home delivery in many areas.

6.35. In addition, national publishers were showing an increasing interest in direct delivery schemes for local and national titles, as well as periodicals. The NFRN emphasized that a large proportion of the public relied on neighbourhood newsagents and home delivery, not only for newspapers but for other staple commodities and for community cohesion. The old, the sick, the housebound and those without regular access to a car all fell within this category.

6.36. In conclusion, the NFRN said that whilst its membership recognized that it was generally in the public interest that ailing titles should be saved by takeover by larger publishing groups, the public interest, in terms of diversity and pluralism, might not be served by consolidating even more local titles under the control of a few large publishing groups. It appeared unlikely that MIN would disappear if the merger did not proceed, and more likely that the public interest would be harmed, for the reasons outlined above, if approval was granted.

The Newspaper Society

6.37. The Newspaper Society explained that the ownership structure of the regional and local newspaper industry had changed radically in the last five years. Consolidation of ownership was necessary in order to ensure a vigorous, well-resourced and effective regional and local newspaper industry. This was dictated by the growing competition faced by the regional and local press from all media sectors, and by the need for the industry to evolve to meet the needs of its readers and advertisers.

6.38. The Newspaper Society pointed out that there were several significant examples of companies owning national, regional and local newspapers (for example, Guardian Media, United News and DMGT). In these cases, common ownership had operated in the public interest, and had helped strengthen the regional and local newspaper industry, with the distinct nature of regional and local newspaper titles being developed through devolved management and editorial structures. The proposed Mirror Group/MIN acquisition fitted into this pattern. It would create a company with national, regional and local newspapers as its core business, with the resources and managerial and editorial expertise necessary to develop MIN titles. The merger would benefit readers of those titles, advertisers, and the wider communities which they served.

Trade unions

Chartered Institute of Journalists

6.39. The Chartered Institute of Journalists (the Institute) said that its policy was to express concern if it thought too many newspapers were falling into too few hands, and to encourage a diversity of ownership of and opinion in newspapers. Events in recent years had shown clear signs of a diminution in the spread of ownership. However, the Institute added that as it was also anxious to preserve as many titles as possible, if the only way to preserve them was by merger, it would not object, although it heartily disapproved of this trend.

Graphical, Paper and Media Union

6.40. The GPMU said that its principle concern was that the merger was another example of a major national media group expanding its ownership and influence into a large section of the regional press. The GPMU pointed out that Mirror Group already held a significant stake in Scottish Television plc, which in turn owned Glasgow's *Herald* and *Evening Times* newspapers. It also owned the Scottish *Daily Record* and *Sunday Mail*, and had substantial holdings in Newspaper Publishing, which produced *The Independent* and the *Independent on Sunday*, as well as Century Newspapers Ltd in Belfast. Mirror Group also had interests in cable television through its TV Live company.

6.41. Acquiring ownership of MIN would give Mirror Group control of *The Birmingham Post*, *Birmingham Evening Mail*, the *Coventry Evening Telegraph*, as well as 35 weekly titles.

6.42. The GPMU believed that such widespread ownership and influence was potentially against the public interest, and raised the question at what point did the diversity of the press and other media become threatened by such a concentration of ownership on a cross-media and geographical basis.

6.43. A secondary consideration would be the ability of Mirror Group through its concentration of ownership to dictate terms and conditions to advertisers, so giving it an unfair advantage. In the GPMU's view, fair criteria clearly needed to be established when it came to the availability of advertising space, and the amounts charged for space, to ensure that Mirror Group did not exploit its dominant market position and thereby distort fair competition.

6.44. The GPMU added that it was also concerned over speculation that as a result of the proposed merger, printing work, which at present was carried out in the Birmingham area, would be transferred to existing Mirror Group plants elsewhere in the country. Such a move could have a significant, detrimental effect on the local economy in the Birmingham area. Whilst acknowledging that such consideration might be outside the limited brief of the MMC, the GPMU believed that those parameters were too narrowly drawn and that such considerations should be examined, as clearly any developments which adversely affected the economy of a region must, by definition, be against the public interest.

National Union of Journalists, the Birmingham Post and Mail NUJ Chapel, Coventry Evening Telegraph NUJ Chapel and the Wolverhampton Express & Star and Chronicle NUJ Chapel

6.45. The NUJ, the Birmingham Post and Mail NUJ Chapel (BP&M NUJ Chapel), the Coventry Evening Telegraph NUJ Chapel (CET NUJ Chapel) and the Wolverhampton Express & Star and Chronicle NUJ Chapel (WESC NUJ Chapel) submitted separate written evidence. The NUJ, BP&M NUJ Chapel and the CET NUJ Chapel also attended a joint hearing.

NUJ

6.46. The NUJ said that it had in membership a large proportion of the journalists working for Mirror Group and the majority of journalists working for MIN, though in both cases it was not officially

recognized. The NUJ considered that the proposed acquisition raised a number of concerns about the public interest.

6.47. The NUJ pointed out that the proposed merger was the latest in a series of large changes of ownership in the local and regional newspaper industry in the past few years. Such a wholesale transfer of ownership in such a short term was unmatched in any industry other than the railways. Yet unlike the railways, it had not been the subject of public debate and had largely escaped public scrutiny. The majority of transfers had been allowed without reference to the MMC and, of those that had been referred, all had subsequently been approved, with in one case insignificant conditions attached. This had come on top of more than 20 years of transfers that had seen local and regional newspapers concentrated in ever fewer and larger chains, and the development of large regional monopolies, such as those of Northcliffe in the East Midlands and Devon, United in Yorkshire and Lancashire, and Trinity in Merseyside.

6.48. The NUJ considered that the special procedures in the Act relating to newspaper mergers had been ineffective in controlling this process, largely due to the repeated use of ministerial discretion to waive reference to the MMC. Between 1973 and 1993 there were 123 newspaper transfers, of which only 27 were referred to the MMC. On only three occasions was consent refused, and on a further three occasions conditional consent was given.

6.49. In the NUJ's view, the consequences of concentration of ownership and the creation of regional monopolies were: reduction of diversity in the press; cost-cutting and lowering of journalistic and production standards due to lack of direct competition; remoteness of control from the local communities served by the newspaper; elimination of choice for readers and advertisers; predatory pricing to drive out competition from newly-established titles; and sharply reduced employment opportunities. The NUJ considered that all these effects were seriously detrimental to the public interest, and brought no counterbalancing advantages to the public interest.

6.50. The NUJ argued that the proposed transfer of MIN was of considerable significance in itself, but it was also a major further step in the process outlined above. The NUJ believed that a wide-ranging examination of the ownership and control of the local and regional press was long overdue. There was a clear and, in the NUJ's view, damaging trend made up of many individual transfers, big and small. Before this process went any further there should be a public investigation of all aspects of the industry and debate leading to settled guidelines that could be applied to this and future transfers, instead of the piecemeal process that had continued for so long.

6.51. The NUJ drew attention to Mirror Group's wide-ranging ownership of national newspapers and to its cable and television interests, including its interest in Birmingham Live, a joint cable television venture with MIN. Owning the major daily newspapers, the major regional titles and the local cable network would, in the NUJ's view, give Mirror Group considerable power in deciding what residents of the Birmingham conurbation were allowed to know and would also enable it to offer national advertising packages, unavailable to solely regional newspaper groups. The NUJ therefore suggested that if the merger went ahead Mirror Group should give an assurance that it would not seek to gain control over competing media in or on the fringes of the MIN circulation area, even when such transfers would be possible without reference to the MMC under discretionary exemptions in the Act.

6.52. The NUJ pointed out that MIN was a profitable company. In the years 1993 to 1995 its short-term and long-term creditors had reduced dramatically and its net assets had increased considerably. Staff numbers had significantly increased and operating profits had remained constant at more than 19 per cent of turnover.

6.53. The NUJ believed it was extremely important that if MIN titles were transferred to Mirror Group, their commercial and journalistic independence should be preserved. The NUJ stressed the importance of local and regional titles remaining under local control to ensure that local content was not diluted. To this end, the NUJ requested that Mirror Group should be required to give an undertaking that MIN's existing titles would be maintained and their editorial independence assured. The NUJ added, however, that it had no evidence of Mirror Group limiting the editorial independence of the newspaper titles presently under its control.

6.54. The NUJ also feared that Mirror Group's public commitment to produce newspapers with fewer journalists could lead to a reduction in standards, particularly where one reporter might cover a single event on behalf of a number of diverse Mirror Group newspapers, including regional titles. The NUJ was sceptical about Mirror Group's aim of creating an 'Academy of Excellence' for its staff and doubted whether this would halt the steady long-term decline in Mirror Group titles. The NUJ was also sceptical about the benefits of multi-skilling. Instead of allowing a journalist to develop a particular skill to an acceptable standard, the NUJ feared that this kind of approach would force journalists to try to learn a large number of skills and there was a risk that they might not be able to perform all of them to a high standard. The result of this would be work which was not up to the necessary standard. Again, the NUJ argued, Mirror Group should be required to make a commitment to the standards currently enjoyed by readers of MIN titles, and an undertaking to maintain staffing levels sufficient to ensure that those standards continued.

6.55. The NUJ expressed strong dissatisfaction about Mirror Group's recent industrial relations conduct towards some of its employees. It told us of an 'atmosphere of terror' at Mirror Group. It said that scores of Mirror Group's employees, in some cases with 20 to 30 years' service to their credit, had been instantly dismissed for no better reason than that their years of service entitled them to a salary Mirror Group was no longer prepared to pay. In many cases Mirror Group's attitude to the NUJ was one of naked hostility. The union was unable to engage in collective bargaining, nor even to represent its members on individual disciplinary, grievance and health and safety matters. In comparison, MIN's management was relatively enlightened. However, if the merger went ahead, the NUJ said that it would be willing to help co-ordinate a fresh start and try to construct an industrial relations atmosphere in accordance with the wishes of its members. The NUJ asked that Mirror Group should give an undertaking that it would engage in continuing consultations with the NUJ and the GPMU to ensure that where it was the wish of the workforce, or of any individual employee, effective trade union representation would be restored and maintained.

6.56. Finally, regarding pension funds, the NUJ pointed out that the MIN pension fund currently enjoyed a surplus of £11 million. The Mirror Group fund had a surplus of £1.6 million. The NUJ sought an assurance that pension fund members and pensioners would be informed at the earliest opportunity of Mirror Group's intentions towards the two funds. Mirror Group should be required to give an undertaking that the benefits of the MIN pension fund would not be reduced, and that the surplus would be used to benefit the members of the fund.

BP&M NUJ Chapel

6.57. The BP&M NUJ Chapel explained that its members were employed on MIN's core titles of *The Birmingham Post*, the *Birmingham Evening Mail*, the *Sports Argus* and the *Sunday Mercury*. Currently there were up to 190 journalists and photographers producing these titles, the majority of whom were NUJ members. The NUJ was not officially recognized by MIN. The proposed merger had led to a BP&M NUJ Chapel resolution which, among other things, expressed the wish that its concerns were formally expressed to the MMC.

6.58. The BP&M NUJ Chapel said that its foremost concerns lay in the absence of a public commitment by Mirror Group to the long-term future of MIN's core titles and to dedicating sufficient resources to maintain their vitality. With such a strong local market presence in the Birmingham area, MIN's importance to journalistic employment in the city and surrounding districts was self-evident. This should be set against Mirror Group's Chief Executive's high-profile vision of smaller staffed newspaper newsrooms and greater reliance on multi-skilling. Newspapers produced with fewer journalists brought with it the danger of less diversity in news-gathering and comment, and eroded the overall service to readers. The BP&M NUJ Chapel sought assurances that existing staffing levels and standards were maintained and that wholesale syndication would not be used among Mirror Group/MIN titles.

6.59. In addition, the BP&M NUJ Chapel said that it wanted a commitment from the directors of both Mirror Group and MIN to the principle of keeping an editorial presence in outlying towns through the MIN network of branch offices, and of retaining the key specialist function of the Birmingham Post & Mail's London office.

6.60. Inevitably, questions had to be asked as to how much priority a powerful, London-based, national newspaper organization was going to give a subsumed regional centre. If it was not to be just a cash 'milch

cow', the new Midlands regional board proposed by Mirror Group would have to be allowed considerable scope for independence, including the management of industrial relations, and should remain a separate investment and profit centre.

6.61. The BP&M NUJ Chapel said that it had been keen wherever possible to work positively with MIN management where there had been benefits for members. Pragmatic relations between elected Chapel representatives and local level management existed and the BP&M NUJ Chapel was keen to see these relationships maintained and improved upon. In particular, it would want to see that the structures for health and safety management were maintained and built upon, with staff representatives retained on the Health and Safety Committee.

6.62. On the important question of pensions, the widespread adverse publicity surrounding the Mirror Group Pension Scheme several years ago had also been raised by its members as an issue. With an approximate £10 million difference in surpluses in favour of the MIN staff fund, the BP&M NUJ Chapel sought an assurance that MIN pension fund members and pensioners were informed at the earliest opportunity of Mirror Group's intentions toward that fund.

6.63. In conclusion, the BP&M NUJ Chapel said, whilst it was not directly opposed to the merger, it was greatly concerned that a merger between MIN and Mirror Group would mean that proud, long-established titles serving the people of the West Midlands would have their priorities dictated by the interests of a dominant London-based partner. Given the inequality of the relationship there were question marks over maintaining the viability of all the existing MIN titles (so far Mirror Group had made no public commitment to their long-term future) and their editorial independence and integrity being safeguarded. The £5 million plus annual savings and 'ongoing efficiencies'-articulated by Mirror Group were high and the areas so far identified did not as yet include MIN's editorial department. Apart from guaranteeing the continuing existence and editorial independence of current MIN titles, Mirror should also be required to give a commitment that it would not attack editorial budgets to satisfy any savings drive.

CET NUJ Chapel

6.64. The CET NUJ Chapel, representing over a third of journalists on the *Coventry Evening Telegraph*, said that it did not believe the proposed merger was in the public interest.

6.65. The CET NUJ Chapel stressed that the *Coventry Evening Telegraph* had served the people of Coventry and Warwickshire well for more than 100 years. When the MIN management buyout took place in 1991, much was made of the importance of the titles remaining independently owned. When announcing Mirror Group's bid, MIN's Chief Executive had stated his regret that MIN's independence would be lost. The CET NUJ Chapel shared that regret and was concerned that the proposed loss of independence could lead to a loss of regional identity for the *Coventry Evening Telegraph*.

6.66. In a press release issued jointly by Mirror Group and MIN on 4 July 1997, there was no reference to any benefits of the merger for the readers of the *Coventry Evening Telegraph* and no commitment from Mirror Group to serve the people of Coventry, for whom the *Coventry Evening Telegraph* was the only evening title available. There were numerous references in the document relating to the savings which Mirror Group believed it could make by merging operations, but no promise to plough these savings back into the Midlands by improving the quality of the titles involved. Profits would be the dominant factor, rather than a desire to serve the people of Coventry.

6.67. Several references were also made to the possibility of 'significant benefits derived from shared resources and joint distribution, canvassing and advertising'. The CET NUJ Chapel was concerned that Mirror Group and MIN would be merged to such an extent that the *Coventry Evening Telegraph* would lose its regional identity and would be seen only as an extension of *The Mirror*. Combining functions would mean that London-based views would predominate and the people of Coventry would lose a vital insight into how decisions affected them at a local level.

6.68. The CET NUJ Chapel also expressed concern about the £5 million savings a year which Mirror Group envisaged making and the 'further ongoing efficiency savings'. Whilst the CET NUJ Chapel accepted that there would be some positive savings, such as in the joint purchase of newsprint, it was concerned that

the remainder of the £5 million identified savings would be made by cutting staffing and resources, to the detriment of the *Coventry Evening Telegraph* and its readers.

6.69. In this respect, assurances had not been given about the future of MIN's 2,000 staff and industry analysts were widely predicting job losses. Any reduction in staffing in MIN's editorial departments brought about by the introduction of multi-skilling would lead to an inevitable decline in the standards of its newspapers and a reduction in its investigative journalism, of which it was justifiably proud.

6.70. The CET NUJ Chapel concluded by saying that if the bid was to be approved by the MMC, it would like to see the following assurances given by Mirror Group:

- (a) a commitment that it would retain the *Coventry Evening Telegraph's* offices in Coventry, Rugby, Leamington and Nuneaton, to ensure that the people of Coventry and Warwickshire continued to have access to their evening newspaper;
- (b) assurances that the regional identity and editorial integrity of the *Coventry Evening Telegraph* would remain;
- (c) assurances that the *Coventry Evening Telegraph* would continue to operate and be presented as a separate entity from Mirror Group titles; and
- (d) assurances that editorial job losses were not included as part of the deal.

6.71. Finally, the CET NUJ Chapel added that it was concerned that it would not be allowed to fully represent its members in meaningful discussion with the management if the merger went ahead. At present, it was able to put forward its views on relevant issues to MIN management. Because of Mirror Group's record of not talking to the NUJ, it doubted whether its members' views would be considered at all.

WESC NUJ Chapel

6.72. The WESC NUJ Chapel said that it was deeply concerned by the proposed merger. If Mirror Group's bid was to succeed it would not only be a serious blow to standards on MIN titles, but it could also lead to a decline in the overall news service provided in the West Midlands region as a whole.

6.73. The WESC NUJ Chapel feared that the independence, character and therefore quality of well-respected titles such as the Birmingham *Evening Mail* and *The Birmingham Post* would be put in jeopardy by their ownership by a national newspaper group without the same insight and passion for the region. The WESC NUJ Chapel stressed that *The Birmingham Post*, in particular, filled a niche occupied by no other Midlands newspaper, in producing in-depth and high-quality political and economic investigative journalism. The continuation of such a vital service was in the public interest and should not be put at risk.

6.74. The WESC NUJ Chapel added, in general terms, that a decline in standards of *The Birmingham Post* and the Birmingham *Evening Mail*, *Express & Star's* only close rivals, could only lead to a drop in *Express & Star's* own standards. Both newspaper groups benefited from a healthy, and at times bitter, rivalry. Any decline in such competition would clearly not be in the public interest.

Major advertisers

6.75. We wrote to the top 20 major advertisers in both Mirror Group and MIN publications. Of these, nine submitted views on the merger.

Bolton Williams Design and Print

6.76. Bolton Williams Design and Print (Bolton Williams) told us that the proposed merger raised a number of concerns:

- (a) Competition and choice would be reduced for advertisers in the paid-for sector of morning and evening titles in the Birmingham area.
- (b) *The Birmingham Post* and the *Birmingham Evening Mail* already enjoyed a near monopoly of the daily regional media. This dominance was reinforced by MIN's ownership of four major free weekly titles covering the city.
- (c) Several of Bolton Williams' advertising clients had expressed reservations as to how the merger would impact on advertising rates and more importantly the terms of trade.
- (d) Consolidation of media ownership in the area was proceeding at too fast a pace. This could be detrimental to advertisers if it led to a reduction of choice, upward pressure on rates and an adverse change in the terms of trade.

Bolton Williams concluded by saying that it remained sceptical of the benefits of the proposed merger to anyone but the participants. The recent history of other such mergers suggested that the public was unlikely to benefit.

The Ogilvy Media Company

6.77. The Ogilvy Media Company (Ogilvy) said that it had traded successfully with both Mirror Group and MIN for many years. It had always found Mirror Group to be a very fair company to do business with, even in areas where it had controlled a high share of the total newspaper market, for example in Glasgow. Mirror Group had never taken advantage of its near-monopoly situation in Scotland and there was absolutely no reason to believe that it would try to do so in the Midlands. Consequently, Ogilvy said that it had no problems with the proposed acquisition and strongly supported Mirror Group in its endeavours.

Optimedia International Limited

6.78. Optimedia International Limited said that on balance it believed that MIN, and therefore the publishing/advertising industry, would benefit from the capital injection and economies of scale that Mirror Group could offer. Its only real concerns were that MIN should maintain its high level of product integrity under a new regime and that Mirror Group should not attempt to conditionally sell advertising across national and regional titles.

Riley

6.79. Riley (a division of Lopex Communications Limited) told us that it did not object to the merger provided it was seen as an end to Mirror Group's regional ambitions and that there were no adverse effects on its current trading arrangements with MIN.

6.80. Riley pointed out that MIN had a monopoly of the local press in Coventry, Solihull and Birmingham. Its only serious competitor was the Wolverhampton *Express & Star* to the north and north-west of Birmingham. In the interests of free trade, it requested Mirror Group to agree that it would not at any time in the future merge with MNA, owner of the *Express & Star*.

Sainsbury's Supermarkets Ltd

6.81. Sainsbury's Supermarkets Ltd (Sainsbury's) said that it had no concerns about the proposed merger as it would not lead to an excessive concentration of media ownership, either geographically or by media sector. However, Sainsbury's urged control against further Mirror Group acquisitions in the Midlands region, particularly the West Midlands, as these could well lead to an excessive concentration, which might not be in the interests of advertisers who relied upon competitive choice in their local area marketing activities.

Thomson Holidays

6.82. Thomson Holidays said that it did not foresee any disadvantages affecting its business from the proposed merger.

TMP Worldwide

6.83. TMP Worldwide said that, as a large recruitment advertising agency which dealt with both Mirror Group and MIN, it could see no reason why the merger would be against the public interest.

Western International Media Limited

6.84. Western International Media Limited (Western) said that, as a major advertiser with both Mirror Group and MIN, it could see no reason why the proposed acquisition might operate against the public interest.

6.85. Apart from several titles in Northern Ireland, Western was unaware of any other regional publications already owned by Mirror Group. Therefore, given the precedent of Associated Newspapers' acquisition of Northcliffe, the single largest regional publisher, and Express Newspapers' ownership of United, there could be no grounds for rejection of the merger on the basis of a monopoly. However, Western added that neither of the above publishers cross-sold advertising between national and local titles. Potentially, Mirror Group could operate a conditional sales policy forcing advertisers to upweight the Midlands region unnecessarily. If possible, safeguards should be introduced to ensure that this did not happen, though Western doubted whether even this action would be against the public interest.

Zenith Media Ltd

6.86. Zenith Media Ltd (Zenith) said that for several years MIN had operated a virtual monopoly for advertising in the Birmingham and Coventry local newspaper markets. During this time MIN had not indulged in any form of unreasonable behaviour, such as conditional selling. Given that there would be very few instances in which clients would wish to advertise in both Mirror Group and MIN publications, the potential for cross-selling was extremely limited and it was highly unlikely that Mirror Group would have an opportunity to force the hand of advertisers. Given the nature of the media involved and, in the light of its experiences of similar combined national and regional newspaper groups, Zenith considered that the proposed merger would not operate against the public interest, and it therefore did not seek to impose any restrictions on it.

6.87. Referring to MIN's ownership of Birmingham Live TV, Zenith added that bearing in mind the relatively low penetration of this station and the strong competition from other broadcast media, including radio stations owned by large local radio groups, the merger was more likely to be seen as an opportunity for advertisers than a threat to advertising choice.

Local authorities

6.88. We wrote to 42 local authorities in the Midlands area where MIN titles were available. Of these, seven submitted views on the merger.

Birmingham City Council

6.89. Birmingham City Council said that it enjoyed a healthy relationship with MIN in a number of ways:

- (a) MIN publications reported on Birmingham City Council business and its journalists were recognized as important voices in the City of Birmingham.
- (b) Media organizations, particularly MIN's Birmingham *Evening Mail*, were seen as partners in promoting issues of common interest and to the common benefit of Birmingham.
- (c) MIN currently held the contract to print and distribute Birmingham City Council's own newspaper, the *Birmingham Voice*.

Birmingham City Council said that it did not have any views on the proposed merger provided it did not weaken MIN's Birmingham base and its flavour of editorial coverage, or adversely affect employment opportunities in the city or existing journalistic standards or its present relationship with MIN.

Coventry City Council

6.90. Coventry City Council asked for the following issues to be taken into consideration in the course of the inquiry:

- (a) The *Coventry Evening Telegraph* contained a high level of accurate local news coverage and endeavoured to retain its front page for local stories; this approach should be protected in any merger.
- (b) To produce local news stories, local staff were needed, familiar with the city and its various communities. An adequate number of local staff were needed to undertake this task appropriately. To this end, the focus for local staff should be on generating local news as a local service through a local newspaper and not primarily on feeding national publications with news stories, although the Council acknowledged that this subsidiary role made commercial sense.
- (c) Currently the relationship between Coventry City Council and the local newspaper might be called 'strident'. This was valued by the City Council without necessarily always being appreciated. The Council wished to see this sort of relationship maintained in the future, rather than the local newspaper feeding off a diet of Council-issued press releases, as happened elsewhere with other local newspapers.
- (d) In effect, MIN already had a local monopoly with the *Coventry Evening Telegraph* and the *Coventry Citizen*. In addition, it owned other titles in the area such as *The Birmingham Post* and the *Birmingham Evening Mail*. Provided the proposed merger did not affect the issues and emphasis outlined above, the Council regarded the merger in a neutral light. It assumed that the freedom of expression of view and opinion, as currently maintained within the *Coventry Evening Telegraph*, would continue under any merger.

6.91. The Council concluded by saying that, whilst it was not particularly familiar with the sort of safeguards that the MMC could impose, nevertheless it hoped that its views were fully reflected in their final recommendations.

Kettering Borough Council

6.92. Kettering Borough Council said that there appeared to be no local grounds for concern about the proposed merger.

Leicestershire County Council

6.93. Leicestershire County Council told us that it placed a high priority on local awareness of services available to the public and policy decisions made by elected members. It emphasized the importance of the provision of information as part of a two-way communication process, enabling it to provide local people with responsive services. MIN owned a wide range of titles, both paid-for and free, in the Leicestershire area. These journals covered news stories relating to local issues or local angles on national issues and provided advertising space mainly paid for by local companies, organizations and individuals.

6.94. The Council thought the proposed merger had a number of implications:

- (a) By seeking to acquire MIN, Mirror Group would not increase its market share of national newspaper ownership. Instead it would acquire a range of titles centred around large towns or districts. Local newspapers were concerned with local stories and it would be difficult to impose a corporate form of news and editorial control which could translate easily to the majority of local issues.
- (b) Any increase in market share and greater control of the market could be reflected in an increase in prices, either cover charges or advertising rates. The proposed acquisition would not increase the market share of local newspapers in Leicestershire.
- (c) It was felt in some areas that the proposed acquisition would speed the introduction of multi-skilled journalism, cutting out some duplication in news cover. This would be a management issue for Mirror Group/MIN, but could result in fewer jobs within the local newspaper industry in the area.

6.95. In conclusion, the Council noted that the proposed merger would give Mirror Group ownership of a broader mix of newspapers, including several local newspapers in the Leicestershire area. As Mirror Group owned no existing titles in the area it would not increase its market share of local titles and would not be in a stronger market position. However, the Council emphasized that the healthiest environment for media coverage was one which had diverse sources of information and wide, plural ownership of media services.

Northampton Borough Council

6.96. Northampton Borough Council said that it would strongly object to the merger if it resulted in the loss of the *Northampton Herald & Post*. Currently three newspapers circulated within the borough of Northampton, one of which was the *Northampton Herald & Post*. The other two, the *Northampton Chronicle & Echo*, a daily newspaper, and the *Northampton Mercury*, a weekly title, were both part of Johnston, which also owned other major titles within the county area. The *Northampton Herald & Post* was, therefore, the only alternative local newspaper to these titles for readers and advertisers within the borough.

6.97. The Council stressed that the *Northampton Herald & Post* played an important role within the borough and, as a free newspaper, was a valuable source of news and community information, particularly for those citizens who either could not afford or chose not to purchase a daily newspaper. For these reasons, the Council wanted to see the continuation of an independent *Northampton Herald & Post* should the proposed acquisition go ahead.

North Warwickshire Borough Council

6.98. North Warwickshire Borough Council told us that five of MIN's newspaper titles were available across various parts of the borough. Any reduction in this number as a result of the proposed acquisition could be seen as contrary to the public interest, in that it would further reduce the already restricted access to local news for some parts of the borough. The rural nature of north Warwickshire meant that local newspapers were unavailable in many of the smaller villages as their distribution had proved uneconomic for newspaper publishers.

6.99. The Council added that the two free titles in the area (the *Tamworth and North Warwickshire Times* and the *Nuneaton Weekly Tribune*) played a very important role in the borough by providing information to residents who were unable to afford paid-for newspapers. Free newspapers covered important but more localized issues, which were unlikely to receive coverage in larger-circulation titles and the broadcast media. The Council argued that any merger between larger-circulation titles that forced such free newspapers out of circulation would therefore be contrary to the public interest.

Sandwell Metropolitan Borough Council

6.100. Sandwell Metropolitan Borough Council explained that it was already concerned about the amount of coverage of local issues by both *The Birmingham Post* and the *Birmingham Evening Mail*. Although the *Evening Mail* had a Black Country edition, which was intended to include news from Dudley, Walsall, Wolverhampton and Sandwell, it was, in fact, heavily dominated by news from Birmingham. The same was true of *The Birmingham Post*.

6.101. The Council emphasized that coverage of local news was of great importance both to local people and to organizations such as itself. It would be most unfortunate if the already unsatisfactory situation was made worse by the takeover of a local company by a large national one. Therefore, if the merger was to go ahead, the Council would welcome reassurances that Mirror Group intended to maintain MIN's existing titles, to keep open MIN's local Sandwell office, and to give fair coverage to Sandwell issues in both *The Birmingham Post* and the *Birmingham Evening Mail*.

Others

Mr Malcolm Hill

6.102. Mr Malcolm Hill told us on behalf of the ex-Sunday People Compositors that there had been a continuing dispute, that had lasted for nine years, about Mirror Group's refusal to settle or negotiate with 16 previous employees of *The Sunday People*, based in Manchester. Mr Hill was concerned that should any reorganization of staff occur following the merger, Mirror Group's uncompromising attitude towards its staff might similarly be directed towards MIN's employees.

P G CORBETT (*Chairman*)

G H C COPEMAN

D M G NEWBERY

T R C WILLIS

P A BOYS (*Secretary*)

24 September 1997