

4 Newspaper markets and the effects of the three proposed transfers

Contents

	<i>Page</i>
Introduction	42
Background	43
The press in the UK.....	44
Ranking of publishers and measures of concentration of local and regional newspapers	44
Circulation/distribution trends	48
Advertising expenditure	51
<i>Advertising: competition from other media</i>	52
Effect of each of the proposed transfers on competition	55
Competition between newspapers and other media	55
Barriers to entry.....	57
Regional/local area analysis	58
Newsquest	59
Johnston.....	61
South Hampshire	61
Oxfordshire.....	61
Trinity Mirror	63
Overlap in Wales	63
South Wales.....	65
South and west England	66
Cover prices	66
Newscom.....	66
Newsquest	67
Johnston.....	67
Trinity Mirror	68
Advertising policy and revenue.....	69
Newscom.....	69
Newsquest	70
Johnston.....	71
Trinity Mirror	71

Introduction

4.1. In this chapter, we begin by briefly describing the press and newspaper markets in the UK as a whole, looking at the overall structure of newspaper publishing with particular focus on regional and local newspapers and the changes that would result from each of the proposed transfers. We then examine circulation/distribution trends (numbers of newspapers sold or distributed free) and advertising expenditure. After that, we consider competition from other media and barriers to entry before moving on to evaluate in more detail the effects on competition of each of the proposed transfers, looking particularly at the geographic areas of overlap between Newscom and the relevant bidder, primarily in South Wales and parts

of south and west England. Lastly, we consider cover prices and advertising policies and revenues of all the main parties.

4.2. Previous Commission reports on newspapers and related markets are listed at Appendix 4.1. A description of the main parties to the three proposed transfers is given in Chapter 3 and lists of the titles they publish at Appendices 3.1 (Newscom), 3.2 (Newsquest), 3.3 (Johnston) and 3.4 (Trinity Mirror).

Background

4.3. In much of what follows we use statistics supplied by The Newspaper Society. It defines a regional or local newspaper as any publication in written form on newsprint or a similar medium, loosely bound, published in the British Isles (excluding the Irish Republic) at regular intervals not exceeding seven days, and available regionally rather than nationally (ie not available throughout all or most of the British Isles). It contains news and information of a general nature, updated regularly, rather than being devoted to a specific interest or topic. This definition differs from the definition of a newspaper contained in the Fair Trading Act 1973 (the Act), in which newspaper means a daily, Sunday or local (other than daily or Sunday) newspaper circulating wholly or mainly in the UK or in a part of the UK. The difference between the two definitions is not in practice great and we believe that the Newspaper Society data form a satisfactory basis for assessing the issues that these proposed transfers raise, particularly with respect to areas of overlap. In this chapter we therefore use the term ‘newspaper’ to cover newspapers within either the Act or Newspaper Society definitions. We use the term ‘title’ interchangeably with ‘newspaper’.

4.4. As noted in previous Commission reports, the range and variety of newspapers published in the UK is considerable and there are marked differences in:

- (a) the content (both in terms of news and advertising) of different types of newspaper;
- (b) the scale and location of their readerships (ranging from, for example, high-circulation national dailies to local weekly newspapers);
- (c) the frequency of publication; and
- (d) cover prices (including a large number of free newspapers).

4.5. The difference between ‘local’ and ‘regional’ newspaper as used in the newspaper industry is not well defined and the terms are sometimes used interchangeably. Where a distinction is drawn, it is usually by reference to the area of circulation (or distribution), with local newspapers being those that tend to cover a certain district within a large town or city, a single town or a few small towns, and regional newspapers being those with a wider geographic coverage. As with some national newspapers (see paragraph 4.13), material from regional/local newspapers is becoming increasingly available (in whole or in part) on the Internet.

4.6. As in previous Commission reports, and in common with the industry, we distinguish—for sales and market share measurement purposes—between paid-for newspapers, for which ‘circulation’ data are published (mainly from the Audit Bureau of Circulations (ABC) and The Newspaper Society’s Market Intelligence Unit), and free newspapers, for which ‘distribution’ data are used (verified free distribution (VFD) data). Circulation figures refer to the average number of newspapers sold (net of returns) either each day of publication or each calendar week. The combined circulation/distribution data for daily and weekly newspapers in particular areas are best calculated by adding the average weekly circulation of the daily newspapers to the circulation or distribution data for the weekly newspapers; this gives an average weekly total.

4.7. The newspaper industry refers to estimates of the percentage of households in a given area which purchase copies of a paid-for newspaper, or to which a free newspaper is delivered during a particular period, as ‘penetration’ rates (correspondingly, reference is also commonly made to a given title’s

X per cent penetration ‘area’). Advertisers are naturally interested in the number (and type) of people who may see their advertisements, and newspaper publishers also attach importance to their titles’ multiple readership data.

The press in the UK

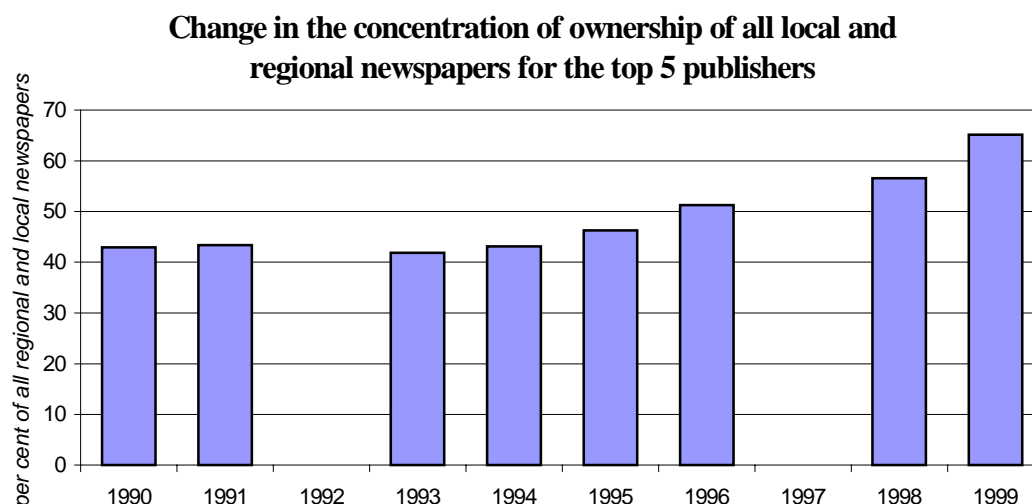
Ranking of publishers and measures of concentration of local and regional newspapers

4.8. Data collected and monitored by ABC and the Market Intelligence Unit show that 1,200 newspapers were in publication in the UK at 1 January 2000 (this number excludes titles published less frequently than weekly—see paragraph 4.3). These consisted of 10 national daily newspapers, 11 national Sunday newspapers, 96 regional and local daily newspapers, 19 regional and local Sunday newspapers, 471 paid-for, and 593 free, regional and local weekly newspapers.

4.9. Since the early 1990s, Commission reports on proposed newspaper transfers have generally included details of the top 20 publishers of regional and local newspapers in the UK, as measured by average weekly circulation/distribution, in order to assess the degree of concentration in newspaper ownership. These concentration figures give some indication of the relative size of different newspaper publishing groups as between one another. As argued in paragraphs 2.36 and 2.37, for competition purposes, the effect of increased concentration of regional/local newspaper publishers needs to be analysed primarily at the regional and local level (see section on regional/local analysis).

4.10. The regional and local newspaper industry has undergone significant changes of ownership in recent years, with each of Newsquest, Johnston and Trinity Mirror becoming major players in a relatively short period of time, principally by acquiring existing publishers. Indeed Newscom told us that, according to Newspaper Society figures, 77 per cent of the regional press had changed hands in the three years to March 1999. Newsquest, formerly RRN—one of the top five regional and local newspaper publishers at the beginning of the 1990s—acquired Westminster Press in 1996, a transaction which virtually doubled its size (see paragraph 3.36). Johnston acquired the newspaper business of EMAP in 1996 and PSN in 1999 which propelled it into the top five regional and local newspaper publishers (see paragraph 3.50). As noted in paragraph 3.61, Trinity Mirror was itself the product of a merger last year between Trinity and Mirror Group. In the five years leading up to this merger, Mirror Group acquired MIN and Trinity acquired a large part of the regional and local newspaper business of TRN (the largest regional and local newspaper group at the beginning of the 1990s). A by-product of these changes in ownership has been a steady but significant increase in market concentration. Figure 4.1 uses data from past Commission reports and The Newspaper Society to show the percentage of all regional and local newspapers accounted for by the top five regional and local newspaper publishers over the 1990s.

FIGURE 4.1



Source: CC based on previous reports into proposed newspaper transfers and data from The Newspaper Society.

Note: None of the Commission's reports has data for 1992 or 1997.

4.11. Some degree of care is needed when considering this chart as some of the Commission's reports have calculated the figures on a slightly different basis. For instance, the treatment of the London *Evening Standard* and some Scottish titles have not been consistent over time (see following paragraphs for details). However, as far as is possible we have accounted for these differences, such that all the figures are calculated on a common basis (which is set out in paragraphs 4.14 to 4.16 and Table 4.1).

4.12. Figure 4.1 gives a broad indication of the trend in concentration over the 1990s. It shows that the top five publishers have increased their share of all regional and local newspapers over the 1990s, from around 42 per cent in 1993 (the lowest level of concentration of the top five publishers in the 1990s) to 65 per cent now (although this is unlikely to be a precise statement of the increase for the reasons referred to in the paragraph above). The increase over the last year is principally due to the Trinity/Mirror Group merger and the transfer of PSN titles to Johnston. Despite this increase in concentration among the top five regional and local newspaper publishers there are a number of other newspaper publishing groups. The Newspaper Society said that there were about 115 newspaper publishing groups in the UK at the beginning of 2000, although this had fallen from 125 at the time of the Commission's PSN report in the first half of 1999.

4.13. However, the relative positions of individual publishers in the top 20 table is in part determined by which titles are classified as 'national' and which as 'regional or local'. Most UK newspapers are clearly identifiable as either:

- (a) national, in that their editorial content is largely national and to an extent international; and they are sold extensively throughout the UK (although we noted some evidence of a tendency for national titles to provide increasingly differentiated regional editions, particularly in Wales, Scotland and Northern Ireland); or
- (b) regional/local, in that their editorial and advertising content is primarily regional or local, and they are sold/distributed entirely or mainly in well-defined areas within the UK. All the titles published by Newscom, Newsquest and Johnston fall within this definition.

4.14. Over time, a few titles—three of which are published in Scotland and another in London—have proved more difficult to classify. The titles in question are:

- (a) the *Daily Record* and its sister newspaper, the *Sunday Mail*, both of which are owned by Trinity Mirror;
- (b) the *Sunday Post*, owned by D C Thomson; and
- (c) the *London Evening Standard*, which is owned by DMGT.

4.15. The classification of these titles has varied between reports. As Trinity Mirror owns two of the titles, their classification has a significant effect on the calculation of Trinity Mirror's market share and therefore requires some consideration for the purposes of this investigation.

4.16. The Trinity/Mirror/RIM report investigated the classification of these titles in some detail. It found that the news and advertising content of the *Daily Record*, *Sunday Mail* and the *Sunday Post* related predominantly to Scottish interests rather than the wider UK interests and readership, and to that extent the titles were more akin to other major regional titles than to national newspapers. More importantly, all of these titles' circulation is very largely within Scotland itself. We see no reason to diverge from the view taken in the Trinity/Mirror/RIM report and consider that these titles are more akin to regional rather than national titles. We have therefore treated them as regional titles in constructing Table 4.1 which ranks newspaper publishers by circulation/distribution.¹ We also believe that the *Evening Standard* serves a predominantly London readership and London-oriented advertisers, with its circulation being limited to the London area. We have chosen, therefore, to treat this title as a regional newspaper in this report.

¹It should be noted that the *Advertising Statistics Yearbook*, which is used to compile Tables 4.2 to 4.4 and Tables 4.6 and 4.7, classifies the *Daily Record* as a national, rather than regional, title (see footnote to Table 4.2).

4.17. As shown in Table 4.1, the top 20 publishers of regional and local newspapers account for 95 per cent of the UK market (as measured by the total weekly circulation of all paid-for titles and the distribution of free newspapers). Within the top 20, the top five publishers account for around 65 per cent of the total market (compared with around 43 per cent in 1990). The next five publishers each have between 3 and 4 per cent of the total and taken together they account for about 18 per cent of the total market.

TABLE 4.1 Largest 20 publishers of regional and local newspapers in the UK as at 1 January 2000

	Total sales or distribution per week	
	m	%
Trinity Mirror*	16.7	22.8
Newsquest	7.6	10.4
Johnston	6.0	8.2
Newscom	2.7	3.6
DMGT†	13.9	19.0
RIM	3.5	4.8
Guardian	2.8	3.9
Eastern Counties	2.6	3.6
Southnews	2.5	3.5
MNA	2.3	3.1
D C Thomson‡	1.5	2.0
Scottish Media	1.4	1.9
Scotsman Publications	1.4	1.9
Adscene Group	0.9	1.2
Yattendon	0.9	1.2
Kent Messenger	0.8	1.0
Independent Newspapers	0.7	1.0
CN Group Ltd	0.5	0.7
North Wales Newspapers	0.5	0.6
Tindle Newspapers Ltd	0.4	0.5
Subtotal: top 20 publishers¶	69.4	94.9
Other	<u>3.8</u>	<u>5.1</u>
Total¶	73.2	100.0

Source: Commission, based on data from The Newspaper Society.

*Includes the *Daily Record* and *Sunday Mail* (see paragraphs 4.14 to 4.16). This figure also includes the *Belfast Telegraph* and associated newspapers which have to be disposed of before the end of September 2000—the future owner of these titles was unknown at the time of our report. Also includes figures for Trinity Mirror's Birmingham newspapers with an adjustment for an overstatement of circulation. To adjust for the overstatement of circulation we have used the 1998 circulation figures for the titles concerned (latest published data) and reduced the figures by the estimates of overcirculation contained in Trinity Mirror's press notice of 4 November 1999 (see footnote to paragraph 4.18).

†Includes Northcliffe and Associated Newspapers (publisher of London's *Evening Standard*—the sales of which are included in this table) and Bristol United Press.

‡Data for D C Thomson include the *Sunday Post*.

¶Totals may not sum exactly due to rounding.

4.18. Trinity Mirror told us that these figures overstated its market share for two reasons. First the figures included its Belfast titles¹ that must be sold as a condition of the Secretary of State granting consent to the Trinity/Mirror Group transfer. Second, Trinity Mirror said that, although the figures had been adjusted to account for the overstatement of circulation for its Birmingham titles,² it was still likely to overstate Trinity Mirror's share because the figures for these newspapers related to 1998 and, in line with the industry trend, these titles' circulation was likely to have declined since then. Accounting for the first of these factors (the Belfast titles) reduces Trinity Mirror's share by about 1.4 percentage points to around 21.5 per cent.

¹*Belfast Telegraph, Sunday Life, Community Telegraph and Farm Trader.*

²On 4 November 1999 Trinity Mirror issued a press notice that said it had discovered irregularities in the reporting of circulation numbers to ABC in certain of its Birmingham titles. The irregularities concerned the *Birmingham Evening Mail*, *The Birmingham Post* and the *Sunday Mercury*. In the case of the *Birmingham Evening Mail* and *Sunday Mercury* Trinity Mirror estimated that since June 1995 the actual circulation figures were approximately 17 per cent less than the standard ABC figures, and in the case of *The Birmingham Post* it had been approximately 10 per cent.

4.19. The five largest publishers are: Trinity Mirror with 22.8 per cent (21.5 per cent if the Belfast titles are excluded); DMGT with 19.0 per cent; Newsquest with 10.4 per cent; Johnston with 8.2 per cent; and RIM with 4.8 per cent. On the basis of these data, the effects of each of the three proposed transfers would be that:

- (a) If Trinity Mirror acquired Newscom it would increase its size as the largest regional and local newspaper publisher, with a market share of 26.5 per cent overall (or 25.1 per cent excluding the Belfast titles). Trinity Mirror and DMGT, the two largest regional and local newspaper publishers, taken together would account for 45.4 per cent of the market overall. However, were Trinity Mirror's *Daily Record/Sunday Mail* and D C Thomson's *Sunday Post* to be treated as national rather than regional titles, the market share figures would be lower: Trinity Mirror would have a market share of 21.6 per cent overall. Trinity Mirror and DMGT taken together would control about 42.1 per cent of the market overall.
- (b) If Newsquest acquired Newscom it would remain the third largest publisher, with a market share of 14.0 per cent. If Johnston were to acquire Newscom it would become the third largest publisher, with 11.9 per cent of the market. In each case were Trinity Mirror Group's *Daily Record/Sunday Mail* and D C Thomson's *Sunday Post* taken to be national rather than regional titles, the market share figure would be higher by about one percentage point.

4.20. Table 4.1 aggregates newspaper products of widely differing editorial and geographic coverage and frequency of publication. It should be noted that the data concern circulation and distribution only—ie a quantity rather than value measure of market share—though this has been the approach adopted in previous Commission reports on proposed newspaper transfers. Within the industry itself, particular attention is paid to circulation and distribution figures for individual titles, as well as the comparative performance of titles of similar types. Publishers' market shares and the order in which they appear in the rankings in Table 4.1 may not necessarily coincide with market shares and the order derived from other rankings which might be used for this purpose, such as gross revenues, advertising sales or volume.

4.21. Total net revenue from the sale of newspapers and the advertising space in them (including advertising space in the colour supplements) in the UK in 1998 is estimated to have amounted to £5.6 billion (see Table 4.2). Around 50 per cent (£2.8 billion) of the total was accounted for by regional and local newspapers' revenues, with just over 9 per cent (£0.5 billion) being the revenues from sales of paid-for weekly regional and local newspapers, 25 per cent (£1.4 billion) being the revenues of regional and local daily newspapers (including Sundays) and almost 16 per cent (£0.9 billion) being the revenues of weekly free newspapers.

TABLE 4.2 Newspaper publishers' total net revenue* in the UK by type of newspaper, 1998 (current prices)

	Newspaper sales		Advertising revenue		Total revenue	
	£m	%	£m	%	£m	%
<i>National</i>						
Daily	929	52.9	1,006	26.2	1,935	34.5
Sunday	<u>338</u>	<u>19.3</u>	<u>517</u>	<u>13.4</u>	<u>855</u>	<u>15.3</u>
Subtotal	1,267	72.2	1,524	39.6	2,790	49.8
<i>Regional and local</i>						
Daily and Sunday	406	23.1	1000	26.0	1,406	25.1
Weekly paid-for	82	4.7	451	11.7	533	9.5
Weekly free	<u>0</u>	<u>0</u>	<u>872</u>	<u>22.7</u>	<u>872</u>	<u>15.6</u>
Subtotal	488	27.8	2,323	60.4	2,811	50.2
Total: all newspapers†	1,755	100	3,847	100	5,601	100

Source: Commission, based on data published in the *Advertising Statistics Yearbook, 1999*.

*Net revenue is publishers' net revenue from advertising after deducting agency commissions, and net receipts from copy sales after deducting distributors' margins.

†Totals may not sum exactly because of rounding.

Note: The *Advertising Statistics Yearbook* states that because Mirror Group's *Daily Record* had a small circulation outside Scotland while its sister title *The Mirror* had a small circulation in Scotland, it was 'customary to regard the two together as national dailies'; accordingly, all data relating to the *Daily Record* is included under the 'national' rather than the 'regional and local' heading. Because of limited information, 'national' excludes the *Daily Sport*. 'Regional and local' newspapers include the London *Evening Standard*, the Scottish *Sunday Post* and *Sunday Mail* (but not the *Daily Record*) and the Northern Ireland edition of the Dublin *Sunday World* (but not the *News and Echo*).

4.22. In 1998 over two-thirds of net newspaper revenue came from the sale of advertising space, and newspaper sales accounted for the remainder (see Table 4.3). The significance of advertising revenues is much greater for regional and local newspapers, at around 83 per cent of total revenue, than it is for national newspapers, at around 55 per cent.

TABLE 4.3 Sources of newspaper publishers' net revenue* (at current prices) in the UK for each type of newspaper, 1998 (current prices)

	Percentage of total net revenue				Total net revenue	
	Sales of newspapers %	Display %†	Classified %†	Subtotal %	%	£m
<i>National</i>						
Daily	48.0	39.3	12.7	52.0	100	1,935
Sunday	<u>39.5</u>	<u>45.4</u>	<u>15.1</u>	<u>60.5</u>	<u>100</u>	<u>855</u>
Subtotal	45.4	41.1	13.5	54.6	100	2,790
<i>Regional and local</i>						
Daily and Sunday	28.9	23.8	47.3	71.1	100	1,406
Weekly paid-for	15.4	21.9	62.7	84.6	100	533
Weekly free	<u>0.0</u>	<u>40.3</u>	<u>59.8</u>	<u>100.0</u>	<u>100</u>	<u>872</u>
Subtotal	17.4	28.6	54.1	82.6	100	2,811
All newspapers‡	31.3	35.7	32.9	68.7	100	5,601

Source: Commission, based on data from the *Advertising Statistics Yearbook, 1999*.

*Net revenue is the publishers' net revenue from advertising, after deducting agency commissions, and net receipts from copy sales, after deducting distributors' margins.

†The split between display and classified advertising is based on advertisers' expenditure data, not on publishers' net revenue data.

‡Totals may not sum exactly because of rounding.

Note: See note to Table 4.2.

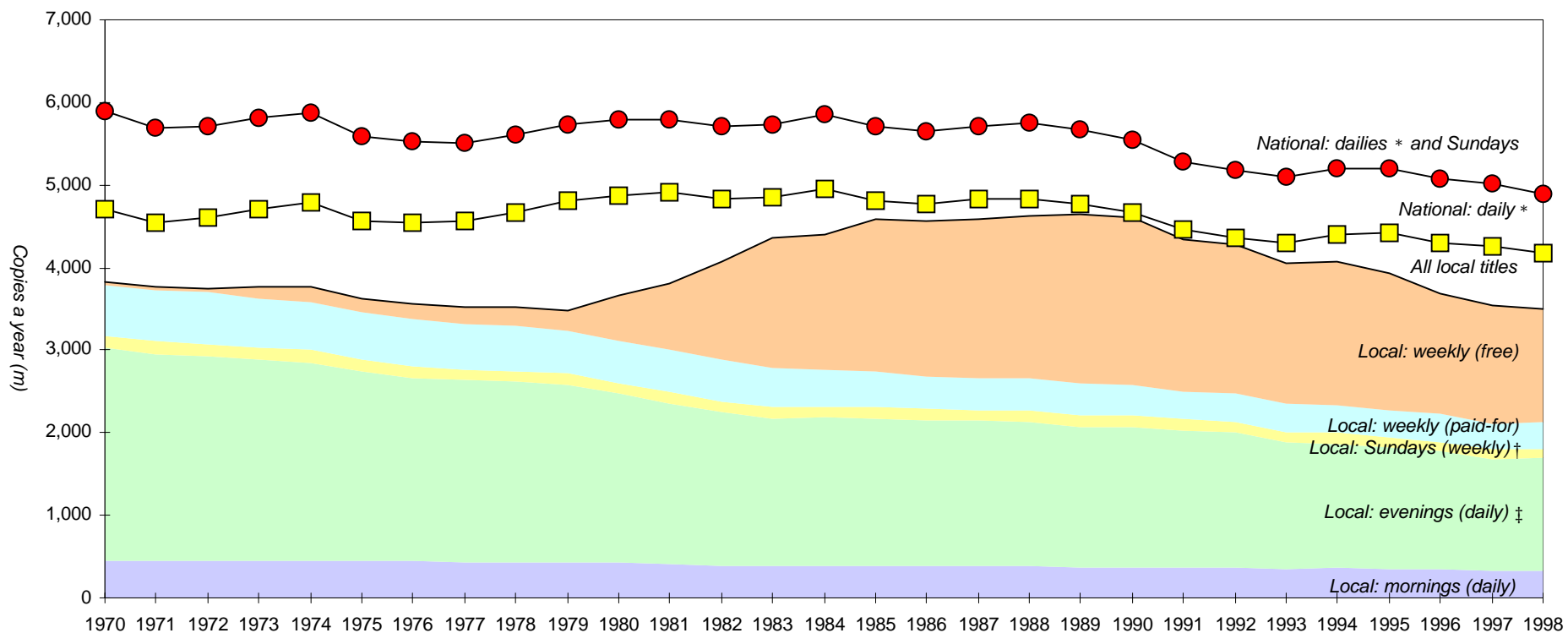
4.23. As shown in Table 4.3, among regional and local newspapers, all the revenue of weekly free newspapers comes from the sale of advertising space compared with about 71 per cent for regional and local daily and Sunday newspapers and 85 per cent for weekly paid-for newspapers. Table 4.3 also shows that in national newspapers display advertising accounts for a much greater proportion of total revenue than classified advertising (the proportions being around 41 per cent and 14 per cent respectively). In regional and local newspapers the balance is reversed, with classified advertising accounting for about 47 per cent of the total revenue of daily and Sunday newspapers, 60 per cent for free weekly newspapers and about 63 per cent for weekly paid-for newspapers.

Circulation/distribution trends

4.24. As noted in many previous Commission reports on proposed newspaper transfers, sales of almost all newspapers have been declining over the past 30 years. Sales trends for different types of newspapers are summarized in Figure 4.2 (in Figure 4.2 the term 'local' encompasses regional and local newspapers). Table 4.4 also shows trends in circulation and distribution for discrete time periods. Table 4.5 shows the change in the number of newspaper titles since 1981—the earliest year for which these data are available.

FIGURE 4.2

Annual circulation or distribution of national and local newspapers, 1970 to 1998



Source: Commission, based on data in the *Advertising Statistics Yearbook, 1999*.

*Includes the *Daily Record*. Excludes the *Daily Sport*.

†Includes the *Sunday Post*, the *Sunday Mail* and the Northern Ireland edition of the *Sunday World*.

‡Includes the *Evening Standard* (London).

Note: *Advertising Statistics Yearbook* aggregates used in this figure differ in treatment of certain newspapers as compared with coverage of Table 4.1.

TABLE 4.4 Trends in the circulation/distribution (per issue) of newspapers in the UK, 1970 to 1998*

	<i>m copies</i>				<i>per cent</i>		
	1970	1979	1989	1998	Change 1970 to 1998	Change 1979 to 1998	Change 1989 to 1998
<i>National</i>							
Weekday	15.2	15.5	15.4	13.5	-11.5	-13.4	-12.7
Sunday	<u>23.5</u>	<u>18.2</u>	<u>17.9</u>	<u>14.5</u>	<u>-38.5</u>	<u>-20.5</u>	<u>-19.1</u>
Subtotal†	38.7	33.7	33.3	27.9	-27.9	-17.3	-16.1
<i>Regional and local</i>							
Daily and Sunday:							
Morning	1.5	1.4	1.2	1.1	-26.8	-24.0	-12.3
Evening	8.3	6.9	5.5	4.4	-46.9	-36.3	-19.7
Sunday	<u>2.9</u>	<u>2.7</u>	<u>2.7</u>	<u>2.1</u>	<u>-26.4</u>	<u>-21.1</u>	<u>-22.1</u>
Subtotal†	12.7	11.0	9.4	7.6	-39.9	-31.0	-19.5
Weekly:							
Paid-for	12.1	9.8	7.4	6.2	-49.1	-37.3	-16.6
Free	<u>0.6</u>	<u>4.8</u>	<u>39.5</u>	<u>26.5</u>	<u>4,316.7</u>	<u>452.1</u>	<u>-32.9</u>
Subtotal†	12.7	15.0	46.9	32.7	157.0	123.3	-30.3
Total†	64.1	59.4	89.6	68.2	6.4	14.8	-23.9

Source: Commission, based on data published in *Advertising Statistics Yearbook, 1999*.

*The *Advertising Statistics Yearbook, 1999* states that the basis for calculating these figures was revised in 1997 and as a result comparisons with earlier years should be treated with caution.

†Totals may not sum exactly because of rounding.

Note: See note to Table 4.2.

TABLE 4.5 Change in the number of newspaper titles over time

	<i>Number of newspaper titles</i>		
	1981	1989	1998
<i>National</i>			
Weekday	9	11	10
Sunday	<u>7</u>	<u>9</u>	<u>11</u>
Subtotal	16	20	21
<i>Regional and local</i>			
Daily and Sunday:			
Morning	18	17	17
Evening	79	72	72
Sunday	<u>5</u>	<u>7</u>	<u>11</u>
Subtotal	102	96	100
Weekly:			
Paid-for	915	492	472
Free	<u>494</u>	<u>821</u>	<u>599</u>
Subtotal	1,409	1,313	1,071
Total	1,527	1,429	1,192

Source: Commission based on data from The Newspaper Society.

Note: Figures include *Daily Record*, *Sunday Mail*, *Sunday Post* and *Evening Standard* as regional/local newspapers (see paragraphs 4.14 to 4.16)

4.25. Over the period 1970 to 1998, the total circulation of national newspapers has shown a continuous decline (falling by almost 28 per cent over the period), with the circulation of Sunday newspapers declining more rapidly than daily titles (see Table 4.4). This is in spite of an increase in the number of national daily (and Sunday) titles in circulation since 1981 (see Table 4.5).

4.26. The corresponding trends for regional/local newspapers are more complex. In addition to a long-term decline in most regional/local newspapers, the 1980s saw rapid growth of free weeklies. As a result, the annual circulation/distribution figures for regional and local newspapers in total peaked in 1989 but have declined since then: aggregate circulation of regional and local daily (and Sunday) titles was down by almost 20 per cent by 1998 compared with the 1989 figure, and by about 40 per cent compared with 1970. However, the circulation of regional and local morning newspapers has tended to decline less quickly than that of the evening newspapers: circulation of the former declined by about 27 per cent between 1970 and 1998, compared with about 47 per cent for regional and local evening titles. Table 4.5 shows that since 1981 the number of regional/local evening newspapers has fallen, although this has been almost completely offset by an increase in the number of Sunday titles. Table 4.5 also shows that the number of

regional and local morning newspapers remained fairly static between 1981 and 1998, although we note that free morning newspapers have been launched in a number of cities relatively recently (see paragraph 4.55).

4.27. The decline in the circulation of weekly paid-for newspapers since 1970 was slightly greater than that of regional and local evening titles, at almost 50 per cent. In part, this reflects the conversion of many weekly paid-for into weekly free newspapers. Very occasionally, however, free newspapers have reverted back to being paid-for. Table 4.5 shows that between 1981 and 1989 the number of paid-for weekly titles fell by 423 (almost half) whilst the number of free weekly titles increased by 327 (or two-thirds), leaving a net reduction of 96 (7 per cent) regional/local weekly newspapers over this period.

4.28. The distribution of weekly free newspapers, which developed from very low levels in the 1970s, grew quickly during the early 1980s (overtaking the total circulation of paid-for weeklies in 1980) and reached a peak distribution in 1989. Until 1989 this growth more than counterbalanced the declining circulation of the paid-for regional and local newspapers (see Figure 4.2 and Table 4.4). However, since 1989 the distribution of free weekly newspapers has fallen in each year with the exception of 1994; over the period 1989 to 1998 the distribution of weekly free newspapers declined by around 33 per cent (a steeper decline than any of the paid-for regional and local newspapers). Table 4.5 shows that the number of free weekly titles fell by 222 (27 per cent) between 1989 and 1998 whereas the number of paid-for weekly titles fell by only 20 (4 per cent) over the same period.

Advertising expenditure

4.29. As noted in previous Commission reports on newspapers (see Appendix 4.1), almost all types of newspapers are an important advertising medium. Indeed, nearly 30 per cent of all advertising expenditure in 1998 was on newspapers (see Table 4.6, which gives a breakdown of UK advertising spend by medium at constant 1990 prices in each of the peak advertising years 1973, 1979 and 1989, together with the data for 1998). In 1998 national newspapers accounted for 12.5 per cent of the total spend on advertising and regional and local newspapers for just under 17 per cent. Hence, aggregate advertising expenditure on regional and local newspapers exceeds that on national newspapers, and has done so throughout the period since 1970.

TABLE 4.6 Total advertising expenditure* in the UK (at constant 1990 prices)

	1973		1979		1989			1998		
	£m	%†	£m	%†	£m	%†	%	£m	%†	%
National newspapers	850	18.2	772	15.9	1,337	15.5	14.1	1,388	14.2	12.5
Regional & local newspapers	1,360	29.1	1,320	27.1	1,869	21.7	19.8	1,850	18.9	16.7
Total newspapers‡	2,210	47.3	2,092	43.0	3,206	37.1	33.9	3,238	33.1	29.2
Consumer magazines	398	8.5	443	9.1	587	6.8	6.2	549	5.6	5.0
Business magazines	404	8.6	521	10.7	917	10.6	9.7	936	9.6	8.4
Directories	90	1.9	138	2.8	481	5.6	5.1	604	6.2	5.5
Press production costs§	244	5.2	265	5.4	426	4.9	4.5	472	4.8	4.3
Total press	3,347	71.6	3,459	71.1	5,617	65.1	59.4	5,799	59.2	52.3
Television	1,116	23.9	1,048	21.5	2,504	29.0	26.5	3,120	31.9	28.2
Radio	11	0.2	116	2.4	174	2.0	1.8	359	3.7	3.2
Total television and radio	1,127	24.1	1,164	23.9	2,678	31.0	28.3	3,479	35.5	31.4
Outdoor and transport	165	3.5	207	4.3	297	3.4	3.1	436	4.5	3.9
Cinema	37	0.8	38	0.8	38	0.4	0.4	75	0.8	0.7
Total (excluding direct mail)¶	4,675	100.0	4,868	100.0	8,630	100.0	91.2	9,789	100.0	88.4
Direct mail‡	N/A	N/A	N/A	N/A	830	-	8.8	1,290	-	11.6
Total all advertising	N/A	N/A	N/A	N/A	9,460	-	100.0	11,079	-	100.0

Source: Commission, based on data from *Advertising Statistics Yearbook, 1999*.

*After deducting series and other discounts on published rate card rates. Includes agency commission.

†Percentage of total advertising expenditure excluding direct mail.

‡Excluding press production costs.

§That is, production charges incurred in the preparation of advertisements, but not covered by advertising agency commission. These production costs are shown separately for the press but are included in the figures for the other media.

¶About one-third of direct mail expenditure is accounted for by postage expenditure.

Note:

1. Totals may not sum exactly because of rounding.

2. See note to Table 4.2.

4.30. The principal changes in advertising expenditure over the last 25 years or so have been the increase in the relative importance of television (particularly during the early 1980s), the increased use of direct mail and directories and the decline in the relative share of regional and local newspapers. The introduction of commercial radio in the 1970s and its increasing share of advertising expenditure since then (albeit from very low levels) is also noteworthy. As a result of these trends, there has been a gradual decline in the share of advertising expenditure accounted for by published media (even before accounting for direct mail).

4.31. Advertising revenue trends, broken down by type of newspaper, are summarized in Figure 4.3 (as with Figure 4.2, the term 'local' encompasses both regional and local newspapers). It shows advertising revenue adjusted for inflation (as measured by the RPI). It should be noted that shares of advertising expenditure are likely to reflect changes in the price of advertising for the various forms of media, as well as changes in the volume of advertising for each media. This may be particularly relevant to television advertising where the volume of advertising may be considered to be relatively fixed in size (with, until relatively recently, a fixed number of channels) when compared with newspapers where advertising could be expanded more easily. Therefore it is plausible that the increased share of advertising expenditure accounted for by television is attributable significantly to changes in the price, rather than volume, of advertising.

4.32. Whilst being particularly vulnerable to fluctuations in economic activity (especially for recruitment advertising), advertising expenditure on newspapers has tended to increase over the past 25 years or so (see Figure 4.3 and Table 4.6). In most years over the period 1971 to 1989, advertising expenditure in regional and local newspapers rose in real terms, especially in the case of the free newspapers (see Figure 4.3). Between 1989 (the peak year) and 1992, the real value of advertising expenditure on regional and local newspapers fell by about 20 per cent, though it has subsequently risen each year since then (see Table 4.7). In 1998, total advertising expenditure in regional and local newspapers was still slightly below the 1989 peak (of £1.87 billion at 1990 prices) at £1.85 billion at 1990 prices (just over £2.3 billion in current prices). Of this, 43 per cent was spent on advertising in daily and Sunday titles, 19 per cent in paid-for weeklies and 37 per cent in free weeklies.

TABLE 4.7 Annual newspaper advertising expenditure according to type of regional and local newspaper, 1986 to 1998 (at constant 1990 prices)

Year	Daily and Sunday		Weekly paid-for		Weekly free		Total	
	£m	% change on previous year	£m	% change on previous year	£m	% change on previous year	£m	% change on previous year
1986	701		313		405		1,419	
1987	749	6.8	334	6.7	501	23.7	1,585	11.7
1988	827	10.4	378	13.2	616	23.0	1,822	15.0
1989	855	3.4	371	-1.9	643	4.4	1,869	2.6
1990	781	-8.7	334	-10.0	601	-6.5	1,715	-8.2
1991	680	-12.9	307	-8.1	552	-8.2	1,538	-10.3
1992	648	-4.7	289	-5.9	556	0.7	1,493	-2.9
1993	656	1.2	295	2.1	586	5.4	1,537	2.9
1994	693	5.6	317	7.5	627	7.0	1,637	6.5
1995	706	1.9	319	0.6	635	1.3	1,661	1.5
1996	728	3.1	331	3.8	643	1.3	1,702	2.5
1997	787	8.1	347	4.8	658	2.3	1,792	5.3
1998	804	2.2	356	2.6	689	4.7	1,850	3.2

Source: Commission, based on data published in the *Advertising Statistics Yearbook, 1999*.

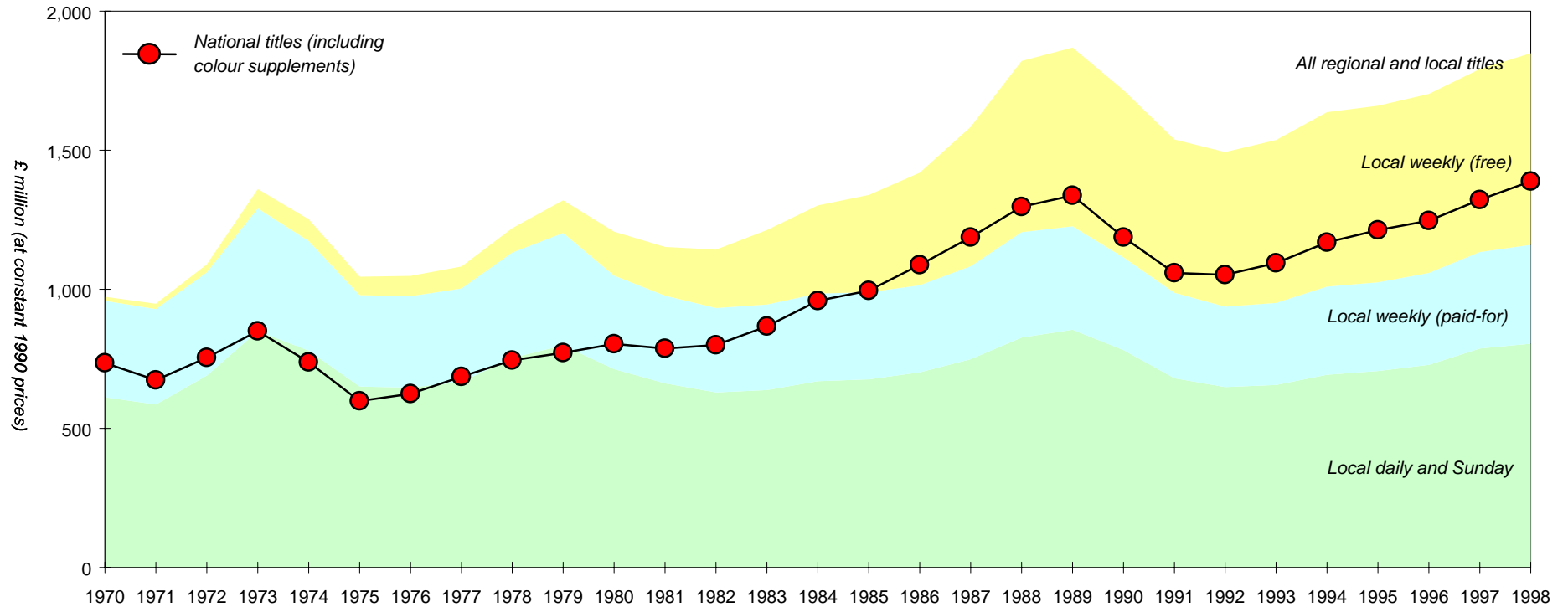
Note: See note to Table 4.2.

Advertising: competition from other media

4.33. Regional and local newspapers face competition for advertising from a variety of media. These include advertising-only publications such as *Auto Trader* and *Exchange & Mart*, specialist property publications and more general publications, some of which carry advertising free (such as *Loot*). Directories (such as *Yellow Pages* and *Thomson's Local Directories*) and direct mail are also available as alternatives. Competition may also come from broadcast media such as local commercial radio stations and, for regional advertising especially, from television. All four parties under consideration in this

FIGURE 4.3

Newspaper advertising expenditure,* 1970 to 1998



Source: Commission, based on data in the *Advertising Statistics Yearbook, 1999*.

*Excludes press production costs, but includes agency commission.

Notes: National dailies includes the *Daily Record* but excludes the *Daily Sport*. Local Sundays includes the *Sunday Post*, the *Sunday Mail* and the Northern Ireland edition of the *Sunday Mail*. Local evenings includes the *London Evening Standard*. Classification of newspaper types in *Advertising Statistics Yearbook* aggregates differs in treatment of certain newspapers as compared with the classifications underlying Table 4.1.

report have a presence on the Internet, and offer varying degrees of electronic access to the news and advertising content of their newspapers. In considering whether these media compete in the same market for advertising as newspapers, account needs to be taken of the nature and characteristics of the medium, the demands of advertisers (distinguishing between display and classified) and the extent of economic substitutability between these media.

4.34. Looking first at regional/local newspapers, these may also be subdivided into regional dailies (and Sundays) on the one hand, which may offer advertisers a wide-area coverage or reach, and local weeklies on the other, which tend to focus on advertising related to a particular town. The extent of overlap between these two categories is usually limited since advertisers wishing to advertise locally usually have little interest in region-wide advertising packages. Indeed Newsquest told us that it did not believe that there was a separately identifiable regional advertising market because advertisers tended to target local areas rather than regions. Johnston said that the vast bulk of advertising carried by its titles was local; it estimated that less than 5 per cent of the advertising carried by its papers in Hampshire could be categorized as county-wide or regional. To the extent that there is a regional advertising market, therefore, it should be seen as distinct from local advertising markets.

4.35. As regards other printed media, the regional editions of national newspapers offer only limited competition to regional and local newspapers with respect to display advertising and virtually no competition with respect to classified advertising. But for the latter, the regional/local press face competition from other forms of printed media such as advertising-only publications. All the parties cited advertising-only publications as significant competitors to their newspapers for advertising. Trinity Mirror also noted the recent introduction of a range of free 'pick-up' or 'racked' products that were available from outlets such as supermarkets or petrol station forecourts. As noted earlier, directories and direct mail also offer advertisers an alternative means of advertising in the printed media.

4.36. For non-text-based advertising, advertisers have the option of using local commercial radio stations and television. As shown earlier, television and radio have increased their share of overall advertising over time, whilst the share of the regional/local press has declined substantially (although the level of its advertising revenues expressed in real terms has increased over the past five years or so).

4.37. The extent to which television, radio and regional/local newspapers compete for advertising has been considered in a number of previous Commission reports, notably in the reports on the Johnston/Home Counties proposed transfer and the Capital/Virgin proposed acquisition (see Appendix 4.1, items A34 and B4). In the latter report, it was concluded that these three media were separate economic markets because of the limitations on substitutability between them. The choice of which to use was said to be dictated largely by creative considerations and the overall strategy of the advertising campaign for a particular product or service. Past Commission reports have stated that television and the press, for example, were particularly good for developing brand images because of the visual nature of these media. Radio, on the other hand, was an effective medium for certain types of products, but might often be used to support a television or press campaign and to reinforce the message: to that extent, radio was more a complement to the other two media than a substitute. Much of the advertising in the regional/local press, of course, is classified rather than display (see Table 4.3). Whilst noting developments in the radio and television sectors since these reports were published, we see no reason to diverge from the view outlined above.

4.38. In addition, these qualitative differences between television, radio and the press are reflected in very different pricing arrangements, which makes price comparisons extremely difficult. This lack of price transparency is likely to reduce the ability of advertisers and agencies to react consistently to price changes.

4.39. Some of the parties drew our attention to wider technological developments in the market that had resulted in new competition from alternative text-based media. The Internet was highlighted by all parties as a threat to their business (and also as an opportunity by some parties). Newsquest said that it faced a large number of electronic competitors in each of its advertising markets. Many of the electronic competitors were also competitors in the printed media, for instance *Auto Trader* and *Exchange & Mart*. However, Newsquest cited other electronic competitors that did not compete in printed media such as www.autobytel.co.uk and www.autoseek.co.uk. It cited www.monsterboard.co.uk and www.topjobsonthenet.co.uk as new entrants to the market for recruitment advertising. In property advertising it said that some estate agents and trade associations had formed online alliances and that there were also new entrants such as www.propertyfinder.co.uk. Newsquest said that the nature of the Internet and its distribution meant that competitive pressure was intense and increasing.

4.40. Johnston said that the Internet presented an increasingly competitive threat. It said that the relevant web sites could be divided into two categories. First were sites that offered advertising space to individual tradesmen, car dealers and estate agents, for example. Johnston said that these sites covered much of the subject matter commonly advertised in the local press. Johnston said that the second type of site was those set up by the company whose services or goods were promoted by that site. It said that these included sites set up by individual estate agents, car dealers or car manufacturers, for example. It said that many companies and public corporations were starting to use the Internet to advertise job vacancies and that other areas of advertising such as cars and property were increasingly available via the Internet. Johnston's strategy document highlighted that it expected the Internet to erode the traditional advertising revenue base of its newspapers over time but that for the foreseeable future newspapers would continue to be widely read. As a result it said that advertisers would require both the Internet and newspapers to reach their audience. Johnston stated that local newspaper publishers were uniquely placed to meet this need by packaging their newspapers with Internet sites.

4.41. Trinity Mirror said that Internet competitors fell into a number of categories which included national niche sites which aimed to attack one specific revenue stream, for example car sales or recruitment. Trinity Mirror said that relatively low entry barriers had encouraged tens of thousands of local launches usually targeted at specific interest groups. Trinity Mirror also highlighted that a number of its competitors had online operations such as Newsquest and Northcliffe (part of DMGT). Trinity Mirror said that all research projected a migration of advertising revenue from print to online, with the more extreme projections suggesting 30 per cent migration of classified over the next three years.

4.42. Newscom said that thus far the principal loss of advertising revenue from local and regional newspapers had been to print media rather than non-print media. It said that in the areas where its newspapers circulated a very low number of people were active Internet users. However, Newscom said that the strength of the non-print media was building.

4.43. In addition, the development of interactive digital television was also highlighted by some parties as a factor that would increase competition for advertising. Again this new media, in a similar way to the Internet, would allow much more text-based advertising than had been possible in the past.

4.44. At this time, however, interactive television and, to a lesser extent, the Internet are in their relative infancy in the UK. At the moment only 10 per cent of households are connected to the Internet (although a third of households own a home computer). However, these media may offer a new scope and wider opportunities for advertisers as a whole, and particularly, in the early stages, for business to business advertising. To that extent, they are likely to present a competitive threat to the advertising revenues of regional and local newspapers in the near future, though the scale of impact is difficult to judge.

Effect of each of the proposed transfers on competition

Competition between newspapers and other media

4.45. As indicated earlier, the Commission has examined and reported on newspaper markets on many occasions over the past 30 years, mainly but not entirely in the context of proposed transfers: see Appendix 4.1. Given the nature of newspapers and the way they are financed the Commission has looked at them in terms of advertising media and also in terms of readerships. In the 1993 report on the supply of national newspapers (a monopoly inquiry; see Appendix 4.1, item B3), the Commission noted that newspapers in general—including both national and regional titles—served largely different consumer markets from other media such as television, radio and magazines. That is, these media appeared to be not sufficiently close substitutes to newspapers to be regarded as forming a unified or distinct market (similarly to the finding in the Capital/Virgin proposed acquisition, see paragraph 4.37). Although technological developments in these other media (for instance, interactive digital television) may have reduced such distinctions since 1993, we do not feel the developments have gone far enough, as yet, to diverge from the view outlined above. Whilst noting that there was an element of overlap in advertising markets, the report also took the view that national newspapers represented a separate market from that of local (including regional) newspapers. Once again, for the purposes of this report, we see no reason to adopt a different approach.

4.46. As noted above, television and radio serve different markets from newspapers, albeit that television has long offered national, international and regional news to consumers; and that radio often

provides local news. The parties to this inquiry highlighted that competition from these and new media was likely to intensify in the future with the development of digital television (and within that interactive television), more radio channels and the Internet. Some of the parties told us that as a result of these technological developments the market was now much wider than just newspapers. In particular they noted the ability of digital interactive television and the Internet to provide text-based (rather than the more traditional broadcast) media as a very significant threat (see also paragraphs 4.39 to 4.43).

4.47. Competition for advertising from all forms of media was discussed in paragraphs 4.33 to 4.44. However, with regard to newspaper advertising markets, the extent of choice enjoyed by advertisers will depend on whether they wish to reach a purely local readership, a wider regional market or achieve national coverage. As noted in the Mirror Group/MIN report (see Appendix 4.1, item A33), advertisers' decisions about which newspaper(s) to use are determined by:

- (a) the cost per 1,000 circulation and readers;
- (b) the target market;
- (c) the geographic area to be covered; and
- (d) the readership profile of the newspaper(s), including the readership that reads a particular title to the exclusion of others (ie committed readership).

Advertising agencies therefore pay close attention to ABC circulation figures and the readership figures published by the National Readership Survey for national newspapers, and by the Joint Industry Committee for Regional Press Research for regional and local newspapers.

4.48. For regional and local daily titles (currently just under 100 in total), the Commission has consistently taken the view that, despite some overlaps in the general market for display advertising, regional/local morning and evening titles compete only to a limited extent with national titles; but that they do, to varying degrees, compete with each other. For the purposes of this report we see no reason to diverge from this view; advertisers, for instance, are likely to regard morning and evening newspapers as reasonably close substitutes, given their usually comparable area coverage and frequency of publication. In contrast to regional/local evening titles, however, regional/local morning titles typically circulate over a much broader area.

4.49. Regional and local Sunday newspapers may be seen as more complementary than substitute products to national Sunday titles, particularly with respect to advertising markets. The editorial content and advertising in Sunday newspapers seems to be more akin to daily regional newspapers than to weeklies. In addition, Saturday editions of regional/local dailies increasingly appear to offer a similar product package to that of the Sunday titles, for example full-week entertainment listings, review sections and insert supplements. Therefore, whilst noting the extent of product differentiation between different titles, we regard all regional/local daily and Sunday newspapers within a given circulation area as having many of the characteristics of a single market and one which is distinct from paid-for and free weekly titles.

4.50. We looked at the extent of overlap between the regional and local daily (evening and morning) newspapers of different publishers in each postcode district throughout the UK using data provided by The Newspaper Society. The data show that regional/local daily newspapers circulate in around three-quarters of the postcode districts covered by The Newspaper Society's database. This may be an understatement, however, as the Newspaper Society data do not have figures for the London *Evening Standard* or the recently-launched free morning newspapers (see paragraph 4.55) by postcode district. Nevertheless, of those postcode districts covered by the Newspaper Society database, 45 per cent are supplied by two or more publishers. However, if we focus on newspaper titles that achieve a household penetration rate of 10 per cent or more—such that we discard those newspapers that circulate to only a small percentage of households in any postcode district (see also paragraph 4.61)—only 16 per cent of postcode districts are served by two or more newspaper publishers. These percentages are much lower if Scotland is excluded from the analysis. This is because Scotland, according to our classification of regional/local newspapers (see paragraphs 4.14 to 4.16), is served by a number of regional/local newspapers produced by different newspaper publishers.

4.51. On the same reasoning as used for regional/local dailies, weekly titles do not compete with national titles to any marked extent. Both paid-for weeklies (over 450 individual titles) and free weekly

titles (almost 600 in total) appear to be more substitutes for each other (within a given area) than for other daily or Sunday regional titles. That is, daily (and Sunday) titles generally offer regional news and advertising, whereas weeklies are far more local in both their content and area of circulation/distribution.

4.52. Paid-for and free weeklies may represent reasonably close substitutes for both readers and advertisers where they operate in the same or overlapping geographic areas. On the readership side some paid-for weeklies contain a substantial amount of editorial and free titles usually (but by no means always) carry a much lower proportion of editorial content. In terms of advertising, paid-for and free weeklies are largely in direct competition with one another.

Barriers to entry

4.53. In assessing the possible effects on competition of the three proposed transfers, we consider, as in previous inquiries, how easy it is for new newspapers to enter the relevant markets at the local and regional level.

4.54. All the parties to this inquiry considered that barriers to entry in establishing a local or regional title were relatively low. Indeed Newscom said that the barriers to entry to beginning a new newspaper publishing venture had never been lower. Factors mentioned by the parties that contributed to the low level of barriers to entry included:

- (a) advances in technology (for instance, electronic communications allow the transfer of text to a printing facility many miles away);
- (b) scope to outsource some functions (for example, printing and typesetting);
- (c) spare capacity in printing;
- (d) low distribution costs;
- (e) modest initial capital investment (a paper prepared by Johnston stated that entry into free newspaper publishing would require an initial investment of around £50,000¹); and
- (f) little requirement for specialist knowledge.

4.55. Most of the parties said that it would be easier to launch a free newspaper than a paid-for newspaper. Johnston said that whilst the costs associated with free newspapers were higher (due to the greater number of copies printed and distributed) it would be easier to persuade advertisers to advertise in a free newspaper because of its immediate market penetration. It provided us with details of new newspaper launches since January 1997 which showed that of 56 new title launches over 85 per cent were of free, rather than paid-for, titles. We also note the relatively recent launch, by each of Associated Newspapers (part of DMGT), Guardian Media Group plc (Guardian Media Group), The Modern Times Group and Trinity Mirror, of free morning newspapers in cities such as Birmingham, Edinburgh, Glasgow, London, Manchester and Newcastle. In addition, one of the publishers involved in the launch of these free morning newspapers, the Swedish Modern Times Group, has no previous experience in the UK.

4.56. Johnston said that barriers to entry for advertising-only titles were relatively low and entrepreneurs could easily launch new titles. It said that these publications did not carry the cost of providing editorial content. As stated earlier, Trinity Mirror also referred to the increase in racked or pick-up products and we note that this may further reduce the distribution costs associated with advertising-only publications (when compared with free newspapers).

4.57. The behaviour and reputation of incumbents will also influence the ease of entry. Established newspaper publishers can respond to new entrants in a variety of ways, for example by cutting their advertising rates or launching new titles. The expectation of such a response could itself deter potential entrants, or reduce the chances of commercial success were entry to take place (as considered in the

¹This estimate was based on a title with a distribution of 70,000 copies. The newspaper stated that a smaller-scale operation could be launched for less than £50,000.

Trinity/TRN report; see Appendix 4.1, item A30). As shown earlier, in recent years the number of new newspapers has been more than offset by the number of newspapers that have closed.

4.58. The entry requirements for paid-for titles are similar to those of free titles, although generally, as noted earlier, it is more expensive to set up a paid-for title due to the higher editorial content and greater marketing effort (to attract both readers and advertisers) required. Unlike a free title that is delivered free of charge to all households in an area, a paid-for title has to offer readers something extra to persuade them to buy the product. Until paid-for titles can show that they have gained and can retain credibility with their readers (usually by high-quality editorial content) they find it difficult to obtain sufficient advertising to cover their costs.

4.59. All the main parties provided us with details of new launches (and closures) of publications in areas where Newscom titles overlap with those of Newsquest, Johnston and Trinity Mirror. There have been very few launches of new newspapers in these areas over the past three years, although there have been a number of launches of other publications, predominantly advertising-only magazines. However, during the inquiry Newscom launched its first paid-for weekly newspaper for decades to cover east Dorset and the western corner of Hampshire.

4.60. It would seem, therefore, that barriers to entry for free newspapers are relatively low and for certain advertising-only publications lower still. Although the barriers to entry for paid-for titles (especially paid-for dailies) are higher than for free newspapers, we feel that the threat of new entry (most probably by a free newspaper or advertising-only publication) may be considered as a competitive restraint on the commercial activities of incumbent newspaper publishers.

Regional/local area analysis

4.61. In this section, we examine the effects of the proposed transfers on local areas separately for each of the proposed acquisitions. We first identified all areas of geographic overlap between circulation/distribution areas of the respective publishers' newspapers. However, we focus on those areas where at least one of the newspapers published by Newscom and at least one published by Newsquest, Johnston or Trinity Mirror achieve household penetration rates of 10 per cent or more. We use this 10 per cent figure, which is a common measure within the newspaper industry, to exclude areas where because of the low penetration rate it is difficult to attract advertisers and distribution costs may become uneconomic. We judge that in such circumstances newspapers do not have any significant effect in competition terms. It should be noted that in examining the effect of the proposed transfers on local markets we take into consideration publications other than newspapers as defined by The Newspaper Society or as defined by the Act. This primarily concerns a number of fortnightly publications owned by Trinity Mirror and, with respect to advertising, advertising-only publications.

4.62. We shall use the term 'core area' relating to a newspaper's circulation/distribution. By this we mean that part of its total circulation/distribution area in which the bulk of its copies are circulated or distributed and in which the interests of the local inhabitants may be expected to influence editorial policy, advertising rates and (in the case of paid-for titles) cover prices. In a previous inquiry (see Appendix 4.1, item A35), Newsquest told us that in its view this proportion would commonly fall within the range 60 to 80 per cent of total circulation/distribution of a title. For our own analysis we choose a significantly lower threshold (of 30 per cent) to ensure that as far as possible we do not overlook any significant areas of overlap. While the household penetration rate of a title will normally be above 10 per cent throughout the core area, we note that the core area will not necessarily contain all the districts in which the title achieves a household penetration rate of 10 per cent or above.

4.63. In considering the competitive impact of the proposed transfers in areas of overlap we consider three factors. First, we consider whether the merger would bring about a significant change in the local market by looking at the shares of total circulation/distribution of regional/local newspapers held by each publisher in the relevant area. If the effect of the merger is to increase an incumbent's market share by a very small amount (for example, by less than 10 per cent of pre-existing market share) it is likely that the merger will not significantly alter the existing competitive environment. Secondly, we examine the extent to which competition from other publishers' newspapers would exist in the area post-merger (ie whether post-merger there would be other newspapers with a household penetration rate over 10 per cent). If there is at least one other significant title in the area then it may be expected to act as a competitive restraint on the merged entity within that area. Thirdly, as already noted, we consider

whether the areas of overlap between titles represent core areas for any of the titles in question. Where this is not the case there is little concern that the merged entity would be able to exploit its position within that local market.

4.64. Appendices 4.2 to 4.4 set out the areas where titles of Newscom overlap with those of Newsquest, Johnston and Trinity Mirror respectively, with a brief description of our view of the main competitive factors that exist in each area. Using the three criteria identified in the previous paragraph we have satisfied ourselves that the proposed transfers may not be expected to reduce competition significantly in many of the overlap areas. In what follows we concentrate mainly on those areas where the overlap, and therefore its possible consequences, is more significant in competition terms. In these areas we consider certain other factors that might be expected to constrain the behaviour of the merged entity in the local area. The main factor here is the availability of advertising-only publications in the area, as they may be expected to apply a competitive constraint to newspapers in the local advertising market. Appendix 4.5 sets out many of the other publications, mainly advertising-only publications, that the parties told us were circulated/distributed in areas of overlap. It is also possible that entry or the threat of entry may constrain incumbents to act in a competitive manner (see paragraphs 4.53 to 4.60).

Newsquest

4.65. There is an overlap between Newscom and Newsquest newspapers in Oxfordshire, Warwickshire and Wiltshire (see Figure 4.4). Appendix 4.2 shows all the areas where titles of both Newscom and Newsquest achieve household penetration rates of over 10 per cent. In what follows we summarize the extent of overlap.

4.66. In Stow-on-the-Wold and Chipping Norton at least one title from another publisher achieves a household penetration rate of over 10 per cent in each area (see Appendix 4.2, nos 5 and 6). We believe the titles of these other publishers may be expected to act as a competitive constraint on Newsquest in each of these areas if the transfer went ahead. Malmesbury accounts for under 10 per cent of the total circulation/distribution of each of the titles in the area (see Appendix 4.2, no 4). As such, Malmesbury is not a core area for any of the Newscom or Newsquest titles that overlap. As a result we feel there would be little scope for the merged entity to exploit its position in this area if the transfer went ahead. There is a more significant overlap in Swindon, Devizes and Pewsey and west Wiltshire (see Appendix 4.2, nos 1, 2 and 3 respectively).

4.67. In Swindon Newscom's free weekly *Swindon Messenger* overlaps with Newsquest's paid-for evening *Swindon Evening Advertiser* and its free weekly *Swindon Star* (see Appendix 4.2, no 1). [

Details omitted. See note on page iv.

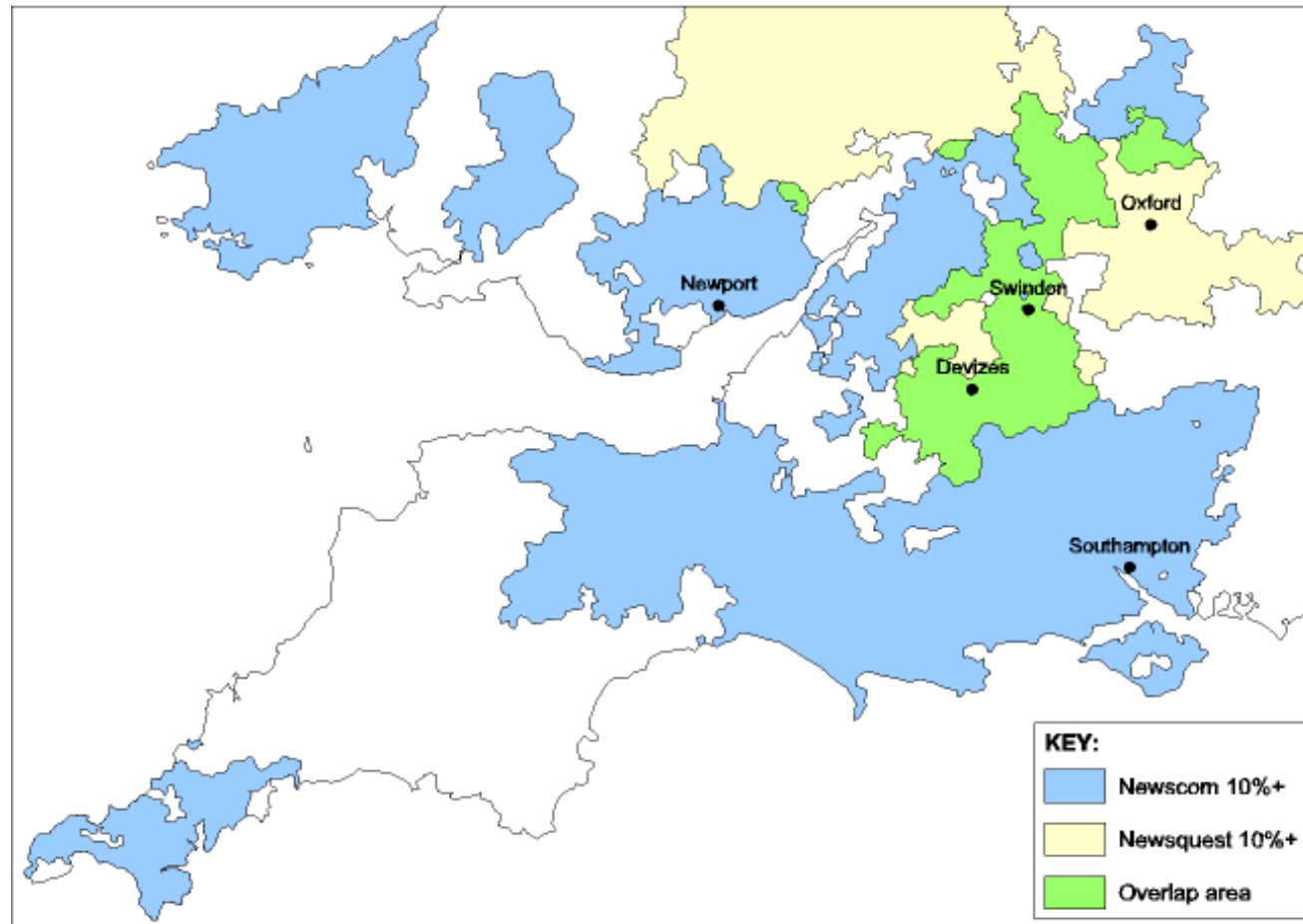
] Newsquest said that the *Swindon Messenger* was a low-grade editorial product focused on entertainment with limited pagination and only very little content which could properly be characterized as local news. Newsquest said that it was questionable whether the title constituted a newspaper for the purposes of the Act. Newsquest also said that its newspapers in Swindon faced competition from a wide range of alternative print media. Both Newscom and Newsquest cited *Trade-It* as a competitor to their titles for advertising. This paid-for advertising-only publication is produced three times a week and is similar to *Loot*—covering the main areas of classified advertising found in regional/local newspapers. Newsquest said that its titles also faced competition from the local radio station, GWR, and that a number of Internet sites also offered competition. Newsquest said that GWR had recently announced a major investment in an Internet site focused on Swindon.

4.68. The acquisition of Newscom's titles might better place Newsquest to raise advertising rates for the *Swindon Star* and the *Swindon Messenger*. However, given the circumstances of the *Swindon Messenger* we believe its proposed transfer will have little impact on the competitive situation in Swindon. In addition, Newsquest titles would continue to face competition from other advertising-only publications such as *Trade-It*. For these reasons we do not believe that Newsquest would be able to exploit its position in Swindon if the transfer went ahead.

4.69. In Devizes and Pewsey, Newscom's free weekly *Devizes, Melksham & Vale of Pewsey News* overlaps with Newsquest's paid-for weekly *Wiltshire Gazette & Herald* and its free weekly *Marlborough & Devizes Star* (see Appendix 4.2, no 2). Newsquest said that it faced competition from DMGT (Bristol United Press plc) titles in this area and from titles such as the *Melksham Independent News* (a free fortnightly tabloid). Newsquest also said that it faced competition from GWR radio in this area.

FIGURE 4.4

Map showing areas of overlap between Newscom and Newsquest titles*



Source: Commission based on maps supplied by The Newspaper Society.

4.70. *Areas in which titles of both parties achieve household penetration rates of 10 per cent or more.

4.71. With the acquisition of Newscom titles in Devizes and Pewsey it is possible that Newsquest would be better placed to raise advertising rates for the *Marlborough & Devizes Star* and the *Devizes, Melksham & Vale of Pewsey News*. However, given the competition Newsquest would continue to face from other publications such as the *Marlborough Adviser* (free weekly classified advertising) and increasingly other media, we regard such an outcome as unlikely. In addition, as noted earlier, the low barriers to entry, especially for advertising-only publications, may also be expected to act as a competitive restraint on Newsquest in this area.

4.72. In west Wiltshire Newscom's free weekly *West Wiltshire Advertiser* overlaps with Newsquest's paid-for weekly *Wilts Times Chippenham News* and its free weekly *West and North Wilts Star* (see Appendix 4.2, no 3). Newsquest said that it faced competition from other publishers and also other newspapers or publications in this area (see Appendix 4.2, no 3). Newsquest also said that it faced competition from GWR radio in many of the areas in west Wiltshire.

4.73. Once again, with the acquisition of Newscom titles in west Wiltshire it is possible that Newsquest would be better placed to raise advertising rates and cover prices for the *Wilts Times Chippenham News* and advertising rates on the *West and North Wilts Star* and the *West Wiltshire Advertiser*. However, Newsquest would continue to face competition from other publications such as *Trade-It* and as a result we regard such an outcome as unlikely.

Johnston

4.74. There is an overlap between Newscom and Johnston newspapers in south Hampshire and Oxfordshire (see Figure 4.5). Appendix 4.3 shows all those areas where titles of both Newscom and Johnston achieve a household penetration rate of over 10 per cent. In what follows we summarize the position first in south Hampshire and then in Oxfordshire.

South Hampshire

4.75. The overlap of titles between Newscom and Johnston in south Hampshire was considered in the PSN report (see Appendix 4.1, item A35). The areas concerned are Fareham, Hamble Bursledon, Lee-on-the-Solent and Wickham (see Appendix 4.3, nos 1 to 4). A transfer to Johnston would leave the merged entity as the sole supplier of local and regional newspapers to these areas. However, Johnston said that it would not be the sole supplier of regional and local newspapers to these areas as Tindle Newspapers Ltd circulated/distributed the monthly *Meon Valley News* in parts of these areas. In addition, a number of advertising-only publications are distributed in these areas (see Appendix 4.3). Johnston also said that these areas were well served by commercial radio stations (especially Ocean FM, Power FM and Wave FM), regional Channel 3 (Meridian), and that the Internet presented an increasingly competitive threat.

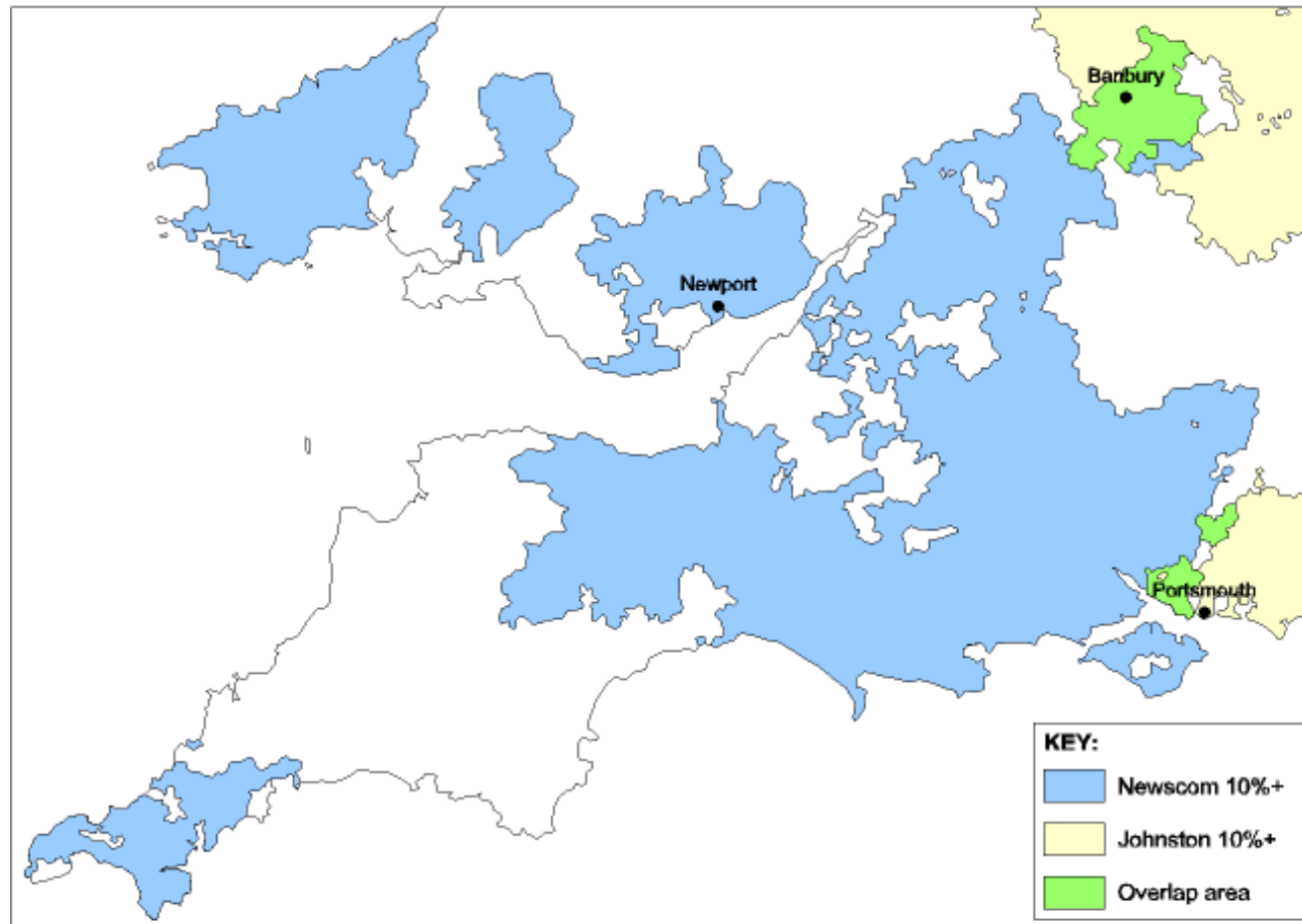
4.76. As shown in Appendix 4.3, nos 1 to 4, the transfer of Newscom titles to Johnston would leave effectively only one publisher of regional/local newspapers in Fareham, Hamble Bursledon, Lee-on-the-Solent and Wickham. However, we consider that these areas do not form part of the core areas of the newspapers concerned. This means that they have little influence, if any, on decisions as to editorial policy, advertising rates and cover prices, which are made by reference to the circumstances in a title's core area. As a result, we feel there is little scope for the merged entity to exploit its position in these areas.

Oxfordshire

4.77. The overlap between Newscom and Johnston newspapers in Oxfordshire occurs mainly in the area in and around Banbury. In each of Brackley, Chipping Norton and Deddington/Steeple Aston rural areas, Johnston said that, as well as competition from other newspaper publishers, advertising-only publications, local radio, regional television and the Internet all offered competition in these areas. As shown in Appendix 4.3, nos 7, 8 and 9, if the transfer went ahead there would still be at least one other publisher's title that achieved a high household penetration rate in each of Brackley, Chipping Norton and Deddington/Steeple Aston rural areas. These titles may be expected to act as a competitive restraint on the merged entity in these areas if the transfer went ahead.

FIGURE 4.5

Map showing areas of overlap between Newscom and Johnston titles*



Source: Commission based on maps supplied by The Newspaper Society.

4.78. *Areas in which titles of both parties achieve household penetration rates of 10 per cent or more.

4.79. Banbury and Banbury rural area (which comprise 30,843 households) account for a high proportion of the circulation/distribution of each of Johnston's *Banbury Guardian* and *Banbury Citizen* and Newscom's *Banbury Cake*, as shown in Appendix 4.3, nos 5 and 6. Each of these titles achieves over three-quarters of its circulation/distribution in these two areas suggesting that the combined area represents the core area for each of these three titles.

4.80. Johnston said that the presence of other publishers in the overlapping area, such as Newsquest and Trinity Mirror, would constrain its ability to raise advertising rates and would provide competition for readers. It said that there were also a number of advertising-only publications available in the overlapping area. Johnston particularly highlighted *WHY* magazine (published by Northcliffe—part of DMGT) which it said carried a full range of display and classified advertising and had a distribution of 25,000 in a 15-mile radius of Banbury. It said that *WHY* had a significant presence in Banbury and acted as an effective constraint on the advertising rates charged by publishers in the town. Johnston also cited a number of other advertising-only publications which it argued competed with its titles (see Appendix 4.3). Johnston said that other forms of media, such as local radio (namely Fox FM in the Banbury area), the Internet, Central Television and cable television, also offered competition to its titles.

4.81. Therefore if the transfer went ahead, Johnston would acquire its main competitor in the Banbury area. It is possible that, with the acquisition of Newscom's *Banbury Cake*, Johnston would be better placed to raise advertising rates and cover prices for the *Banbury Guardian* and advertising rates for the *Banbury Citizen* and the *Banbury Cake*. However, given the competition that Johnston would continue to face, most notably from advertising-only publications such as *WHY* magazine and increasingly from other media, we regard such an outcome as unlikely.

Trinity Mirror

4.82. As Trinity Mirror publishes national newspapers there is an overlap between all of Newscom's titles and those of Trinity Mirror. However, as noted earlier (see paragraph 4.45), we do not consider national newspapers to be part of the same market as regional and local newspapers. As a result, in what follows we consider only the overlap between Trinity Mirror's and Newscom's regional and local newspapers. On this basis Newscom's and Trinity Mirror's newspapers overlap in South Wales and parts of south and west England (see Figure 4.6). Appendix 4.4 shows all the areas where titles of both Newscom and Trinity Mirror achieve household penetration rates of over 10 per cent. In what follows we first examine the increase in the concentration of ownership that would be brought about by a transfer to Trinity Mirror for the daily titles that circulate in Wales. Then we summarize the extent of overlap between Trinity Mirror and Newscom titles first in South Wales and then in parts of south and west England.

Overlap in Wales

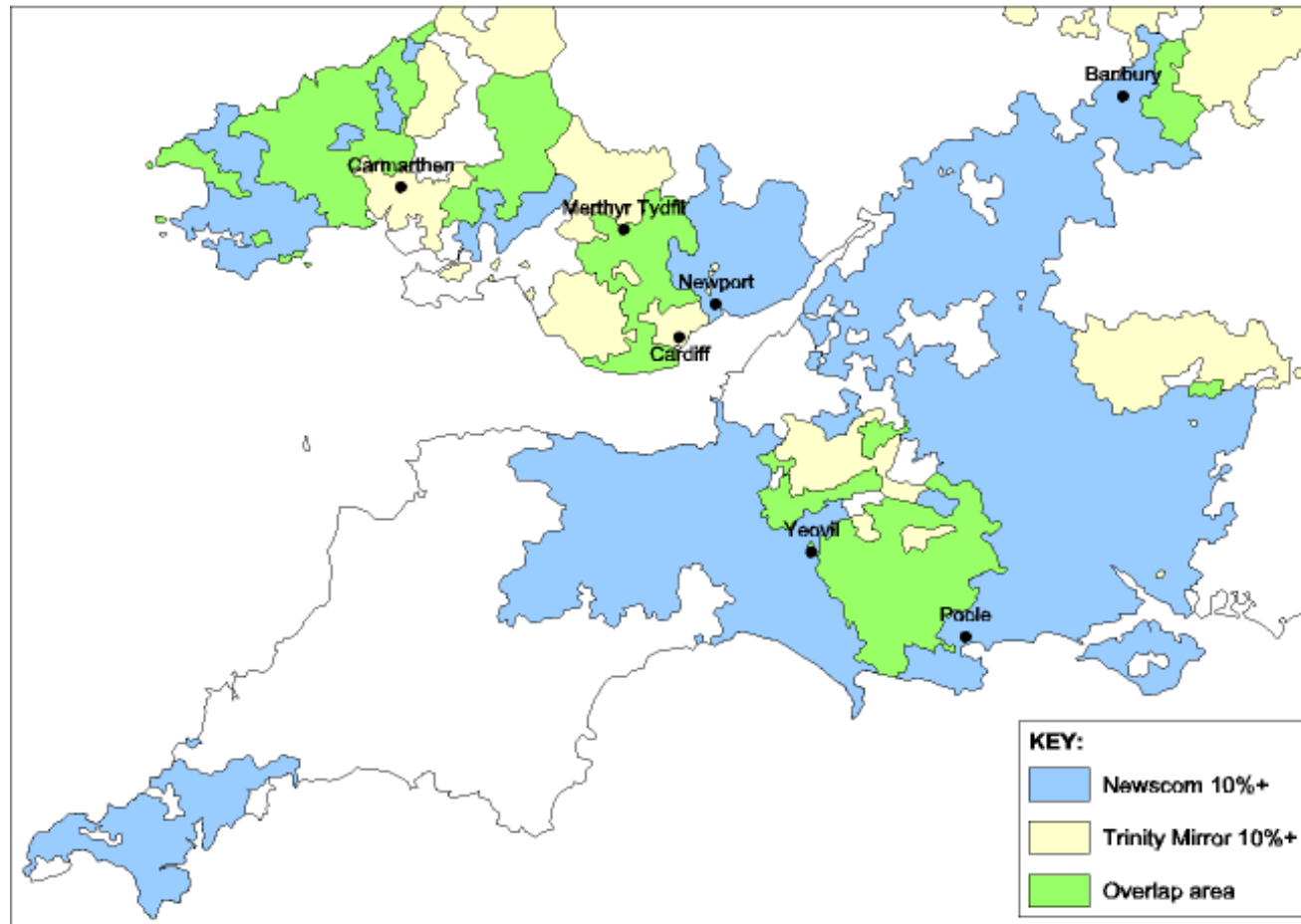
4.83. In addition to its national newspapers (which include the *Welsh Mirror*), Trinity Mirror circulates three regional/local daily newspapers within Wales: the paid-for morning *The Western Mail* and the *Daily Post* and the paid-for evening *South Wales Echo*. Trinity Mirror also sells a Sunday newspaper throughout Wales (the only regional Sunday paper circulating in Wales), *Wales on Sunday*. Newscom circulates a paid-for evening, *South Wales Argus*.

4.84. Two other main dailies circulate in Wales: DMGT's *South Wales Evening Post* (with a daily circulation of over 65,000 in Wales) and North Wales Newspapers' *Wrexham Evening Leader* (with a daily circulation of just under 30,000 in Wales). There are four other daily titles that achieve a relatively small circulation in Wales. These are the *Bristol Evening Post*, *Bristol Western Daily Press*, *Manchester Evening News* and *Shropshire Star*. Wales does not account for more than 10 per cent of the sales for any of these four titles. If Trinity Mirror were to acquire Newscom it would take its share of all regional/local newspapers circulated/distributed throughout Wales to 65.6 per cent from 51.8 per cent (an increment of 13.8 per cent).

4.85. *The Western Mail* is circulated across the whole of South Wales with limited circulation in North Wales. Similarly to the *The Western Mail*, *Wales on Sunday* circulates across the whole of Wales, although it is stronger in the south than north. The *South Wales Echo* circulates in Cardiff and the areas immediately surrounding Cardiff. Newscom's Welsh daily title, the *South Wales Argus*, circulates in Newport and the

FIGURE 4.6

Map showing areas of overlap between Newscom and Trinity Mirror titles*



Source: Commission based on maps supplied by The Newspaper Society.

4.86. *Areas in which titles of both parties achieve household penetration rates of 10 per cent or more.

areas immediately surrounding Newport. We have focused on the south-east of Wales—Cardiff, Newport, and the smaller communities that lie along the coast from them, and in the Valleys to the north—because it is only here that a merger between Trinity Mirror and Newscom would have an impact (see the following analysis of areas of overlap) and the region appeared to us to be a coherent one. If Trinity Mirror were to acquire Newscom it would own all of the daily regional/local newspapers in south-east Wales.

4.87. Although Newscom's *South Wales Argus* overlaps with Trinity Mirror's daily (and Sunday) titles, none of Trinity Mirror's daily (and Sunday) titles has a household penetration rate above 10 per cent in any of the postcode districts in which the *South Wales Argus* circulates. As noted earlier, it is not common for the daily titles of more than one publisher to circulate in the same area (see paragraph 4.50). In addition, the area in and around Newport, in which the *South Wales Argus* circulates,¹ is not a core area for any of the Trinity Mirror daily (and Sunday) titles; the area accounts for 11.3 per cent of the total circulation of *The Western Mail*, 4.5 per cent of the *South Wales Echo* and 17.4 per cent of *Wales on Sunday*. Therefore it is our view that the overlap between Newscom's *South Wales Argus* and Trinity Mirror's daily (and Sunday) titles is not significant.

South Wales

4.88. In Pembrokeshire/south-west Wales and Barry where Newscom and Trinity Mirror titles overlap there is at least one other significant title, published by another newspaper publisher in these areas (see Appendix 4.4, nos 2 and 7). We believe that the presence of another publisher with a significant title in each of these areas would act as a competitive constraint on Trinity Mirror if the transfer went ahead.

4.89. In Caerphilly if Trinity Mirror were to acquire Newscom, the merged entity would become the sole supplier of local and regional newspapers to the area (see Appendix 4.4, no 3). However, Newscom's *Caerphilly Campaign* already accounts for over 70 per cent of the titles circulated/distributed in Caerphilly. In addition, Trinity Mirror's only weekly title in this area (*Merthyr Express*) does not achieve a household penetration rate above 10 per cent and accounts for under 8 per cent of all titles' circulation/distribution in Caerphilly. Trinity Mirror said that its Cardiff publishing centre viewed Caerphilly as very much a Newscom publishing area. While Trinity Mirror would become the sole supplier of regional and local newspapers in Caerphilly, we believe the transfer would of itself have little effect as Newscom is already the dominant supplier in this area.

4.90. Similarly to Caerphilly, if Trinity Mirror were to acquire Newscom, it would become the sole supplier of regional and local newspapers to the Penarth area. Trinity Mirror said that the transfer of the *Penarth Times* should not cause any public interest issues as the newspaper was uniquely focused on the Penarth area. We consider that Penarth is not a core area for any of the Trinity Mirror titles (see Appendix 4.4, no 8). As a result we feel this area will have little influence on the editorial policy, advertising rates and cover prices of those titles, which are made by reference to the circumstances in a title's core area.

4.91. Trinity Mirror and Newscom are the only publishers of local and regional newspapers that are circulated/distributed in Ebbw Vale, Aberdare, Merthyr Tydfil and Rhondda and Pontypridd. The proposed transfer would give the merged entity a complete monopoly of regional and local newspaper sales and distribution in these areas (see Appendix 4.4, nos 1, 4, 5 and 6).

4.92. Trinity Mirror said that it understood there would be some concern about these areas. However, it noted that in a previous report (see Appendix 4.1, item A35) the Commission had raised no objection to similar consolidation in areas where competition from other advertising publications and other media was thought to be effective. Trinity Mirror also said that competition from these sources would be particularly relevant in areas that were less economically vibrant, such as the Valleys. It said that advertisers would reduce, or cease, advertising in newspapers if the cost of advertising rose significantly, using alternative media instead.

4.93. Both Trinity Mirror and Newscom said that, from an advertising perspective, there was competition from paid-for and free titles such as *Diamond FreeAds* and the *Cardiff Advertiser*. Trinity Mirror also said that the Merthyr, North Gwent, Pontypridd and Rhondda titles of the *Campaign* series were

¹Postcode districts NP1 to NP7, NP9 and NP44.

not of significant editorial value given the limited volume and scope of news. It also noted that, despite being free, the *Campaign* series had relatively low rates of household penetration in their core areas. Nevertheless, Trinity Mirror confirmed to us that if it found these titles to be economically viable they would be maintained.

4.94. With the acquisition of Newscom's *Campaign* series Trinity Mirror might be better placed to raise advertising rates and cover prices for its competing paid-for weeklies and advertising rates for the *Campaign* series. However, given that Trinity Mirror would continue to face competition from other advertising-only publications such as *Diamond FreeAds* and increasingly from other media, we regard such an outcome as unlikely.

South and west England

4.95. The overlap between Newscom and Trinity Mirror newspapers in south and west England occurs mainly in Wiltshire and Somerset (see Figure 4.6).

4.96. In each of Frome/Warminster/Yeovil and surrounding areas, Sherbourne, Somerton/Langport and Brackley and Banbury rural areas there is at least one other publisher with a title that achieves a household penetration rate of over 10 per cent in the relevant area (see Appendix 4.4, nos 9, 13, 15 and 16). We believe that the titles of these other publishers may be expected to act as a competitive restraint on the merged entity should the transfer go ahead.

4.97. Neither Salisbury rural area nor Wareham and Dorchester rural area are core areas for each of the Newscom and Trinity Mirror titles that overlap (see Appendix 4.4, nos 14 and 12). As a result we feel there is little scope for the merged entity to exploit its position in these areas.

4.98. There is a more significant overlap between Trinity Mirror's fortnightly titles (*Poole, Wimborne and Ringwood and Verwood Magazines*) and Newscom's free weeklies (*Yeovil Express, Dorset Advertiser* and the *Hants & Dorset Avon Advertiser*). If the transfer went ahead, the merged entity would become the sole supplier of regional and local newspapers to the Poole surrounding area and Ringwood/Ferndown and Wimborne areas (see Appendix 4.4, nos 10 and 11).

4.99. Trinity Mirror told us that its fortnightly magazines were niche community interest publications and that they faced a number of competitors. These included *The Ringwood and Fordingbridge News* (fortnightly free) published by Forest Newspapers and *Local Ad* (weekly free) advertising magazine.

4.100. As noted earlier, fortnightly publications fall outside The Newspaper Society's definition of a newspaper. However, we have considered the effects of the proposed transfer by including fortnightlies in the market. On this basis, if the transfer went ahead Trinity Mirror would become the sole supplier of newspapers to the Poole surrounding area and Ringwood/Ferndown/Wimborne area. It is not clear to what extent these fortnightly publications compete with Newscom's titles, although we note that Trinity Mirror said that the fortnightly titles had been making losses for much of 1999. If the transfer went ahead, Trinity Mirror would continue to face competition from advertising-only publications such as *Local Ad* and increasingly other media. We note also that barriers to entry, to advertising-only publications in particular, are very low. For these reasons we feel there is little scope for the merged entity to exploit its position in these areas.

Cover prices

4.101. In what follows we examine the recent price changes for each of the main parties' titles that circulate in areas of overlap.

Newscom

4.102. Newscom said that cover prices were determined after consideration of a range of factors that included: current circulation trends; existing cover price; date and scale of previous cover price change;

current newsagent's terms; current value of reader package; what additional resource/value was being introduced into the newspaper; and current cost of materials, labour and equipment. Table 4.8 shows price changes over the past four years for the Newscom titles that overlap with the potential acquiring parties' titles.

TABLE 4.8 Cover prices of Newscom's newspapers circulating in overlap areas, 1997 to 2000

Newspaper	pence			
	1997	1998	1999	2000
<i>Barry & District News</i>	30	30	30	32
<i>Milford Mercury</i>	32	35	35	35
<i>Penarth Times</i>	30	30	30	32
<i>South Wales Argus</i>	28	30	32	32
<i>South Wales Guardian</i>	30	32	32	33
<i>Tivy-side Advertiser</i>	32	34	36	38
<i>Southern Daily Echo</i>	28	30	32	32
<i>Wilts and Gloucestershire Standard series</i>	40	42	42	42

Source: Commission, based on data from Newscom.

4.103. Table 4.8 shows that Newscom's two daily titles that circulate in overlap areas (*South Wales Argus* and *Southern Daily Echo*) have increased from 28p in 1997 to 32p in 2000. As noted earlier, the *South Wales Argus* is the only daily (or Sunday) title that achieves a household penetration rate of over 10 per cent in the postcode districts in which it circulates (see paragraph 4.84). As such it may be taken as indicative of Newscom's cover price policy in areas where it faces little competition. The price of four of the six weekly paid-for titles in Table 4.8 changed only once between 1997 and 2000. The biggest price rise was for the *Tivy-Side Advertiser* which increased by 2p in each year since 1997 (from 32p to 38p). As noted earlier, the *Tivy-Side Advertiser* competes with the titles of other publishers such as the *Carmarthen Journal* published by Northcliffe (part of DMGT).

Newsquest

4.104. Newsquest said that cover prices were set in the light of prevailing market conditions. Table 4.9 shows price changes over the last three years for the Newsquest titles circulating in Oxfordshire and Wiltshire that overlap with Newscom's titles. It shows that the cover price of all the overlapping titles except one, the *Wilts Times Chippenham News*, increased once over the period. The price of the *Wilts Times Chippenham News* has remained unchanged over the past three years. The average price rise for these titles over the past three years amounts to just under 10 per cent which is similar to the average price rise for all of Newsquest's titles.

TABLE 4.9 Cover prices of Newsquest's newspapers circulating in overlap areas, 1997 to 1999

Newspaper	pence		
	1997	1998	1999
<i>Oxford Mail</i>	28	30	30
<i>Oxford Times</i>	45	50	50
<i>Bicester Advertiser</i>	24	27	27
<i>Witney Gazette</i>	24	27	27
<i>Swindon Evening Advertiser</i>	30	30	32
<i>Wilts Times Chippenham News</i>	45	45	45
<i>Wiltshire Gazette & Herald</i>	45	45	50

Source: Commission, based on data from Newsquest.

Johnston

4.105. Johnston said that it reviewed its cover prices annually but rarely increased them in consecutive years. In the areas where titles from Newscom and Johnston overlap, the price of each of

Johnston's paid-for titles had increased over the past three years. Table 4.10 shows how the prices for the four titles concerned have changed over the past three years.

TABLE 4.10 Cover prices of Johnston's newspapers circulating in overlap areas, 1997 to 1999

Newspaper	pence		
	1997	1998	1999
<i>Banbury Guardian</i>	30	32	32
<i>Chichester Observer</i>	38	39	40
<i>Portsmouth News</i>	28	29	30
<i>West Sussex County Times</i>	32	35	35

Source: Commission, based on data from Johnston.

4.106. The *Chichester Observer* was previously a PSN title. Johnston said that PSN's policy was to introduce annual cover price increases. However, following the transfer of PSN's titles, Johnston said that it intended to apply its policy on cover prices to the acquired titles.

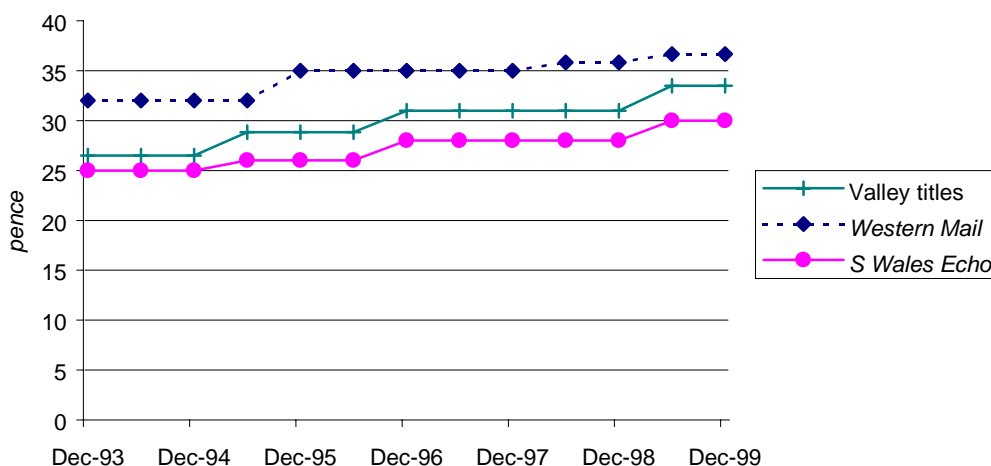
Trinity Mirror

4.107. Trinity Mirror told us that it did not have a group-wide cover price strategy; local businesses made their own decisions. It said that some of the factors considered by local businesses when reviewing cover prices included present (and short-term future) cost of newsprint and price/value of other titles in the market. Trinity Mirror said that for regional titles it occasionally used the tactical reduction of cover prices as a promotional tool. It said, however, that this was typically carried out through reductions in specific outlets and that cover prices were not generally reduced for all copies of any single title.

4.108. Figure 4.7 shows the change in cover price over the past six years for the Trinity Mirror titles that circulate in South Wales and that overlap with Newscom titles (only free Trinity Mirror titles overlap with Newscom's in south and west England). In the Valleys region of South Wales, where a number of Newscom's free weeklies overlap with Trinity Mirror's paid-for weeklies, the cover prices of Trinity Mirror's titles have all increased in a similar way. These titles were priced between 25p and 27p at the end of December 1993 and their price has increased to between 30p and 35p today (an average increase of around 26 per cent between 1993 and 1999). The 'Valleys' line in Figure 4.7 shows the trend in the average price of all these titles. The chart also shows that the price of *The Western Mail* has followed broadly similar trends (rising by 15 per cent over the same period). Similarly to the *South Wales Argus* in Newport the *South Wales Echo* may be considered to be the dominant daily newspaper in Cardiff. Figure 4.7 shows that its cover price followed a similar trend to both the Valleys titles and *The Western Mail*, rising by 20 per cent over the period.

FIGURE 4.7

Cover price of some of Trinity Mirror's titles in Wales



Source: Commission based on data from Trinity Mirror.

Advertising policy and revenue

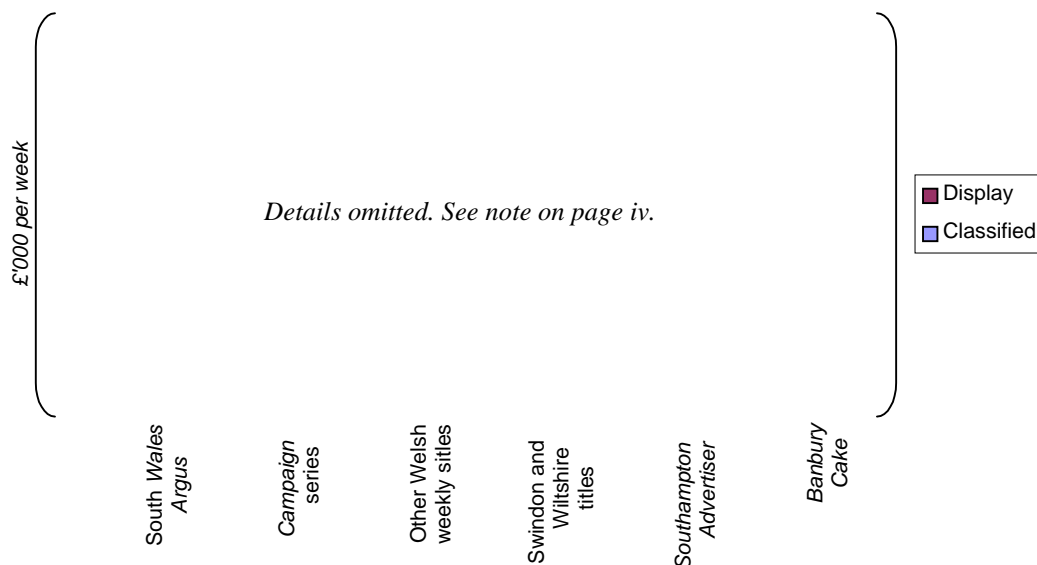
4.109. In the following section we look at each of the parties' policies with respect to selling advertising in their newspapers. We also look at the advertising revenue for selected titles for each of Newscom, Newsquest, Johnston and Trinity Mirror. It is not always possible, because of advertising packages for instance, to attribute advertising revenue to a specific title. As a result, this analysis depends, to a degree, on each company's accounting policy with respect to allocating advertising revenue between different titles.

Newscom

4.110. Newscom said that it had two sales teams for selling advertising (one for national advertising and one for local advertising). It said that advertising rate packages were available to advertisers based on series, volume and title combinations. Newscom said that advertising rates were determined after considering factors such as competitor rates and the commercial strength of the individual newspapers among others.

FIGURE 4.8

Total advertising revenue for selected Newscom titles



Source: Commission based on data from Newscom.

4.111. Figure 4.8 shows total advertising revenue per week broken down by title. It shows that the Campaign series generates just under £[300] per week and that the other Welsh weekly titles¹ generate over £[300] per week in advertising revenue. Similarly it shows that the Swindon and Wiltshire titles² generate just over £[300] per week in advertising revenue.

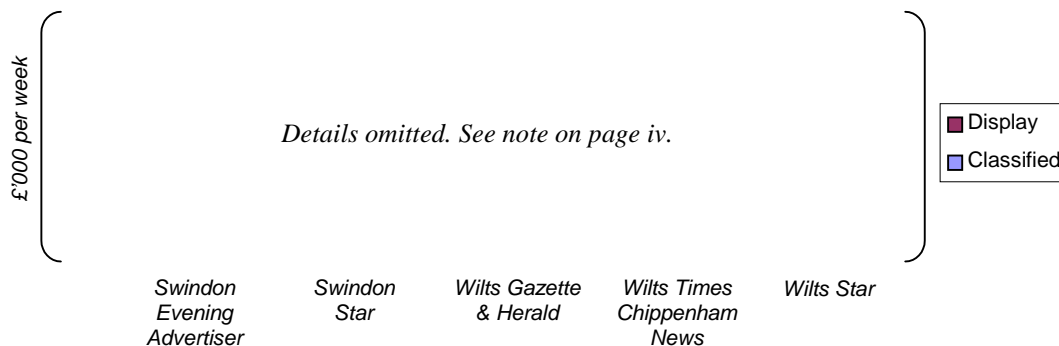
Newsquest

4.112. Newsquest said that, as with cover prices, advertising rates were set in the light of prevailing economic conditions. As with Newscom, Newsquest separates its advertising sales into national and local advertising. Its in-house national sales team deals with all national advertising sales and local centres sell local advertising.

4.113. Figure 4.9 shows Newsquest’s total advertising revenue per week for some selected titles. It shows that the weekly titles that overlap with Newscom’s in Swindon and Wiltshire generate between £[300] and £[300] per week in advertising revenue.

FIGURE 4.9

Total advertising revenue for selected Newsquest titles, split by classified and display advertising



Source: Commission based on Newsquest.

¹Including the Dyfed Western Telegraph, Milford Mercury, Tivy-Side Advertiser, Barry & District News and the Penarth Times.
²Including the Swindon Messenger, Devizes, Melksham & Vale of Pewsey News, West Wiltshire Advertiser and Wilts and Gloucestershire Standard.

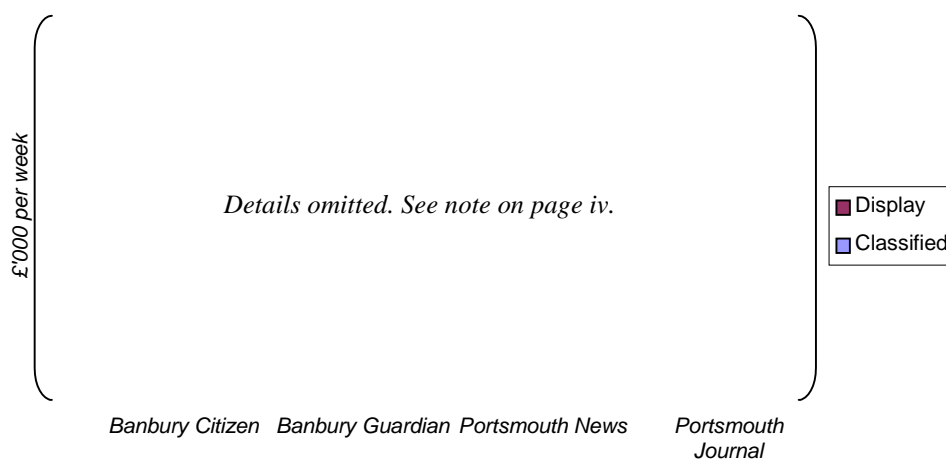
Johnston

4.114. Johnston said that it had an exclusive arrangement with Mediaforce, a sales house to which Johnston subcontracts national advertising sales representation for each of its titles. Johnston said that typically national advertising accounted for approximately 7 per cent of total advertising revenue, although this varied by title. Johnston said that the majority of advertising that was classified as national (typically because the advertising was sourced through Mediaforce from larger advertising agencies generally based in London) was actually of a local nature, for example advertising to support supermarket openings and other local events. It estimated that at least 75 per cent of its ‘national’ advertising was local in nature. Johnston told us that its arrangements for selling local advertising typically involved a group advertising manager for each group of titles to whom a classified manager and a display manager reported. These two managers supervised telephone sales staff and sales representatives who generated advertising revenue. Johnston said that advertising rates were negotiated with each customer and that it was normal for rate cards to be discounted.

4.115. Figure 4.10 shows Johnston’s total advertising revenue per week for some of its titles. It shows that the *Portsmouth Journal*, which overlaps with Newscom’s *Southampton Advertiser*, generates around £[] per week in advertising revenue. Similarly the two Banbury titles, which overlap with Newscom’s *Banbury Cake*, generate between £[] and £[] per week in advertising.

FIGURE 4.10

Total advertising revenue for selected Johnston titles, split by classified and display advertising



Source: Commission based on data from Johnston.

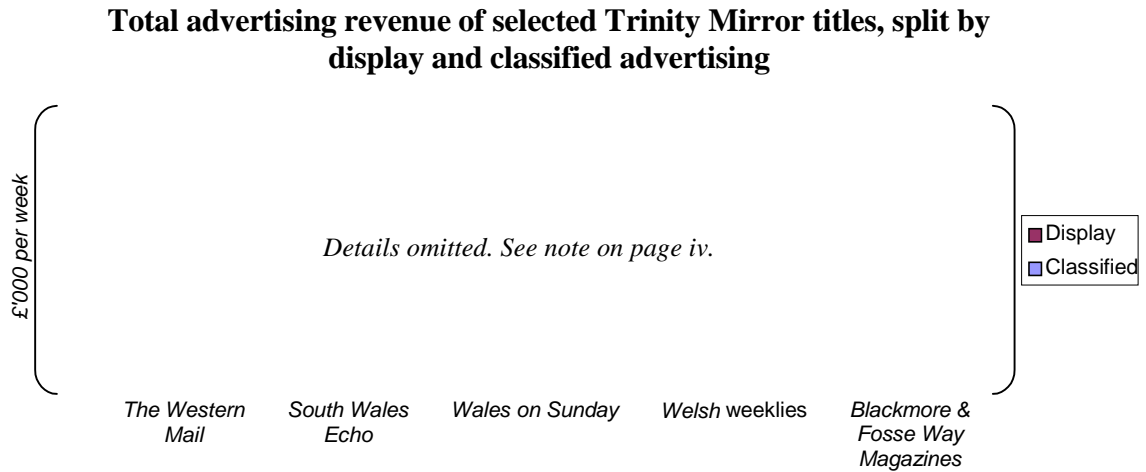
4.116. We also looked at Johnston’s advertising rates for those titles where the PSN report said Johnston might be better placed to raise advertising rates (*Littlehampton Gazette*, *Worthing & District Advertiser* and the *Worthing Guardian* series). We have data only up to 1999 but this shows that rate cards (averaged over these titles) increased by around 3.4 per cent between 1998 and 1999—less than the other PSN titles that Johnston acquired (which saw rate cards increase by 5.6 per cent). However, the actual yield from advertising rose on the former by [] per cent compared with just [] per cent for all the other previously PSN titles. Whilst this is by no means comprehensive, the data do not suggest that the cost to advertisers has increased significantly for these titles.

Trinity Mirror

4.117. Trinity Mirror told us that it did not have a policy for advertising rates. It said that, as with cover prices, each local business developed its own strategy according to local market conditions. It said that factors that would affect this strategy included household penetration rates, local social/economic conditions and the plethora of new local media published alongside traditional local newspapers.

4.118. Figure 4.11 shows Trinity Mirror’s total advertising revenue per week for some of its titles. It shows that the *South Wales Echo* generates over £200,000 a week in advertising revenue—slightly higher than *The Western Mail*. It also shows that Trinity Mirror’s Welsh weekly titles¹ generate just under £70,000 a week in advertising revenue. The chart shows that the *Blackmore Vale* and *Fosse Way Magazines* generated just over £40,000 a week in advertising revenue, which is almost completely made up of classified, rather than display, advertising.

FIGURE 4.11



Source: Commission based on data from Trinity Mirror.

¹Including *Cynon Valley Leader*, *Glamorgan Gazette*, *Gwent Gazette*, *Merthyr Express* and *Pontypridd Llanstriant Observer*.