

3 The Bristol Evening Post PLC

Summary

3.1. BEP is the holding company for 12 trading subsidiary companies operating in three main areas: newspaper publishing, printing and distribution; the operation of a chain of retail newsagents and convenience stores; and the ownership of investment property. The group also has interests in vehicle hire and repair and in agencies for features and the distribution of crossword puzzles and for the production and supply of television programme material. In the year to 31 March 1989 the group made a profit before tax of £8.098 million on a turnover of £58.479 million.

History

3.2. BEP was incorporated in 1932 to launch The Bristol Evening Post newspaper (the Evening Post) as the response of a group of independent-minded Bristolians to an agreement by two national press groups. Prior to 1932, two evening newspapers had been produced in Bristol: one by the then Lord Rothermere's group of companies (now Daily Mail & General Trust PLC (DM>)) and the other controlled by the Camrose family. Both Lord Rothermere and the Camrose family also produced competing local newspaper titles in Newcastle as well as in Bristol. In 1932 it was agreed by the two groups that the then Lord Rothermere would close his Newcastle operation in return for the agreement of the Camrose family to close their Bristol newspaper, Times and Echo. The Times and Echo was closed on 29 January 1932.

3.3. The response of both former Times and Echo readers and of other local interests was to set up their own independent newspaper. On 19 March 1932 BEP was formed by nine subscribers, all with Bristol addresses, who together subscribed for an issued share capital of 3,000 shares of £1 each and a public subscription for a further 39,000 shares. The phrase 'The paper all Bristol asked for and helped to create' has appeared ever since either on the front page of the Evening Post, beneath the title, or above its editorial column.

3.4. The Evening Post and the then Lord Rothermere's companies' publication, The Bristol Evening World, competed strongly with each other until 1935 when a new company, Bristol United Press Ltd (BUP), was formed in which ownership of the Evening Post and The Bristol Evening World titles was combined, although they continued to be published separately. In 1939 these arrangements were formalised by an agreement which gave Lord Rothermere's interests a minority 40 per cent shareholding in BUP with BEP holding the remaining 60 per cent of the shares. From time to time, this minority shareholding has been split between AN and DM> it currently stands at AN 25.1 per cent and DM> 14.9 per cent. A shareholders' agreement dating from 1966 prevents AN from increasing its shareholding in BEP beyond 24 per cent. In 1981, preparatory to mounting a take-over bid for the company, AN sought to have this agreement varied but this was rejected at an Extraordinary General Meeting of the company. DM> is now the holding company of AN which has a 23.8 per cent shareholding in BEP. Shareholdings in BEP and related companies are shown in Appendix 3.1.

3.5. In 1960 BUP acquired the independent but ailing Bristol-based morning newspaper, the Western Daily Press (the WDP). Its daily circulation has been built up from 12,000 at the time of acquisition to a daily circulation currently approaching 80,000. The Observer, a small weekly newspaper, circulating in the Kingswood area of Bristol, was acquired with the WDP. The recovery of the WDP has been made possible by offering the concept of a 'national-local newspaper' to the West Country reader. Subsequently, by 1962 it had become obvious that it was no longer viable to publish two evening newspapers in Bristol, so publication of The Bristol Evening World was ended, leaving the Evening Post as the only evening newspaper in the city. At that time the Evening Post had a circulation of some 160,000 and this, in common with a national downward trend in the circulations of most regional evening newspapers, has fallen to some 105,000 (Monday/Friday) today.

Principal activities

Newspaper publishing, printing and distribution

3.6. In addition to two daily newspapers referred to above (the Evening Post and the WDP), BEP publishes a number of weekly newspapers. Of these The Western Gazette and Pulmans Weekly News are paid-for titles selling mainly in Somerset, Dorset, East Devon and Wiltshire. The group also publishes a number of free weekly titles. The Bristol Observer series, developed from The Observer acquired with the WDP, is published and distributed in Bristol; the Stroud and District Observer published from Bristol; the South Avon Mercury series and Weston and Worle News published from Clevedon. The Somerset and Sherborne Weekly News and free editions of Pulmans Weekly News for Weymouth, Dorchester etc and Honiton etc are published from Yeovil.

3.7. BEP has two printing locations, one at Bristol and the other at Yeovil. The Bristol location has three press lines, two of which have facilities for including eight pages of colour and additional spot colour facilities. The two daily papers, the WDP and the Evening Post, are printed at Bristol on six days of the week. In addition the Bristol Observer series, the South Avon Mercury and Weston and Worle News are printed in Bristol. The Bristol printing plant also handles printing of one small title not owned by the BEP group, the Shire News. The Western Gazette, Pulmans Weekly News (various editions) and the Somerset and Sherborne Weekly News are printed at Yeovil. The Yeovil press, which also has colour facilities, is also used to print two monthly publications not owned by BEP, Grapevine and Sarum Link.

3.8. Distribution of BEP's titles printed in Bristol is largely carried out by its subsidiary company E G Tucker (Transport) Ltd. This company also provides a distribution service to wholesalers of national newspapers. E G Tucker Ltd operates a contract hire and vehicle repair business.

Newspapers

3.9. In the 1960s BUP founded and, during the succeeding decades, developed a chain of confectionery, tobacco and newspaper (CTN) outlets called 'Kiosks'. At present there are 90 of these outlets. Newspaper sales of group and other titles not published by BEP are undertaken by Kiosks at normal trade terms.

Property investment

3.10. In 1974 BUP moved the head office and printing presses within Bristol, from the former site at New Broadmead to a new purpose-built site at Temple Way. In 1984 it completed the redevelopment of the New Broadmead site. The redeveloped site was included in the balance sheet of BUP at March 1989 at a value of £14 million. The freehold of the new head office at the Temple

Way site was valued in the audited consolidated balance sheet of the BEP Group as a specialist building at depreciated replacement cost at £10.1 million.

Other activities and investments

3.11. A 75 per cent subsidiary of BEP, Televersions (UK) Ltd, acts as the agent for producers and suppliers of television programme material. The company acts as agent for the makers of television programmes from European countries on such subjects as natural history, minor `soaps' etc, in the sale of those programmes mainly to United Kingdom broadcasters. Recently a new company, Fine Line Films and Television Ltd, 80 per cent owned by BEP, has been set up to act as an independent television programme production company and maker of corporate videos.

3.12. BUP holds a substantial investment in Reuters Holdings plc. On 20 March 1990, 882,802 Reuters `B' Shares were held having a value of approximately £9.5 million.

Editorial and advertising policies

3.13. BEP told us that it is the policy of its Board not to interfere in the editorial stance of any of its titles. Advertising is accepted from a very broad range of businesses and individuals as the company relies for the success of its titles on providing a service to all ages and socio-economic groups in the community in which they circulate. In the year to 31 March 1989 advertising provided approximately 75 per cent of the group's newspaper company revenues. As can be seen from Table 3.6, newspaper revenue in turn provides just over 60 per cent of the group's total external turnover.

The South-Western newspaper market

3.14. The circulation and readership of the BEP titles and the competition they face are described in the following paragraphs. A complete list of BEP's publications and their main circulation areas is given in Appendix 3.2.

Daily newspapers

Morning

3.15. BEP's daily morning newspaper, the WDP, which is published in Bristol, circulates in eight counties: Avon, Devon, Dorset, Gloucestershire, Gwent, Hereford and Worcester, Somerset and Wiltshire. Its average net sales during February 1990 were 78,000 per issue. Although in much of the area in which it is circulated it is the only regional morning newspaper, it is effectively in competition with the national newspapers, particularly those close to its price of 22 pence. BEP told us that its circulation areas overlapped to a small degree with two other regional morning newspapers, that is with the Western Mail in Newport and parts of Gwent, and with the Western Morning News in East Devon, and part of Somerset.

3.16. Compared with other regional daily newspapers published in England, the WDP's circulation figures place it in the middle of the spectrum as shown in Table 3.1.

TABLE 3.1 **Regional morning newspapers in England and Wales, 1989**

<i>Title</i>	<i>Average net sales July/December 1989</i>
Bristol-Western Daily Press	75,743
Leeds-Yorkshire Post	92,201
Darlington-Northern Echo	88,525
Norwich-Eastern Daily Press	88,221
Cardiff-Western Mail	75,755
Liverpool Daily Post	73,690
Newcastle upon Tyne Journal	58,802*
Plymouth-Western Morning News	57,414
Ipswich-East Anglian Daily Times	51,677
Birmingham Post	25,620
Leamington Morning News	9,131

Source: ABC.

*January to June 1989.

3.17. WDP's policy has been one of offering a 'national-local' newspaper to its readers. A recent survey of WDP readers found that 56 per cent took no other newspaper, national or local. Details of the age and social class breakdown of WDP readership are noted in paragraphs 3.20 and 3.21.

Evening

3.18. BEP's evening newspaper, the Evening Post, also published in Bristol, circulates over most of the county of Avon, and certain districts in Somerset and Gloucestershire. It has no direct evening newspaper competition in Bristol, but it is in competition with the Bath and West Evening Chronicle in the Bath area. To some extent it is in competition with weekly free newspapers, and local radio and television stations.

3.19. Measured by circulation the Evening Post comes in the top ten regional evening newspapers in England, as can be seen from the comparison with the circulation of 52 others shown in Table 3.2.

TABLE 3.2 **Regional evening newspapers in England and Wales**

	<i>Average net sales July/December 1989</i>
<i>Bristol Evening Post</i>	99,628
Manchester Evening News	265,553
Wolverhampton-Express and Star	238,557
Birmingham Evening Mail	223,715**
Liverpool Echo	200,516*
Leicester Mercury	139,357
Leeds-Yorkshire Evening Post	138,877*
Sheffield-Star	132,230*
Hull Daily Mail	106,694
Stoke-On-Trent-Evening Sentinel	105,918
Shropshire Star	98,461
Portsmouth-News	88,640
Coventry Evening Telegraph	88,377*
Cardiff-South Western Echo	86,546**
Brighton-Evening Argus	86,518*
Bradford-Telegraph and Argus	79,356
Southampton-Southern Evening Echo	77,685
Derby Evening Telegraph	76,206
Grimsby Evening Telegraph	73,196
Teesside-Evening Gazette	72,149
Preston-Lancashire Evening Post	69,713*
South Wales Evening Post	68,908**
Sunderland Echo	66,948
Southend-Evening Echo	62,337
Plymouth-Western Evening Herald	58,893
York-Yorkshire Evening Press	53,763
Bournemouth-Evening Echo	52,950
Bolton Evening News	51,877*
Blackpool-West Lancashire Evening Gazette	51,331*
Norwich-Eastern Evening News	50,501*
Cambridge Evening News	45,153*
Huddersfield Daily Examiner	42,499*
Oldham Chronicle	41,197
Kettering-Northamptonshire Evening Telegraph	41,137*
South Wales Argus	40,434*
Gloucestershire Citizen	40,258**
Oxford Mail	39,140*
Halifax-Evening Courier	36,717
Swindon-Evening Advertiser	36,131
Northampton Chronicle & Echo	36,060
Peterborough Evening Telegraph	35,212**
Exeter-Express and Echo	34,541
Ipswich-Evening Star	33,343
Lincolnshire Echo	32,517
Torquay-Herald Express	31,359
Colchester-Evening Gazette	30,475
Gloucestershire Echo	29,131**
Carlisle-Evening News and Star	28,704
Hartlepool-Mail	28,675
Reading-Evening Post	28,360*
Kent Evening Post	27,302
Worcester & Hereford-Evening News	26,928*
Wrexham-Evening Leader	26,708
Bath & West Evening Chronicle	26,475*
South Shields-Shields Gazette	26,054*
Weymouth-Dorset Evening Echo	23,935
Barrow-North Western Evening Mail	22,707*
Burton Mail	22,148
Scarborough Evening News	18,896
Nuneaton Evening Tribune	12,676
Norwich Eastern Football News	11,034

Source: ABC.

*Based on Monday to Friday editions.

**January to June 1989.

Readership of BEP's daily newspapers

3.20. BEP supplied us with details of readership surveys of the Evening Post and the WDP. These showed an age breakdown very similar to that of the whole population aged 15 and over in the South-West region as shown in Table 3.3.

TABLE 3.3 Readership of BEP daily newspapers by age group

<i>Age group</i>	<i>WDP- percentage readership</i>	<i>Evening Post- percentage readership</i>	<i>Percentage estimated population in South-West region</i>
15-24	20	18	20
25-34	16	17	18
35-44	16	16	16
45-54	14	14	14
55 and over	<u>34</u>	<u>35</u>	<u>32</u>
All ages	100	100	100

Source: BEP.

3.21. A similar analysis is given in Table 3.4 showing readership by social class. The WDP shows significantly higher percentages of readers in the AB and C1 socio-economic groups, while Evening Post readership shows an above average proportion of readership in the C2 group.

TABLE 3.4 Readership of BEP daily newspapers by social class

<i>Social class</i>	<i>WDP- percentage readership</i>	<i>Evening Post- percentage readership</i>	<i>Percentage estimated population in South-West region</i>
AB	23	16	18
C1	30	24	23
C2	25	33	27
DE	<u>22</u>	<u>27</u>	<u>32</u>
All classes	100	100	100

Source: BEP.

Weekly newspapers

3.22. BEP publishes a number of weekly newspapers, some paid-for, and others free of charge.

3.23. The Bristol Observer series of free weekly newspapers, distributed widely in the Bristol area, has a weekly circulation totalling over 230,000, and is issued in six separate local area editions. The Stroud and District Observer has a weekly circulation of about 28,000. BEP also owns the South Avon Mercury which has a circulation of about 32,000 covering districts in the western half of the county of Avon. A further BEP title, the Weston and Worle News, has a circulation of about 44,000 and is distributed free in the Weston-Super-Mare and surrounding areas. In most cases the titles mentioned above face competition from other free or paid-for weekly newspapers.

3.24. The Western Gazette is a BEP paid-for weekly newspaper, published in Yeovil and distributed mainly in South-West Somerset and Dorset, with a circulation of about 46,000. BEP has a second paid-for weekly newspaper, Pulmans Weekly News, also published in Yeovil, which is sold in an area roughly within a 15-mile radius of Chard in Somerset, taking in part of East Devon and West Dorset. Both The Western Gazette and Pulmans Weekly News compete with a variety of free weekly newspapers and paid-for titles.

3.25. BEP has three further titles all distributed free, namely the Somerset and Sherborne Weekly News (circulation 60,000), Pulmans Honiton and Exmouth Weekly News (31,000); and Pulmans Weymouth and Dorchester Weekly News etc (41,000).

Readership of BEP's weekly titles

3.26. BEP told us that The Western Gazette and Pulmans Weekly News had not undertaken any recent full readership research, but suggested that it could be assumed that such research would give a picture similar to that of the WDP (see Tables 3.3 and 3.4). The BEP group's free newspapers are distributed to over 90 per cent of households in its distribution area.

Financial information

3.27. Details of BEP's major shareholders, holdings in subsidiary companies and trade investments are given in Appendix 3.1. Institutions and individuals from the Bristol area make up approximately 45 per cent of the shareholders and hold approximately 25 per cent of BEP's equity.

3.28. Turnover, profit before interest and tax, profit available for distribution, average capital employed and average shareholders' funds for the four years 1986 to 1989 are set out in Table 3.5. The table gives margins on turnover and returns on average capital employment and on average shareholders' funds. It shows that net margins and return on capital employed have both grown steadily over the period.

TABLE 3.5 BEP: margins on turnover and returns on average capital employed and average shareholders' funds, 1986 to 1989

	<i>£'000</i>			
	<i>31.3.86</i>	<i>31.3.87</i>	<i>31.3.88</i>	<i>31.3.89</i>
Turnover	44,664	47,894	53,029	58,479
Profit before interest and tax	3,829	4,453	5,830	7,775
Profit available for distribution*	1,529	2,498	2,544	3,167
Average capital employed	25,502	25,347	27,758	32,169
Average shareholders' funds	26,577	27,779	30,879	35,406
				<i>per cent</i>
Margin on turnover	8.6	9.3	11.0	13.3
Return on average capital employed	15.0	17.6	21.0	24.2
Return on average shareholders' funds	5.8	9.0	8.2	8.9

Source: BEP.

*Includes extraordinary items.

Other tables of financial information upon which Table 3.5 is based are given in Appendix 3.3.

3.29. BEP's average number of weekly employees in the financial year 1989/90 was:

Production and editorial	614
Management, clerical and administration	<u>768</u>
	<u>1,382</u>

3.30. Table 3.6 shows summarised turnover and profit by activity. Turnover growth patterns, by activity, reflect the company's overall steady growth from 1985 to 1989. However, profits from the retail activities (CTNs) have declined in real terms to the position in 1989 when 38.8 per cent of group turnover earns only 11.5 per cent of group trading profits, compared with 1985 when 44.1 per cent of group turnover earned 28.1 per cent of group trading profits, and margins have dropped from 4.7 per cent in 1985 to 4.0 per cent in 1989.

TABLE 3.6 BEP: summarised turnover and trading profits by activity

	<i>£'000</i>											
	<i>1985</i>		<i>1986</i>		<i>1987</i>		<i>1988</i>		<i>1989</i>		<i>1989</i>	
	<i>Turn-over</i>	<i>Profit</i>	<i>Turn-over</i>	<i>Profit</i>	<i>Turn-over</i>	<i>Profit</i>	<i>Turn-over</i>	<i>Profit</i>	<i>Turn-over</i>	<i>Profit</i>	<i>Turn-over %</i>	<i>Profit %</i>
Newspaper publishing and printing	2,343	1,372	24,418	1,804	26,558	2,323	30,262	3,427	35,466	5,084	60.6	65.4
Retail activities	18,128	849	19,232	862	20,258	831	21,728	897	22,408	897	38.3	11.5
Features and crossword agencies	402	47	427	29	449	44	537	105	525	91	0.9	1.2
Transport and vehicle repair	2,152	92	2,308	96	2,374	111	2,553	141	2,829	142	4.8	1.8
Property rental and other income	983	664	1,366	1,038	1,500	1,144	1,557	1,260	1,870	1,561	3.2	20.1
	<u>44,008</u>	<u>3,024</u>	<u>47,751</u>	<u>3,829</u>	<u>51,139</u>	<u>4,453</u>	<u>56,637</u>	<u>5,830</u>	<u>63,098</u>	<u>7,775</u>	<u>107.8</u>	<u>100.0</u>
Intra-group adjustment	<u>(2,944)</u>	<u>-</u>	<u>(3,087)</u>	<u>-</u>	<u>(3,245)</u>	<u>-</u>	<u>(3,608)</u>	<u>-</u>	<u>(4,619)</u>	<u>-</u>	<u>(7.8)</u>	<u>-</u>
	41,064	3,024	44,664	3,829	47,894	4,453	53,029	5,830	58,479	7,775	100.0	100.0

Source: MMC from BEP audited accounts.