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ASSOCIATED NEWSPAPERS LTD.

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From: The Editor-in-Chief

15<sup>th</sup> February 2002

The Rt. Hon. Charles Clarke, MP  
Minister Without Portfolio and Party Chair  
House of Commons  
London  
SW1A 0AA

Charles - Standard page from Duce  
Do you want me to point to  
DCMS for info or (b) a direct  
reply?

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YES

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Dear Charles,

At our enjoyable lunch recently, you may recall discussing the Government's media ownership proposals and asking for a briefing paper on this subject.

As I write, it is emerging that the German conglomerate Bertelsmann is considering a major purchase in Britain: Channel 5, a string of radio stations and possibly Mirror newspapers are said to be on its shopping list. You are, perhaps, also aware that Gannett of America is now Britain's second biggest regional newspaper owner.

The fact is that foreign media companies are able to use the more relaxed regulatory climate of their home countries to build the kind of powerful domestic base that enable them, through acquisition, to become major global players. The irony is that these foreign firms are then able to acquire major British media companies that are denied to the Daily Mail & General Trust – an all British company – because of this country's regulatory climate.

Which is why we welcome the government's further consultation on these important issues and its commitment to legislate. For background, it might be helpful for you to know that while the Daily Mail is DMGT's flagship we encourage, and indeed, the market dictates, considerable diversity amongst the many newspapers which we own.

Unlike the Mail, the Evening Standard for instance, has supported New Labour in the past two Elections. The success of our free paper, Metro, which distributes one million copies a day in London, is predicated on providing impartial news in a non-ideological way. Meanwhile, the Scottish Daily Mail and Ireland on Sunday frequently pursue agendas which are diametrically opposed to, say, the Mail's.

It is also worth stressing that while we are known as a newspaper group, DMGT is much more than that. UK newspapers constitute around two thirds of our overall business (in terms of turnover), with the split between national and regional titles being about two to one, but our activities outside newspapers now account for one third of our turnover and include:-

- \* Teletext – which is contracted to provide totally impartial news reporting – reaches 50% of the UK adult population each week.
- \* DMG Radio – over 60 radio stations in Australia.
- \* DMG World Media – worldwide business in consumer and trade exhibitions.
- \* Euromoney Institutional Investor – international financial publishing, conferences and training.
- \* Hobsons/Study Group – education and recruitment publishing and training for students worldwide.
- \* DMG Information – information and software publishing for risk managers primarily in insurance and property.

We are also investors in UK radio and have been since its very beginning in 1973. We have a 27% interest in GWR Group, one of the leading UK radio groups, and the pioneer of commercial digital radio.

DMGT's ability to own and operate radio in the UK has been hampered by the cross media laws and as a result we have made a substantial investment in building our Australian radio business. Had it been possible, that investment could have been made in the UK.

For the future, DMGT wants clear, consistent rules and an open and transparent regulatory environment. We share the government's democratic and cultural concern to see a plurality of different media outlets maintained in this country, to reflect its great diversity of views and tastes. In the radio market, we believe this can best be achieved by requiring that any local media markets should contain not less than 3 separately owned radio stations including the BBC. We believe this 3-to-a-market rule should apply to national radio ownership too. With plurality protected in this way within the radio sector, we would argue that additional restrictions on newspaper/radio cross media ownership are not required.

As DMGT's interests in Teletext have shown, when it comes to preserving impartiality it is the licence conditions that matter not ownership. Similarly with local radio, which is principally a music medium, news services are mainly provided by the Independent Radio News network entirely independently from any interests in the stations held by local newspapers.

Commercial radio stations take their public service obligations very seriously and provide important community support services, especially in local areas. And, as the successful "Use Your Voice" campaign to encourage voter turnout showed earlier this year, take their democratic responsibilities seriously too. The UK radio industry needs further investment – especially to develop digital and local services. Newspapers are ideal partners for radio and there is a great deal of enthusiasm for further investment providing that the unnecessary and arbitrary restrictions in the 1996 Broadcasting Act can be replaced by a more open, liberal and flexible regulatory regime in the future.

DMGT's success is based on its willingness to invest in its products and take a long term view. We would like to be free to invest more in the UK radio sector and believe that it would benefit from our involvement as it faces increasing commercial pressure, greater competition and the need to develop digital radio. The current regulatory environment inhibits this and we hope that Parliament will take the opportunity in the forthcoming draft bill to lift the restrictions and provide a more level playing field.

I hope that you agree that however you view the Mail's ideological position, DMGT has a first rate track record as a media company creating jobs, wealth, and, I would argue, strong diversity of opinion in this country. As a British company, all we're asking for is the chance to compete on a level playing field with larger international conglomerates who enjoy more relaxed regulatory climates in their own countries.

Perhaps we could have lunch again in the not too distant future. There's much to talk about – and I promise not to mention cross-media matters!

*Paul Dacre*



PAUL DACRE

*[Handwritten flourish]*