

Public interest test for the acquisition by Trinity Mirror plc of publishing assets of Northern & Shell Media Group Limited

Ofcom's advice to the Secretary of State

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About this document

On 10 April 2018, Trinity Mirror plc submitted a merger notice to the Competition and Markets Authority in respect of its acquisition of certain publishing assets of Northern & Shell Media Group Limited, including the Daily Express and Daily Star newspapers, on 1 March 2018.

On 1 May 2018, the Secretary of State for Digital, Culture, Media and Sport issued a Public Interest Intervention Notice in relation to the transaction under section 42(2) of the Act specifying the following public interest considerations as potentially relevant to the acquisition:

- the need for, to the extent that it is reasonable and practicable, a sufficient plurality of views in newspapers in each market for newspapers in the United Kingdom or a part of the United Kingdom; and
- the need for free expression of opinion in newspapers.¹

Ofcom was required to report by 31 May 2018 to the Secretary of State on the effect of the transaction on these public interest considerations. Our report provides advice that may be relevant to the Secretary of State's decision as to whether to refer the transaction for further investigation of the public interest grounds.

¹ Section 58 (2A) and (2B) of the Enterprise Act.

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1. Executive Summary

We have considered the transaction in the context of challenges faced by newspapers

- A thriving newspaper industry plays an important role in ensuring media plurality.
- Yet newspapers face significant financial challenges as news production and consumption increasingly move online.
- Measures that support the longer term viability of newspapers and their websites should be welcomed.
- Consolidation of print publishers may offer a way to support the continued availability of newspaper titles and the range of opinions on political and public policy matters that they represent.

The transaction does not raise concerns in relation to plurality

- There is no reduction in the number of news providers or titles available to readers.
- There continues to be a broad range of news providers across television, radio, newspapers and online, and Reach plc, the new name for the company, is a relatively small player in this market.

The transaction does not raise concerns in relation to free expression of opinion in newspapers

- Reach plc's major shareholders are large financial institutions. We do not consider that they have either the ability or the commercial or political incentive to direct changes to the editorial position of Reach plc newspapers.
- In our judgement, editors can act without the influence of the Reach plc Board owing to organisational distance established between the two.
- The decision to appoint new editors to the Daily Express and the Daily Star, announced on 1 March 2018, was made by the Editor-in-Chief, not the Board or shareholders.
- More generally, newspapers are unlikely to make a significant change in editorial position that does not reflect their readers' views as this would affect their popularity and bottom line.

Our advice

Ofcom's public interest assessment

- 1.1 On 1 May 2018, the Secretary of State for Digital, Culture, Media and Sport required Ofcom to report to him on the effect on the public interest of the acquisition by Trinity Mirror plc of certain publishing assets of Northern & Shell Media Group Limited, including the Daily Express and the Daily Star.
- 1.2 The Secretary of State required Ofcom to report to him by 31 May 2018 on two public interest grounds: the need for a plurality of views in each market for newspapers in the United Kingdom and the need for free expression of opinion in newspapers.

Newspapers play a vital role in our society – yet continue to face uncertainty

- 1.3 Newspapers play a key role in the democratic process. They provide a range of voices that reflect views across society and encourage debate. Yet the newspaper industry faces significant challenges as online news provision has increased and the ways in which people consume news has changed. While 29% of people use print newspapers as one of their sources of news, 48% use online news sources, and this latter figure has increased – from 32% in 2013.²
- 1.4 Print advertising, on which the newspaper industry has historically relied for the greater portion of their revenues, is in structural decline following this online shift. Online advertising has not compensated for this decline. We estimate that, between 2011 and 2017, for every £1 newspapers lost in print revenues they gained only 15 pence in digital revenues (in real terms).³ A significant proportion of digital advertising revenues flow to Google and Facebook. These two players are estimated to have captured more than half (54%) of all UK digital advertising revenues in 2017.⁴ In this environment, consolidation of print publishers may offer a way to support the continued availability of newspaper titles. Given the crucial role newspapers continue to play in public debate, representing a range of opinions, efforts to support their continued viability are important.

The public interest grounds

- 1.5 The Secretary of State has required us to report on public interest grounds that were introduced in 2003. These grounds were established in a significantly different era for newspapers and the wider media industry. We have been mindful in our assessment of the change in the commercial environment for newspapers since then.

Assessment of media plurality

- 1.6 Our assessment of plurality takes into account the cross-media nature in which news is produced and consumed, namely print, television, radio and online. Reach plc⁵ itself produces a combination of print newspapers, websites, apps and social media feeds.
- 1.7 We have assessed the transaction using our established media plurality measurement framework, which is cross-media in nature. While we have concerns that a narrow assessment of plurality in print newspapers no longer reflects the reality of the way the public gets their news, we have also considered the narrow print newspaper market since this is specifically referred to in the public interest concern as set out by the Secretary of State.

² Ofcom News Consumption Survey 2016.

³ Ofcom analysis based on AA/WARC Expenditure Report.

⁴ eMarketer, 18 September 2017. *Digital Duopoly to Remain Dominant in UK Ad Race*.

<https://www.emarketer.com/Article/Digital-Duopoly-Remain-Dominant-UK-Ad-Race/1016481> [Accessed 30 May 2018].

⁵ On 3 May 2018, Trinity Mirror plc changed the name of the company to Reach plc.

The transaction does not raise concerns in relation to plurality

- 1.8 Following the transaction, there is no reduction in the number of news sources available across television, radio, print and online. Reach plc has stated that it is “*focussed on maintaining their existing titles.*”⁶
- 1.9 In terms of cross-media consumption, Reach plc remains a relatively small player with around one in ten adults using Reach plc’s newspapers, websites, or apps for news⁷. Further, our evidence suggests that Reach plc’s newspaper titles have less influence on people’s opinions than other news brands.
- 1.10 Looking narrowly at print newspapers, Reach plc is the third newspaper group behind DMGT⁸ and News UK in terms of reach, as was the case with Trinity Mirror plc prior to the transaction. We do not consider that this raises a plurality concern as there remains a broad range of political perspectives across print news.
- 1.11 Moreover, the transaction may provide greater financial security to the combined group, helping to ensure their durability and, with it, media plurality.

Assessment of free expression of opinion

- 1.12 Free expression of opinion has been described by guidance from the Department of Trade and Industry as an editor’s ability to determine the stance of a newspaper without interference by the proprietor. Significant change has occurred in the newspaper industry since the guidance was written in 2004. This is the first time that Ofcom has been asked to consider this public interest ground.⁹
- 1.13 Concerns have been raised that the editorial stance of the Daily Express may change following the transaction.¹⁰ However, provided the editor retains the ability to determine the paper’s stance without interference from the proprietor, we do not consider that this concern is relevant to the free expression of opinion ground.

The transaction does not raise concerns in relation to free expression of opinion

- 1.14 In its submissions to the Competition and Markets Authority¹¹, Reach plc committed to ensuring free expression of opinion. The Reach plc Board has indicated in statements

⁶ Trinity Mirror Notice of Acquisition, 10 April 2018, paragraph 404.

⁷ Source: Ofcom News Consumption Survey 2016

⁸ Daily Mail and General Trust.

⁹ <http://webarchive.nationalarchives.gov.uk/20100512170615/http://www.bis.gov.uk/files/file14331.pdf>. As set out above, we have concerns that the public interest grounds contained in the statute may no longer reflect the reality of news consumption and we have therefore considered the Guidance carefully in the light of the time which has passed since its introduction.

¹⁰ [3<]. Five responses to the CMA consultation raised concerns that the transaction could result in a shift in editorial position of the Daily Express.

¹¹ Trinity Mirror Notice of Acquisition, 10 April 2018, paragraph 440.

related to the transaction that each newspaper is free to take its own editorial position on politics and current affairs, reflecting the views of its readers.¹²

- 1.15 Following the transaction, Reach plc's Editor-in-Chief appointed new editors to the Daily Express and the Daily Star. Given that neither the Board nor shareholders were involved in the appointments of the new editors, in our judgement, these appointments do not demonstrate a restriction on free expression of opinion.
- 1.16 Moreover, we do not consider that the Board or shareholders have the incentive or ability to influence the editorial position of the newspapers.
- 1.17 The proprietors of Reach plc are large institutional shareholders. They hold a variety of interests and we consider it unlikely that they would have commercial or political interests in common that would lead them to interfere with editorial positions. Even if there were a common interest between certain shareholders, a formal decision at Reach plc would require significant coordination; the assent of at least six shareholders.
- 1.18 The reporting structures of Reach plc also create a significant distance between the Board and the editors of individual newspaper titles. This should ensure that the Board members are unable to influence editorial decisions. In any case, a significant change in the editorial position of a Reach plc newspaper is likely to be commercially damaging - alienating readers and reducing revenues.

¹² Trinity Mirror, *Proposed acquisition of Northern & Shell's publishing assets*, 9 February 2018, page 5 and 6. https://www.reachplc.com/images/news/2018_02_08_Acquisition_Announcement.pdf.

2. Introduction

Background to transaction

- 2.1 On 10 April 2018, Trinity Mirror plc ('Trinity Mirror') submitted a merger notice to the Competition and Markets Authority ('CMA') in respect of its acquisition of certain publishing assets of Northern & Shell Media Group Limited ('Northern & Shell') on 1 March 2018. These assets comprise the print and online versions of the Daily Express, Sunday Express, Daily Star and Daily Star Sunday newspapers, as well as the celebrity magazines OK!, New! and Star.
- 2.2 Trinity Mirror already owned the print and online versions of the Daily Mirror, Sunday Mirror, The Sunday People, the Daily Record and the Sunday Mail, as well as over 110 regional newspapers and over 50 associated websites.¹³
- 2.3 The total purchase price is £126.7m, consisting of £106.7m in cash and £20m in equity.¹⁴
- 2.4 Trinity Mirror's public announcement on 9 February 2018 set out the following strategic and financial rationale for the acquisition:¹⁵

Strategic rationale:

"The [Trinity Mirror] Board believes the Acquisition creates a media business of scale to better serve our readers and advertisers, enabling the Enlarged Group to:

- *Improve its print and digital editorial propositions by reducing duplication, sharing content and widening the breadth of editorial coverage with larger combined teams;*
- *Provide advertisers and agencies with a large, high quality audience, including a combined digital audience of 234 million monthly unique browsers (excluding apps); and*
- *Improve its digital products through shared investment and best practice."*

Financial rationale:

"The [Trinity Mirror] Board believes the Acquisition is financially compelling and will deliver attractive returns to shareholders as the Enlarged Group will:

- *Have a more robust revenue mix with circulation revenue representing nearly half of the Enlarged Group's revenue and placing less reliance on print advertising;*
- *Deliver £20 million in annualised cost synergies by 2020, with a significant amount of these savings achieved in 2019;*
- *Generate strong cash flows providing financial flexibility for investment, continued support for the Enlarged Group's historic pension scheme liabilities and potential return of capital to shareholders; and*
- *Be materially earnings enhancing in the first full year of ownership."*

¹³ Trinity Mirror, 5 March 2018. *Annual Report 2017*, page 11, https://www.reachplc.com/images/Matt/2017_Annual_Report.pdf.

¹⁴ Trinity Mirror, *Proposed acquisition of Northern & Shell's publishing assets*, 9 February 2018, page 1, https://www.reachplc.com/images/news/2018_02_08_Acquisition_Announcement.pdf.

¹⁵ Trinity Mirror, *Proposed acquisition of Northern & Shell's publishing assets*, page 1.

2.5 On 3 May 2018, Trinity Mirror received approval from its shareholders to change its company name to Reach plc.¹⁶ In this report, when we consider the position pre-transaction, we refer to the parties as Trinity Mirror and Northern & Shell. When we consider the position post-transaction, we refer to the new entity as Reach plc.

The Public Interest Intervention Notice

2.6 On 11 April 2018, the CMA brought the transaction to the attention of the Secretary of State for Digital, Culture, Media and Sport under section 57(1) of the Enterprise Act 2002 ('the Act'). The CMA considered that the transaction may raise public interest considerations under section 58 of the Act.

2.7 On 1 May 2018, the Secretary of State issued a Public Interest Intervention Notice ('PIIN') in relation to the transaction under section 42(2) of the Act specifying the following public interest considerations as potentially relevant to the acquisition:

- the need for, to the extent that it is reasonable and practicable, a sufficient plurality of views in newspapers in each market for newspapers in the United Kingdom or a part the United Kingdom ('plurality ground'); and
- the need for free expression of opinion in newspapers ('free expression of opinion ground').¹⁷

2.8 Ofcom's formal statutory role in relation to the transaction was triggered by the PIIN. We are required to report to the Secretary of State under section 44A of the Act by 31 May 2018.

Ofcom's role

2.9 Ofcom's role is to conduct a first stage investigation of the effect of the transaction on the two public interest considerations. On the basis of this investigation, we provide advice and any recommendations that may be relevant to the Secretary of State's decision on whether to refer the transaction to the CMA for further investigation. We must also summarise any representations about the case which we have received, and which relate to the public interest considerations.

2.10 The CMA is separately required to report to the Secretary of State on the impact of the transaction on competition under section 44 of the Act by the same deadline of 31 May 2018. The CMA has shared with us representations that it has received as part of its investigation that are relevant to the public interest considerations.

Ofcom's approach

2.11 The Secretary of State has required us to report on public interest grounds, introduced in 2003, which make specific reference to newspapers. Since 2003, there have been

¹⁶ The change of company name was registered with Companies House on 3 May 2018. Ofcom is not aware of any change to the Group's individual brands and titles.

¹⁷ Section 58 (2A) and (2B) of the Enterprise Act.

significant developments in the way in which news is distributed and consumed with a much greater choice of news available on multiple platforms and devices. We are mindful of the impact of these developments on newspapers and consider it appropriate to consider the public interest within the context of the wider media market.

Plurality ground

The definition of plurality

2.12 As set out in our framework, media plurality is not a goal in itself but a means to an end.¹⁸ Parliament has attached significance to the need for sufficient media plurality in the functioning of a healthy and informed democratic society¹⁹ with a plurality of media providers contributing to a well-functioning democracy through:

- **informed citizens**, who are able to access and consume a wide range of viewpoints across television, radio, online and print media from a variety of media organisations; and
- **preventing too much influence over the political process** being exercised by any one media owner.²⁰

2.13 We have previously advised the Government that news and current affairs are the most relevant forms of content to help ensure citizens are informed.²¹ We have not had cause to change our view in this assessment. The celebrity magazines acquired by Reach plc, as a result of the transaction, are therefore not relevant to our assessment since they do not offer news and current affairs content.

2.14 In assessing whether there would be sufficient plurality of news provision in this market following the transaction, we have broad discretion. As the Court of Appeal has set out, consideration of the plurality public interest considerations requires “a qualitative assessment of the position resulting, or likely to result”, from the transaction.²²

Our assessment of plurality

2.15 Reach plc provides a combination of print newspapers, websites, apps and social media feeds, and operates in a market where people consume news across television, radio, print and online. While 29% of people use print newspapers as one of their sources of news, 48% use online news sources, and this latter figure has increased – from 32% in 2013.²³

¹⁸ *Ofcom’s advice on a measurement framework for media plurality*, November 2015, paragraph 2.1. https://www.ofcom.org.uk/_data/assets/pdf_file/0024/84174/measurement_framework_for_media_plurality_statement.pdf.

¹⁹ Hansard, 2 July 2003. *Communications Bill*, *The Parliamentary Under-Secretary of State, Department for Culture, Media and Sport (Lord McIntosh of Haringey)*. <https://api.parliament.uk/historic-hansard/lords/2003/jul/02/communications-bill>.

²⁰ *Ofcom’s advice on a measurement framework for media plurality*, November 2015, paragraph 2.1.

²¹ Ofcom, June 2012. *Measuring media plurality: Ofcom’s advice to the Secretary of State for Culture, Olympics, Media and Sport*. https://www.ofcom.org.uk/_data/assets/pdf_file/0031/57694/measuring-media-plurality.pdf.

²² *British Sky Broadcasting Group plc v The Competition Commission and The Secretary of State for Business Enterprise and Regulatory Reform* [2010] EWCA Civ 2, paragraph 87.

²³ Ofcom News Consumption Survey 2016.

- 2.16 This is the first time that Ofcom has been asked to assess plurality in relation to a newspaper transaction and our assessment takes into account the cross-media nature of news production and consumption. We have assessed the transaction in line with our media plurality measurement framework, which takes account of television, radio, print and online news media. This framework applies a range of quantitative and qualitative metrics across the media landscape to assess plurality.²⁴ In our view, an assessment of plurality on a narrow basis limited to one particular means of distribution is unlikely to reflect the reality of how news is now consumed and produced.
- 2.17 While we have concerns that a narrow assessment of plurality in newspapers may not reflect the reality of news consumption, the public interest concern referred to us is specifically limited to plurality in newspapers. We have therefore also considered the effect of the transaction on plurality in the market for newspapers solely.

Free expression of opinion ground

- 2.18 We have taken account of the 2004 statutory guidance from the Department of Trade and Industry ('DTI Guidance')²⁵ relating to the free expression of opinion consideration, recognising that some time has passed since that guidance was put in place.
- 2.19 The DTI Guidance sets out that previous Competition Commission ('CC') and Monopolies and Merger Commission ('MMC') cases have focused on the potential impact on editorial decision-making of the transfer of the newspapers in question.²⁶ The DTI Guidance describes how free expression of opinion concerns "*the extent to which the transaction would affect the freedom of editors to operate without interference from the proprietor*".²⁷ In the case of the current transaction there is no single proprietor but a number of major institutional shareholders with a variety of interests.
- 2.20 As part of our assessment of this public interest ground, we have considered the measures that Reach plc has put in place to promote and maintain editorial independence. We have also considered whether there may be commercial or political incentives for shareholders and Board members to attempt to influence editorial decision making and whether they are able to act on such incentives.
- 2.21 We note, in relation to this ground, that concerns have been raised that the editorial stance of the Daily Express may change following the transaction.²⁸ However, provided the editor retains the ability to determine the paper's position without interference from the

²⁴ *Measurement framework for media plurality: Ofcom's advice to the Secretary of State for Culture, Media and Sport*, November 2015, paragraph 1.17.

²⁵ DTI Guidance, May 2004. *Enterprise Act 2002: Public Interest intervention in Media Mergers*. <http://webarchive.nationalarchives.gov.uk/20100512170615/http://www.bis.gov.uk/files/file14331.pdf>. As set out above, we have concerns that the public interest grounds contained in the statute may no longer reflect the reality of news consumption and we have therefore considered the Guidance carefully in the light of the time which has passed since its introduction.

²⁶ DTI Guidance, paragraph 5.7.

²⁷ *Ibid*

²⁸ [3<]. Five responses to the CMA consultation raised concerns that the transaction could result in a shift in the editorial position of the Daily Express.

proprietor we do not consider that this is relevant to the free expression of opinion ground.

Stakeholder engagement

- 2.22 We published a guidance note on 2 May 2018 setting out the process and timetable for preparing our report on the public interest considerations set out by the Secretary of State.²⁹
- 2.23 Alongside this, we published an invitation to comment and invited written submissions by 8 May 2018.³⁰ We received four submissions. We have considered all of these as part of our analysis. We summarise the responses in the Annex 1. The CMA also provided us with responses to their consultation that were relevant to the public interest considerations, and we note where we refer to these.
- 2.24 We have also considered the information provided to us by Reach plc and Northern & Shell, including in response to requests for information from us, and have met with the Editor-in-Chief and senior executives of Reach plc to discuss some of this information.³¹

²⁹ Ofcom, 2 May 2018. *Guidance note for public interest test on the completed acquisition by Trinity Mirror plc of certain assets of Northern and Shell Media Group Limited.*

https://www.ofcom.org.uk/_data/assets/pdf_file/0026/113678/guidance-note.pdf.

³⁰ Ofcom, 2 May 2018. *Invitation to comment for public interest test on the completed acquisition by Trinity Mirror plc of certain assets of Northern and Shell Media Group Limited.*

https://www.ofcom.org.uk/_data/assets/pdf_file/0027/113679/invitation-comment.pdf.

³¹ Ofcom meeting with Reach Editor-in-Chief and Director of Corporate Development, 17 May 2018.

3. Market context

Summary

- 3.1 Newspapers play a vital role in UK society. They are important for democratic debate and provide a range of voices that reflect views across society on political and public policy matters.
- 3.2 Newspapers are part of a wider news market where news is provided in four main formats: television, radio, print newspapers and online. In recent years, as consumption of online services has grown rapidly, news providers have been competing for readers and users in a converged media market.
- 3.3 The combination of a reduction in the readership of print newspapers and the growth of online news services presents significant challenges for newspaper groups. Even with the opportunities offered online, it has been harder for newspapers to monetise their readership as print advertising revenues decline.
- 3.4 Newspapers are adapting their business models and building innovative partnerships. However, the future is still uncertain, and different business models have emerged.

Newspapers play a vital role in UK society

- 3.5 Newspapers play a particularly important role in our democracy, as recognised by the Secretary of State for Digital, Culture, Media and Sport when the Government recently launched its review to examine the sustainability of high-quality journalism.³² The Secretary of State commented that newspapers “*hold the powerful to account, uncover injustices and campaign on issues that are important to them and their readers. In doing so, they are providing a vital public service, for without them our democracy would be undermined.*”³³
- 3.6 The function of newspapers is twofold in this respect. The Leveson Inquiry set out that first, “*a free press serves democracy by enabling public deliberation. Citizens need information to make intelligent political choices. To this end, the press serves both as a conduit for the dissemination of information as well as a forum for public debate.*”³⁴ Second, “*a free press serves the interests of democracy through its public watchdog role, acting as a check on political and other holders of power. The press is able to perform this function because of its hard-won position as a powerful institution independent of the state, a position which*

³² Press release, 6 February 2018. *New review launched of press sustainability in the UK.* <https://www.gov.uk/government/news/new-review-launched-of-press-sustainability-in-the-uk>. [accessed 30 May 2018].

³³ The Evening Standard, 12 March 2018. *Matt Hancock: We need to safeguard the future of the printed press.* <https://www.standard.co.uk/comment/comment/matt-hancock-we-need-to-safeguard-the-future-of-the-printed-press-a3787631.html> [accessed 30 May 2018].

³⁴ *The Leveson Inquiry into the culture, practices and ethics of the press*, November 2012, page 64. <http://webarchive.nationalarchives.gov.uk/20140122145147/http://www.official-documents.gov.uk/document/hc1213/hc07/0780/0780.asp>.

earned it the nickname or sobriquet of the Fourth Estate amongst nineteenth century writers.”³⁵

- 3.7 The press has also “*earned a reputation for accurate and vigorous reporting, independence and holding power to account*”.³⁶ It engages in important investigative journalism making a significant contribution to the public interest. Recent examples of investigative journalism that have had a significant impact in this respect include the reporting of MPs’ expenses,³⁷ and the recent cases of the Oxfam³⁸ and Windrush³⁹ news stories.
- 3.8 Further, there is no requirement on newspapers to be politically impartial, unlike broadcast news and current affairs, which allows newspapers to adopt a more slanted editorial stance.
- 3.9 Newspapers therefore play a particularly important role in a democratic society and it is important that they remain able to stimulate debate and investigate freely. Against a backdrop of declining print revenues, we are mindful of the need to support the continued availability of newspapers, both in print and online.

The UK news market features a range of newspapers

- 3.10 The UK national newspaper market consists of 14 national daily and 11 Sunday titles. These national titles are owned and published by 11 commercial groups. Across the different newspaper groups, individual titles offer a wide range of editorial positions and views on public policy issues.
- 3.11 Some regional or local titles also contain significant amounts of national and international news. There are over 600 regional and local titles, mostly paid weeklies with some daily titles. The three biggest publishers of regional press titles are Trinity Mirror Group (over 110 titles), Newsquest (165 titles) and Johnston Press (200 titles). The Express Group had no regional or local titles. The print market also includes several periodic news and current affairs magazines such as The Economist, The Week, The New Statesman and Private Eye. Figure 3.1 sets out the main newspaper publishers and publications across the UK.

³⁵ *The Leveson Inquiry into the culture, practices and ethics of the press*, November 2012, page 65.

³⁶ *The Leveson Inquiry into the culture, practices and ethics of the press*, November 2012, page 77.

³⁷ The Telegraph, 8 May 2009. *MP’s expenses: Full list of MPs investigated by The Telegraph*.

<https://www.telegraph.co.uk/politics/0/mps-expenses-full-list-mps-investigated-telegraph/> [accessed 30 May 2018]

³⁸ The Times, 16 February 2018. *Oxfam’s Shame* <https://www.thetimes.co.uk/article/one-week-on-how-the-oxfam-sex-scandal-unfolded-rdq6ghzgh> [accessed 30 May 2018].

³⁹ The Guardian, 4 May 2018. *Windrush scandal: no passport for thousands who moved to Britain*.

<https://www.theguardian.com/uk-news/2018/may/04/windrush-scandal-no-passport-for-thousands-who-moved-to-britain> [accessed 30 May 2018].

Figure 3.1: The main newspaper publishers across the UK (pre-transaction)

Newspaper group	UK Publications
News UK (wholly-owned by News Corp)	The Times, The Sunday Times, The Sun, The Sun on Sunday, The Scottish Sun
DMGT (Daily Mail and General Trust)	Daily Mail, The Mail on Sunday, Metro
Trinity Mirror Group	Daily Mirror, Sunday Mirror, Sunday People, Daily Record, Sunday Mail and a range of regional and local titles (over 110)
Northern & Shell	Daily Express, Sunday Express, Daily Star, Daily Star Sunday
Telegraph Media Group	Daily Telegraph, Sunday Telegraph
Guardian Media Group	The Guardian, The Observer
Johnston Press	The i and a range of local and regional titles (over 200)
Other major publishers	Nikkei (Financial Times), The Lebedev Foundation (The London Evening Standard), City A.M. Limited (City A.M), DC Thomson & Co Ltd. (the Sunday Post, the Courier and the Evening Telegraph)

Source: Ofcom research

Newspapers sit within a wider news market, in which a range of sources are available and consumed

A wide variety of news sources are available

3.12 There is a broad range of news sources across television, radio, newspapers and online. These sources vary in terms of ownership structure (public and private) and business model (publicly funded and commercial). Different news sources offer different viewpoints across the political spectrum.

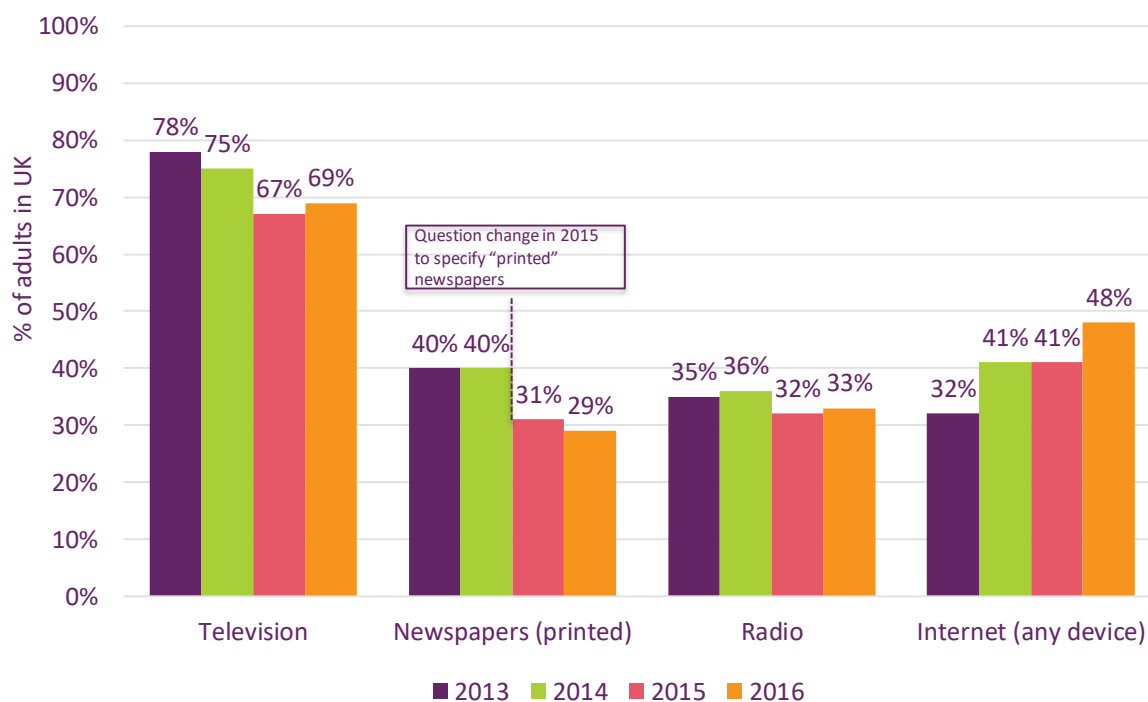
People consume news across a range of platforms and news sources

3.13 According to Ofcom’s News Consumption Survey 2016, less than a third of people used print newspapers as one of their sources of news in 2016.⁴⁰ In contrast, the use of online news has increased by 16 percentage points since 2013 from 32% to 48%. Use of radio has remained broadly stable since 2013. Television remained the most popular platform despite a nine percentage point decline in its use between 2013 and 2016 (Figure 3.2).

⁴⁰ Ofcom, 29 June 2017. *News consumption in the UK: 2016*.

https://www.ofcom.org.uk/_data/assets/pdf_file/0016/103570/news-consumption-uk-2016.pdf.

Figure 3.2: Use of four main platforms for news nowadays, 2013-2016



Source: Ofcom News Consumption Survey 2016.

Q3a/Q3aa Which of the following do you use for news nowadays?

Base: All adults 16+ (2016: 2984; 2015: 2921; 2014: 2731; 2013: 2862)

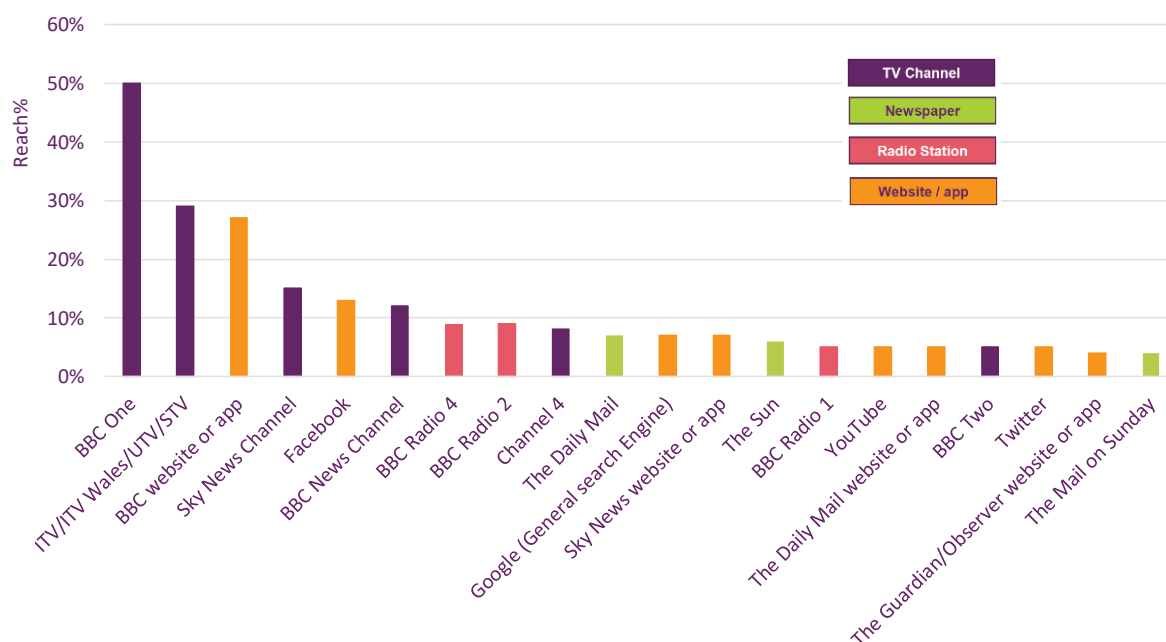
- 3.14 We measure cross-platform news ‘reach’ to UK adults using our bespoke News Consumption Survey. Respondents are asked about their news consumption and how they use news throughout the day across a variety of news sources, including social media.
- 3.15 In relation to cross-platform reach, the three largest news providers are broadcasters (BBC, ITV and Sky).⁴¹ Within this, the reach of BBC news services has remained broadly stable at 77% and is over double that of ITV. Newspapers reach fewer people. The most popular newspaper group, DMGT, reaches 17% of people.⁴²
- 3.16 People also consume a range of individual news sources across different platforms. On average, people use about four different sources.⁴³ Three of the top 20 most widely used news sources, among all adults, are print newspapers and eight are websites or apps. Additionally, six of the top 20 news sources are TV channels and three are radio stations (Figure 3.3).

⁴¹ Ofcom’s News Consumption Survey 2016.

⁴² Ofcom’s News Consumption Survey 2016.

⁴³ We define ‘sources’ as individual services such as BBC One and individual titles such as The Times. Ofcom, *News consumption in the UK: 2016*.

Figure 3.3: Top 20 news sources, 2016



Source: Ofcom News Consumption Survey 2016.

Q5a-f) Thinking specifically about <Source> which of the following do you use for news nowadays?

Base: All adults 16+ (2016: 2984; 2015: 2921; 2014: 2731)

An increasing proportion of consumption is captured by online players

- 3.17 More people are now using the online services of traditional newspapers. In 2016, newspapers' online websites and apps were used by 31% of those who went on the internet for news, an increase of eight percentage points since 2013.⁴⁴
- 3.18 At the same time, online-only news sources, which are available only through the internet or mobile apps and are not provided by traditional broadcasters or print newspapers,⁴⁵ have grown. The majority of these players are publishers with an international footprint. But some of them, such as Huffington Post and BuzzFeed, have launched UK editions. Our survey shows that 11% of those who used the internet for news in 2016 used online-only news sites, which compares to 3% in 2013. However, we note that in comparison with traditional news players, few online-only news providers are of real scale. Only Huffington Post, BuzzFeed and LAD Bible were in the top 20 of most widely used online news sources among those who used the internet for news in 2016.⁴⁶
- 3.19 The growth of online has created new ways in which content can be sourced, shared and monetised. There is a range of online players that host, curate and distribute news content originated by third parties, as opposed to producing their own content.
- 3.20 They can be grouped into three broad categories:

⁴⁴ Ofcom News Consumption Survey 2016.

⁴⁵ With the exception of The Independent which has a digital only offer since March 2016.

⁴⁶ Ofcom News Consumption Survey 2016.

- i) Search engines such as Google and Yahoo
- ii) News aggregators such as Google News and Apple News
- iii) Social media such as Facebook and Twitter

3.21 These online players are increasingly popular. According to our News Consumption Survey, in 2016, online intermediaries⁴⁷ were used by 47% of those who went on the internet for news, more than those who used the websites of any newspapers. Facebook and Google Search were the most used of the online intermediaries as per the 2016 News Consumption Survey, used by 27% and 15% of those who accessed the internet for news respectively.

3.22 While we do not have primary evidence as to what news sources are accessed through these players, our analysis based on data from Socialbakers⁴⁸ suggests that traditional sources are performing well. Newspapers, such as the Daily Mail and The Guardian have strong followings through Facebook⁴⁹, although traffic from these sources may not be durable. For example, Mail Online saw a 9% reduction in online traffic during the six months ending March 2018 as compared to the previous year.⁵⁰

The shift to online presents a particular challenge to the newspaper industry

While online news consumption has grown, this has coincided with a substantial decline in circulation of print newspapers

3.23 Since 2003, circulation has declined for daily and Sunday print newspapers and this trend has intensified in recent years.⁵¹ Average UK net circulation for national daily titles declined 47% between 2003 and 2017; national Sunday titles have experienced a 61% decline (Figure 3.4).

⁴⁷ In this section, we use the term 'online intermediaries' to be consistent with the terminology adopted by the 2015 Plurality Framework.

⁴⁸ Socialbakers is an international social media marketing software company that collects and publishes data on the largest pages on social media sites such as Facebook and Twitter.

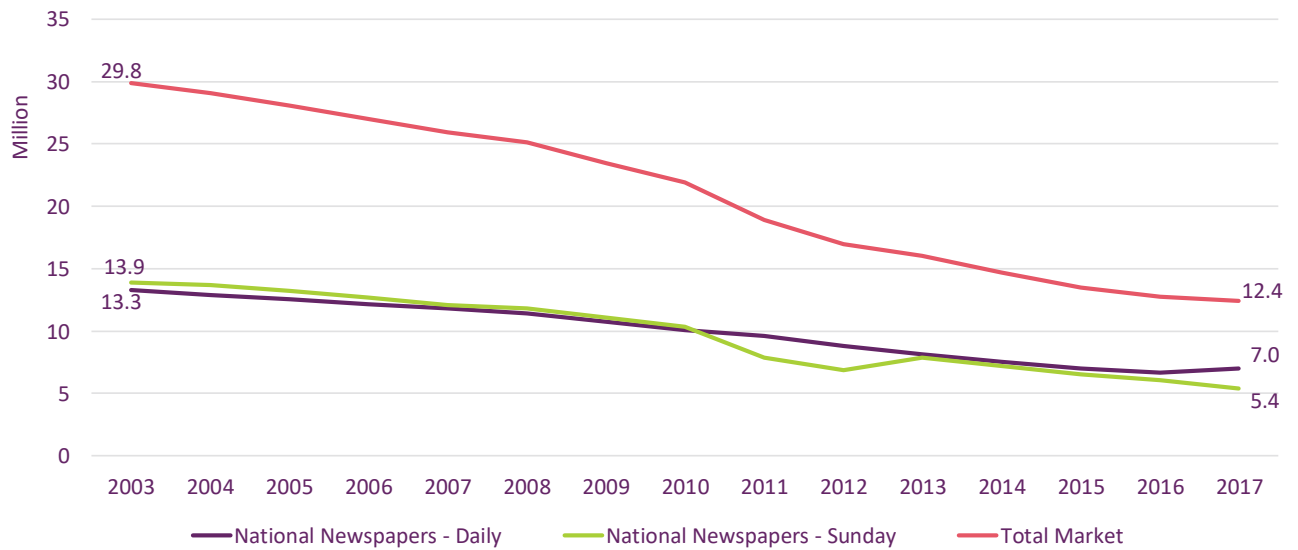
⁴⁹ Socialbakers, May 2018. See chart at Figure 4.7.

⁵⁰ The Guardian, 24 May 2018. *Mail Online's falling traffic blamed on Facebook's newsfeed overhaul.*

<https://www.theguardian.com/media/2018/may/24/mail-onlines-falling-traffic-blamed-on-facebooks-newsfeed-overhaul> [accessed 30 May 2018].

⁵¹ Communic@tions Management Inc., May 2011. *Sixty Years of Daily Circulation Trends*, page 17. http://media-cmi.com/downloads/Sixty_Years_Daily_Newspaper_Circulation_Trends_050611.pdf.

Figure 3.4: Average UK net circulation of newspapers, 2003-2017

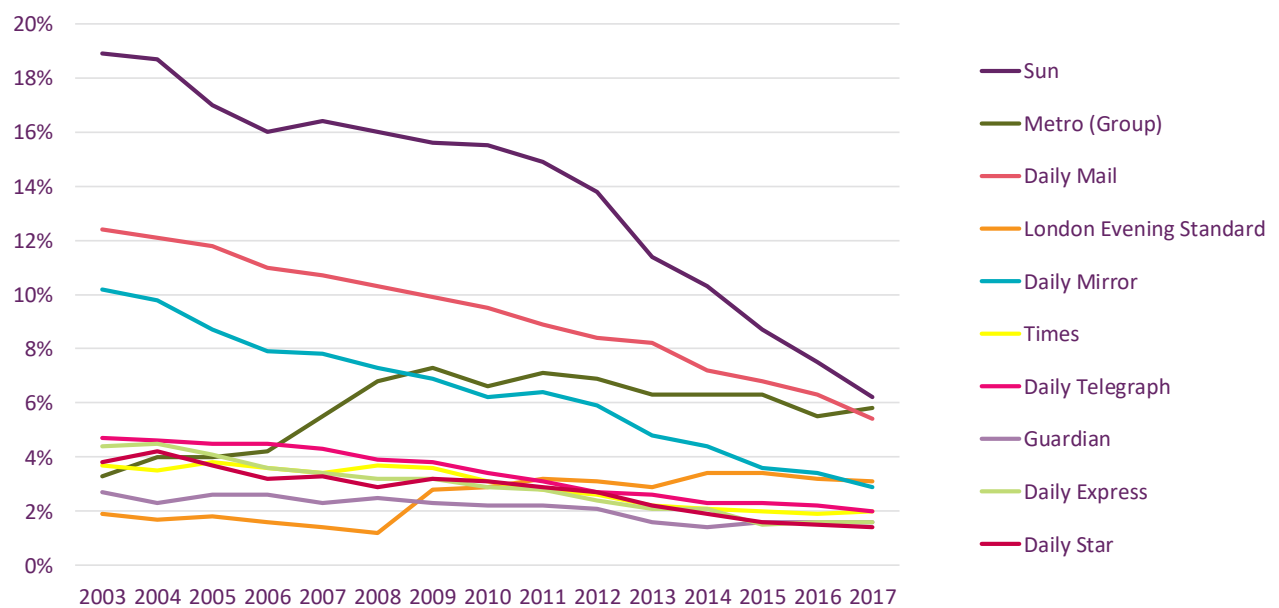


Source: Audit Bureau of Circulation (ABC)

In line with circulation trends, print readership has also declined considerably

3.24 In line with this decline in circulation, the annual readership of all the national paid-for print newspapers has fallen since 2003 (Figure 3.5). The three largest daily newspapers in 2003 (The Sun, the Daily Mail and the Mirror) have seen the largest absolute declines - The Sun's reach fell from 18.9% in 2003 to 6.2% in 2017 – but still have higher readership than other paid newspapers.

Figure 3.5: Annual print readership of national daily newspapers, 2003-2017



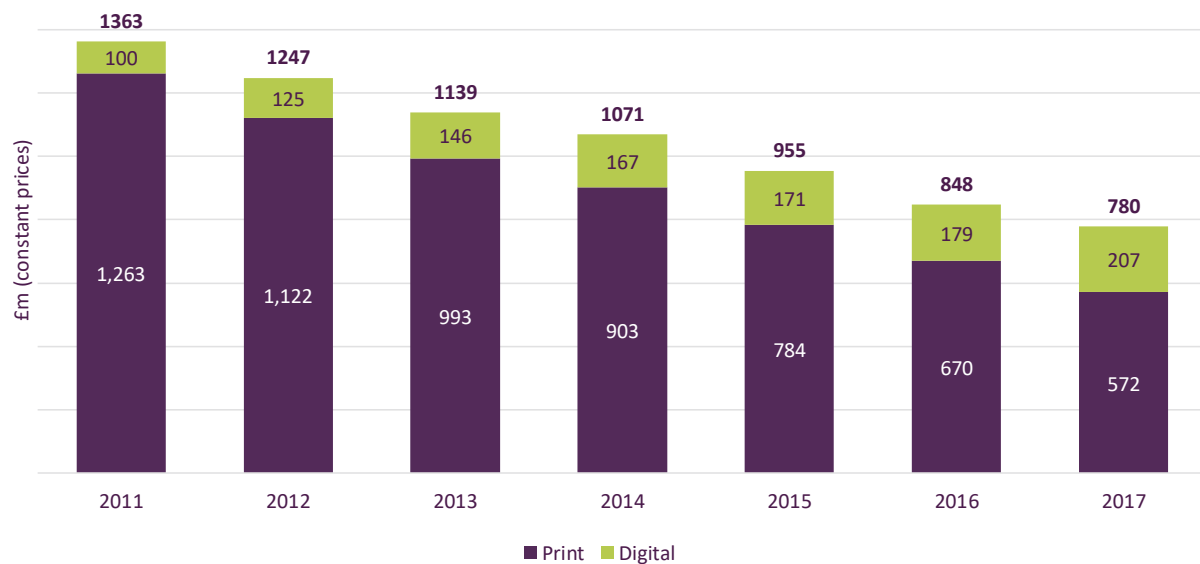
Source: PAMco, all days

Base: GB adults 15+

The newspaper advertising model has experienced major changes

- 3.25 As the circulation and readership of print newspapers has declined and online reach has grown, print advertising revenue has fallen significantly.
- 3.26 As Figure 3.6 shows, print advertising revenues have declined from £1,263m in 2011 to £572m in 2017, a drop of more than half (55%) in six years. Over the same period, digital advertising revenues for national newspapers have more than doubled from £100m in 2011 to £207m in 2017. However, this growth in digital advertising revenues has failed to compensate for the more drastic fall in print advertising revenue. We estimate that, between 2011 and 2017, for every £1 newspapers lost in print revenues they gained only 15 pence in digital revenues (in real terms).

Figure 3.6: National newspaper print revenue and digital advertising revenue (constant prices), 2011-2017



Source: AA/WARC Expenditure Report

The dynamics of online advertising account for a significant part of the challenge

- 3.27 The financial sustainability of newspapers has been challenged by the shift from print to online advertising. Google and Facebook are estimated to have captured more than half (54%) of all UK digital advertising revenues in 2017⁵², and it is becoming more difficult for publishers to attract advertising revenues.
- 3.28 As Figure 3.7 illustrates, the revenues of all the major UK national newspaper publishers have fallen since 2010, and most have also seen a fall in their operating profits.

⁵² eMarketer, 18 September 2017. *Digital Duopoly to Remain Dominant in UK Ad Race*. <https://www.emarketer.com/Article/Digital-Duopoly-Remain-Dominant-UK-Ad-Race/1016481> [Accessed 30 May 2018].

Figure 3.7: UK national news publisher revenue (nominal terms), 2010-2016⁵³

Publisher newspaper division	2010 revenues (£m)	2016 revenues (£m)	2010-2016 revenues CAGR (%)	2010 operating profit (£m)	2016 operating profit (£m)
News UK (News Corp)	1,047	788	- 4.6%	- 24.1	- 36.7
DMG Media (DMGT)	813	706	- 2.3%	95.0	77.0
Trinity Mirror Group	762	572	- 5.6%	137.8	79.5
Telegraph Media Group (Press Acquisitions Ltd)	324	296	- 1.5%	60.1	32.2
Guardian News & Media (Guardian Media Group)	221	210	- 0.8%	- 33.7	- 68.7
Express Newspapers (Northern & Shell)	289	174	- 9.6%	0.3	16.3

Source: Enders Analysis

Notes: Express Newspapers and Trinity Mirror numbers are financial year 2015 (CAGR (Compound Annual Growth Rate) is adjusted). Trinity Mirror figure excludes Local World (acquired October 2015), but does include both national and regional newspapers, which are no longer reported separately. The Guardian figures for 2010 are just for Guardian News & Media, comparable with the 2016 figures for the Guardian Media Group, and shows EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) profit/loss.

Newspapers are responding to the challenges by adapting their strategies, but the future remains uncertain

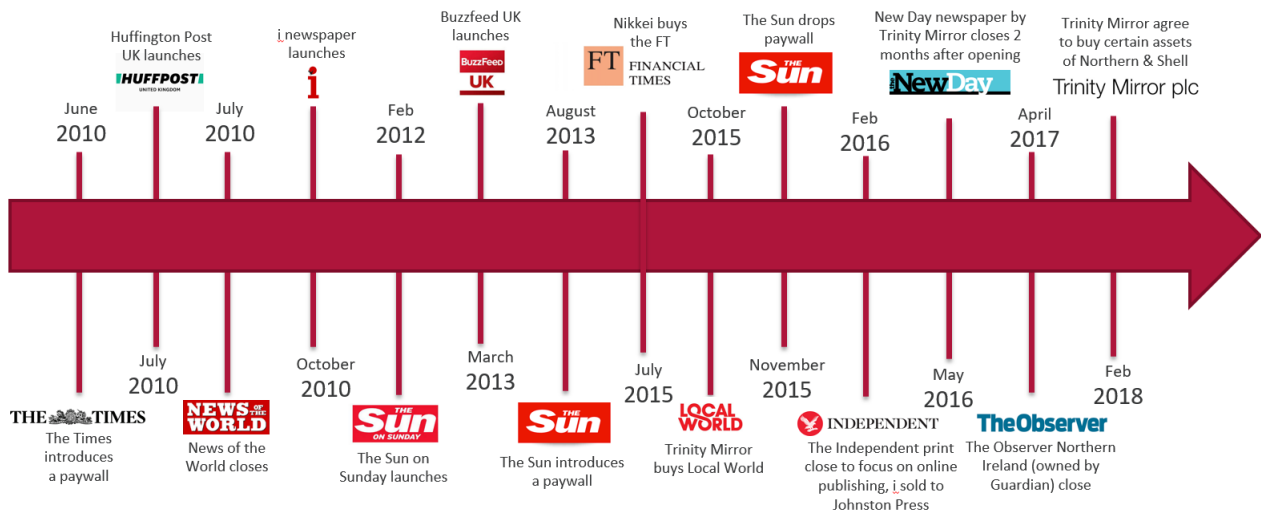
Newspapers have experimented with different funding and business models

3.29 Newspapers have responded to the changes in the media landscape and the increased competition from online providers in a variety of ways.

⁵³ Enders Analysis, October 2017. *Supply of news in the UK*, page 18-19.

3.30 Figure 3.8 below sets out a timeline of some significant developments in the UK newspapers market since 2010, including the launch and closure of different news providers.

Figure 3.8: Timeline of significant developments in the UK newspapers market since 2010



Source: Ofcom research

3.31 Newspapers are pursuing a range of funding models to compensate for an overall loss of revenue from advertising and physical sales. Some, such as The Times and the Financial Times have put in place paywalls. The Guardian has introduced voluntary contributions. Other newspapers, such as The Sun and the Daily Mail, rely predominantly on advertising revenues – print and online. Some titles have raised cover prices. Trinity Mirror noted in March 2018 that higher cover prices have helped to offset the impact of falling sales.⁵⁴

3.32 Newspapers are also cutting costs, leading to radically new business models for some. The Independent moved to online-only in 2016. More recently, in January 2018, DMG Media⁵⁵ announced plans to combine its advertising teams into a single unit, DMG Media advertising, encompassing the Daily Mail, The Mail on Sunday, MailOnline, Metro and Metro.co.uk. The Guardian newspaper and its sister Sunday newspaper, The Observer, relaunched as tabloids in January 2018 and have outsourced the printing of these titles to Reach plc.⁵⁶

The newspaper industry is collaborating and consolidating to support the continuation of its titles

3.33 Consolidation is taking place in regional news. Trinity Mirror purchased Guardian Media Group’s regional portfolio of titles in 2010. In 2012, Northcliffe acquired Topper Newspapers, a free weekly newspaper distributed in Nottingham. A year later, the Office of

⁵⁴ Trinity Mirror plc, March 2018. *Annual Report 2017*, page 5.

https://www.reachplc.com/images/Matt/2017_Annual_Report.pdf.

⁵⁵ DMG Media is the consumer division of DMGT.

⁵⁶ Insider.co.uk, 15 June 2017, *Trinity Mirror to print tabloid Guardian*. <https://www.insider.co.uk/news/trinity-mirror-print-tabloid-guardian-10627433> [accessed 30 May 2018].

Fair Trading cleared the Local World transaction, a joint venture between Daily Mail General Holdings Limited, the trustees of the Iliffe Settlement and Trinity Mirror plc. In 2015, Trinity Mirror took control of Local World, acquiring the 80% it did not already own in the company.

- 3.34 Meanwhile, national news producers are innovating with new partnerships. In December 2016, The Guardian announced a content partnership with Vice, including co-branded special reports that will air on Vice’s nightly news programme in the US and UK.⁵⁷ In November 2017, Guardian News and Media, Telegraph Media Group and News UK created The Verified Marketplace, a marketplace for video advertising online. The stated rationale from the venture is to provide advertisers with “*high quality video inventory and greater media collaboration to make buying easier and more effective.*”⁵⁸

The newspaper industry remains in a period of uncertainty

- 3.35 While the newspaper industry continues to experiment with a range of approaches, no clear model has emerged. Given the important position which newspapers occupy within the democratic process, measures to support their continued existence are to be welcomed. Consolidation of print publishers may offer one way to support the long term viability of newspapers and their role in media plurality.

⁵⁷ The Guardian, 8 December 2018. *Guardian announces partnership with Vice.*

<https://www.theguardian.com/media/2016/dec/08/guardian-announces-partnership-with-vice> [accessed 30 May 2018].

⁵⁸ The Drum, 22 November 2017, *News UK, Guardian and Telegraph join forces for premium video ad sales unit.*

<http://www.thedrum.com/news/2017/11/22/news-uk-guardian-and-telegraph-join-forces-premium-video-ad-sales-unit> [accessed 30 May 2018].

4. Plurality

Summary

- 4.1 In this section, we assess whether the transaction raises plurality concerns. Our assessment is in line with our established media plurality measurement framework, which includes consideration of print, television, radio and online.
- 4.2 Following the transaction, there is no reduction in the number of news sources available and Reach plc has stated that it is “*focussed on maintaining their existing titles.*”⁵⁹
- 4.3 In terms of cross-media consumption, Reach plc remains a relatively small player, with around one in ten adults using their newspapers, websites, or apps for news⁶⁰. Our evidence further suggests that their newspaper titles are less influential than other news brands.
- 4.4 Looking narrowly at print newspapers, Reach plc will strengthen its position following the transaction, but remains the third newspaper group behind DMGT and News UK in terms of reach. We do not consider that this raises a plurality concern as there remains a broad range of political perspectives across print news.

We have assessed media plurality using our established framework

- 4.5 We have approached the assessment of plurality by taking into account the cross-media nature of news production and consumption. We have therefore assessed the transaction in line with our established media plurality measurement framework, which includes print, television, radio and online.⁶¹ Reach plc provides a combination of print newspapers, websites, apps and social media feeds, as do the majority of other news groups.
- 4.6 Our framework consists of the following metrics:
- i) **availability metrics** measuring the number of different news sources available on each media platform and across all media;
 - ii) **consumption metrics** measuring the use of different news sources and a share of reference⁶² across media platforms;
 - iii) **impact metrics** helping to inform the impact and influence of different news sources on people and how these sources might influence the wider news agenda; and

⁵⁹ Trinity Mirror Notice of Acquisition, paragraph 404.

⁶⁰ Source: Ofcom News Consumption Survey 2016

⁶¹ Ofcom, November 2015. *Measurement Framework for Media Plurality: Ofcom’s advice to the Secretary of State for Culture, Media and Sport.*

https://www.ofcom.org.uk/data/assets/pdf_file/0024/84174/measurement_framework_for_media_plurality_statement.pdf.

⁶² Share of reference is explained at para 4.17.

- iv) **qualitative contextual factors** helping to interpret the quantitative data and which may act as a counterweight to any concerns identified through the other above metrics.

We have not identified any particular issues to be considered below a UK-wide level

- 4.7 We have considered differences in the consumption patterns of Trinity Mirror and Northern & Shell titles to assess whether there may be particular concerns for different audience subgroups, segmented by age, socio-economic group or UK nation. We note in this respect that consumption of Reach plc's titles is marginally higher for older consumers across the UK and for all adults in Scotland and in Wales compared to the rest of the UK.⁶³
- 4.8 However, we have not identified any audience subgroups that would be more affected by the transaction.

The transaction does not affect the availability of news sources

- 4.9 The transaction brings together newspaper titles owned by Trinity Mirror, in particular the Daily Mirror and Sunday Mirror and those previously owned by Northern & Shell, notably the Daily Express, Sunday Express, the Daily Star and the Sunday Star.
- 4.10 Following the transaction, there has been no reduction in the number of news sources available across television, radio, print and online. Reach plc has stated that it is "*focussed on maintaining their existing titles*".⁶⁴ We therefore consider that there is no effect on the number of news sources available.

Following the transaction, Reach plc remains a relatively small player in consumption of news on a cross-media basis

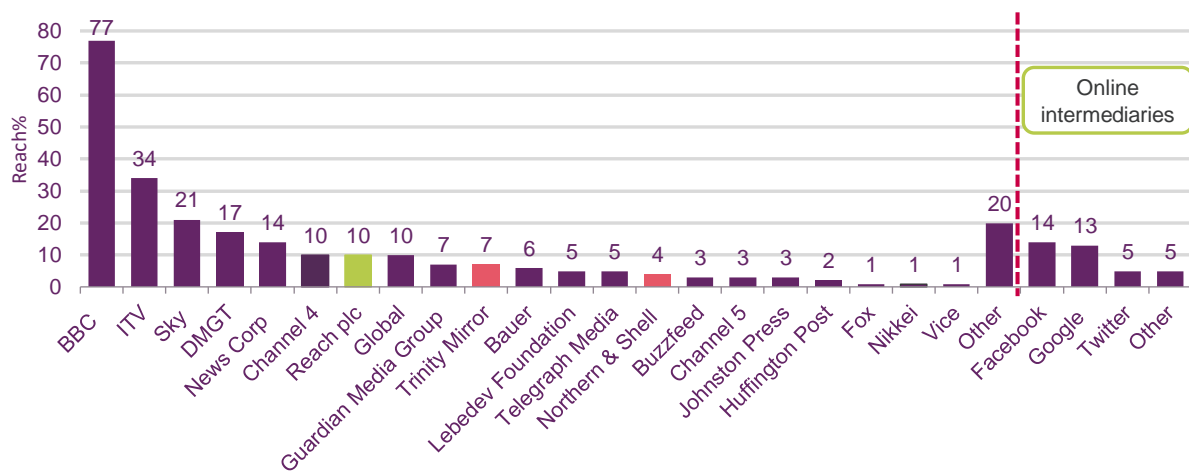
- 4.11 Quantifying the consumption of news sources forms a useful part of a plurality assessment. We measure consumption on television, radio, print newspapers and online using industry data for each platform.
- 4.12 We measure cross-platform news 'reach' to UK adults using our bespoke News Consumption Survey. Respondents are asked about their news consumption and how they use news throughout the day across a variety of news sources, including social media.
- 4.13 Our framework distinguishes between the 'retail function' of the individual title, or brand, of each news source that provides news direct to the reader, and the 'wholesale function' that refers to the supply and production of the news for a retail outlet. We have looked at the metrics at a retail level only because we consider that there is no difference in the controlling party of the retail and wholesale functions of the Reach plc titles.

⁶³ Reach plc has a share of reference of 4% in both Wales and Scotland, and amongst adults aged 65+, compared to 3% for the UK as a whole. The transaction has moved Reach plc from 7th to 6th largest provider amongst those aged 65+, 8th to 6th in Scotland and kept it in 8th in Wales, when compared to Trinity Mirror's share of reference.

⁶⁴ Trinity Mirror Notice of Acquisition, paragraph 404.

- 4.14 Figure 4.1 below sets out the cross-platform reach of news providers. The BBC, ITV, and Sky have the highest reach overall. DMGT and News Corp have the highest reach of the newspaper groups at 17% and 14% respectively.
- 4.15 By comparison, prior to the transaction, Trinity Mirror and Northern & Shell titles had a reach of 7% and 4% respectively.
- 4.16 Following the transaction, Reach plc (highlighted in green) has a combined cross-platform reach of 10% which remains significantly below that of BBC, ITV and Sky and behind the reach of the two biggest newspaper groups, DMGT and News Corp. As a result of the transaction, Reach plc titles have a reach similar to that of Channel 4 and Global Radio.

Figure 4.1: Cross-platform audience reach of retail providers used nowadays for news, 2016



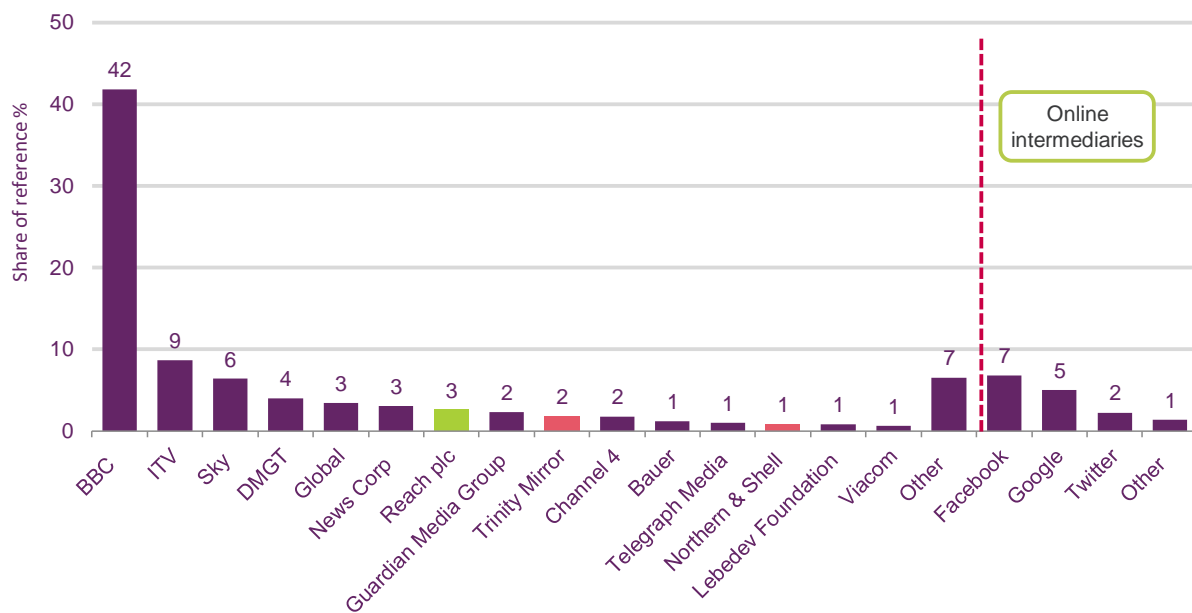
Source: Ofcom News Consumption Survey 2016.
 Q5a-f) Thinking specifically about <Source> which of the following do you use for news nowadays?
 Base: All adults 16+ who use TV, Newspapers, Radio, Internet, or Magazines for news nowadays (2659)
 Note: 'Google' contains all Google-named entities plus YouTube. 'Other' social media includes MSN, Yahoo, Feedly, Flipboard, News Now.

Reach plc's share of reference is similar to that of other newspaper groups

- 4.17 Ofcom's measurement framework includes a bespoke 'share of reference' metric, which measures the share of news consumption of individual providers. Shares of reference are calculated by asking people which news sources they use and the frequency with which they use them. Each reference is then weighted for the frequency of use and summed. The share of each news source or provider can then be calculated based on their total number of references as a proportion of all references for all news sources, regardless of the platform or media.
- 4.18 Figure 4.2 illustrates the share of reference of different news sources. The BBC has the highest share of reference, ahead of ITV and Sky. All newspaper groups have a significantly lower share of reference than the television broadcasters, ranging from 1% to 4%.
- 4.19 Prior to the transaction, Trinity Mirror and Northern & Shell had shares of reference of 2% and 1% respectively.

- 4.20 Reach plc (marked in green in Figure 4.2) has a share of reference of 3%, which remains similar to that of other newspaper groups.
- 4.21 Overall, the transaction does not substantially change the distribution of share of reference and we do not consider that the small increase in share of reference resulting from the transaction indicates a reduction in plurality of any meaningful extent.

Figure 4.2: Share of reference of retail providers used ‘nowadays’ for news, 2016



Source: Ofcom News Consumption Survey 2016.

Base: All respondents who use TV, radio, newspapers or internet/apps for news nowadays 2016 (2583), 2015 (2626), 2014 (2553), 2013 (2628)

Note: We distinguish between retail news provision – the individual title or brand of each news source that provides content to the user (e.g. ITV News) – and wholesale news provision – the supply and production of the news for a retail news source (e.g. ITN)

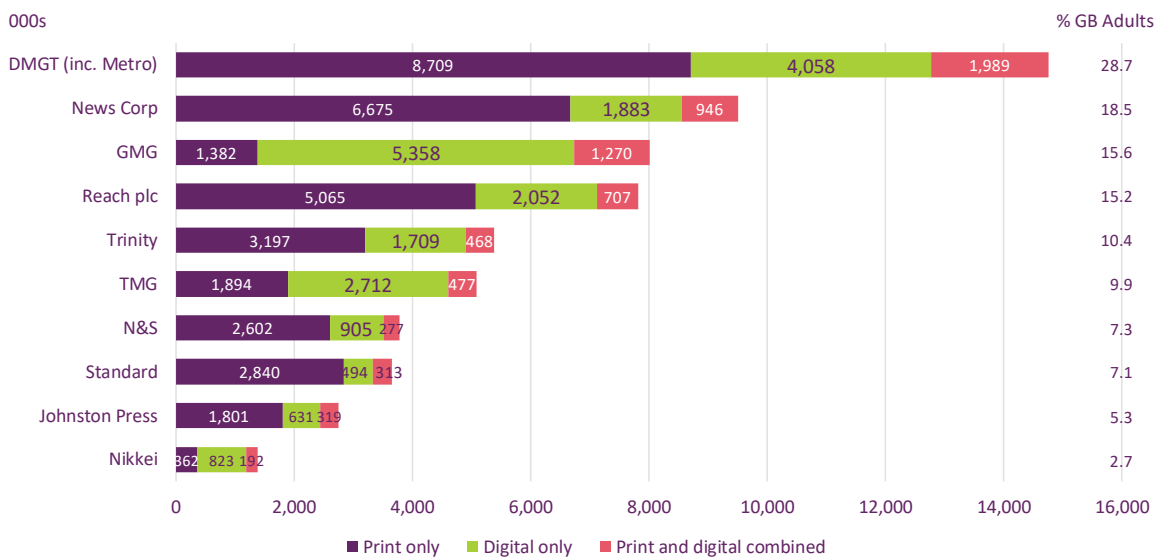
Even among newspaper groups alone, Reach plc ranks fourth place in size of readership

- 4.22 As set out above, our assessment of plurality takes into account the cross-media nature of the production and consumption of news, namely across television, radio, print and online. Audiences typically use more than one platform for news and this is particularly true in the case of newspapers. According to our News Consumption Survey, just 1% of consumers only use print newspapers for news compared with 19% who only get news from television.⁶⁵ Reach plc itself produces a combination of print newspapers, websites, apps and social media feeds.

⁶⁵ Ofcom News Consumption Survey 2016.

- 4.23 However, while we have concerns that a narrow assessment of plurality in newspapers – both print and digital - no longer reflects the reality of news consumption, we have considered this, given this was the public interest concern referred to us.
- 4.24 The IPA’s TouchPoints survey⁶⁶ allows analysis of readership of newspaper brands by print and digital (including the publishers’ digital editions, websites and applications).
- 4.25 On this basis, Figure 4.3 shows that DMGT has the largest total readership of newspaper brands, reaching 28.7% of adults in Great Britain (‘GB’) a week. News Corp has the second largest readership, reaching 18.5% of GB adults. The Guardian Media Group is the third largest at 15.6%, driven primarily by readership of its digital properties.
- 4.26 Prior to the transaction, Trinity Mirror and Northern & Shell brands were read by 5.4 million (10%) and 3.8 million (7%) of GB adults respectively via either print or digital or both, with print representing the majority.
- 4.27 Removing duplication of readers between titles, Reach plc’s brands are read by 7.8 million (15%) of GB adults. The transaction therefore results in Reach plc becoming a fourth player among newspaper groups, broadly comparable to Guardian Media Group in total readership but still behind News Corp and significantly behind DMGT.

Figure 4.3: Readership of national publishing brands by GB adults, 2017



Source: TouchPoints 2017, GB adults 15+

NR2a: Thinking about specific newspaper titles, please indicate when you last looked at or read each of these titles [Yesterday, Past seven days]

Ranked by total weekly readership

Note: GMG is Guardian Media Group, TMG is Telegraph Media Group, N&S is Northern & Shell

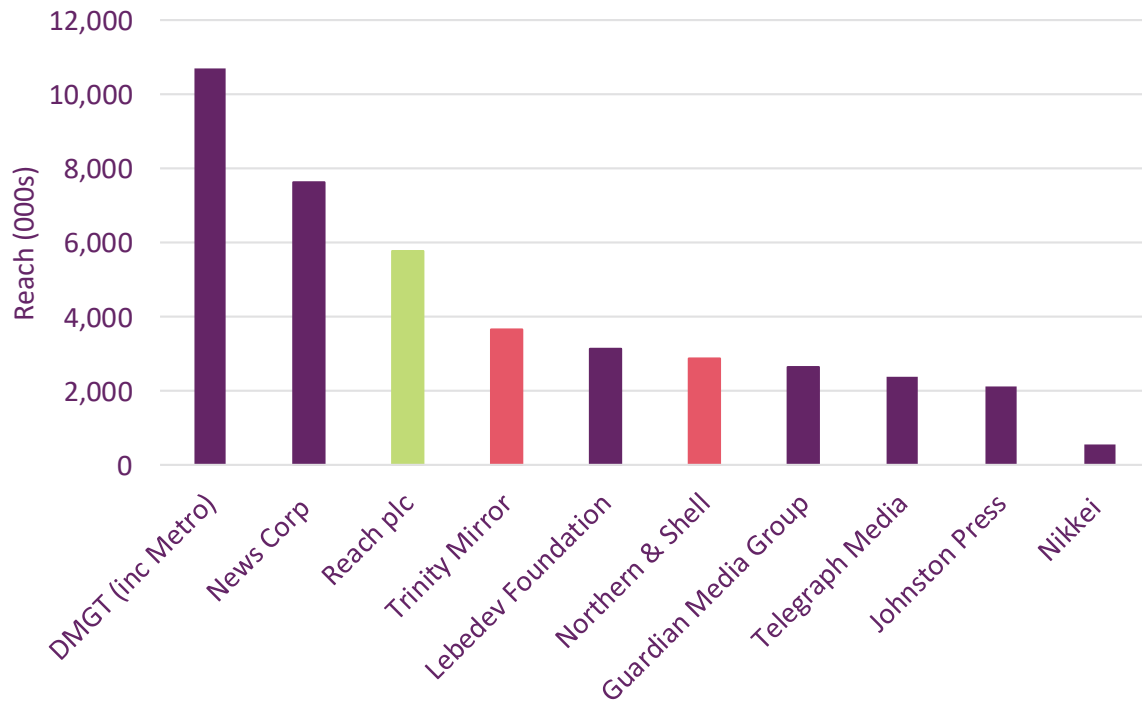
Print reach of Reach plc titles is below that of DMGT and News Corp

- 4.28 On a narrow, print-only assessment of newspaper reach, DMGT is the largest national newspaper group, followed by News Corp (Figure 4.4). Trinity Mirror and Northern & Shell

⁶⁶ We describe the IPA TouchPoints survey in Annex 2.

titles reached 3.7 million and 2.9 million GB adults respectively prior to the transaction, making them the third and fifth largest by reach of all newspaper groups. Following the transaction, Reach plc has a combined reach of 5.8 million GB adults and, as with Trinity Mirror prior to the transaction, will be the third largest group by print reach.

Figure 4.4: Print readership reach of national newspapers by GB adults, 2017



Source: TouchPoints 2017, GB adults 15+

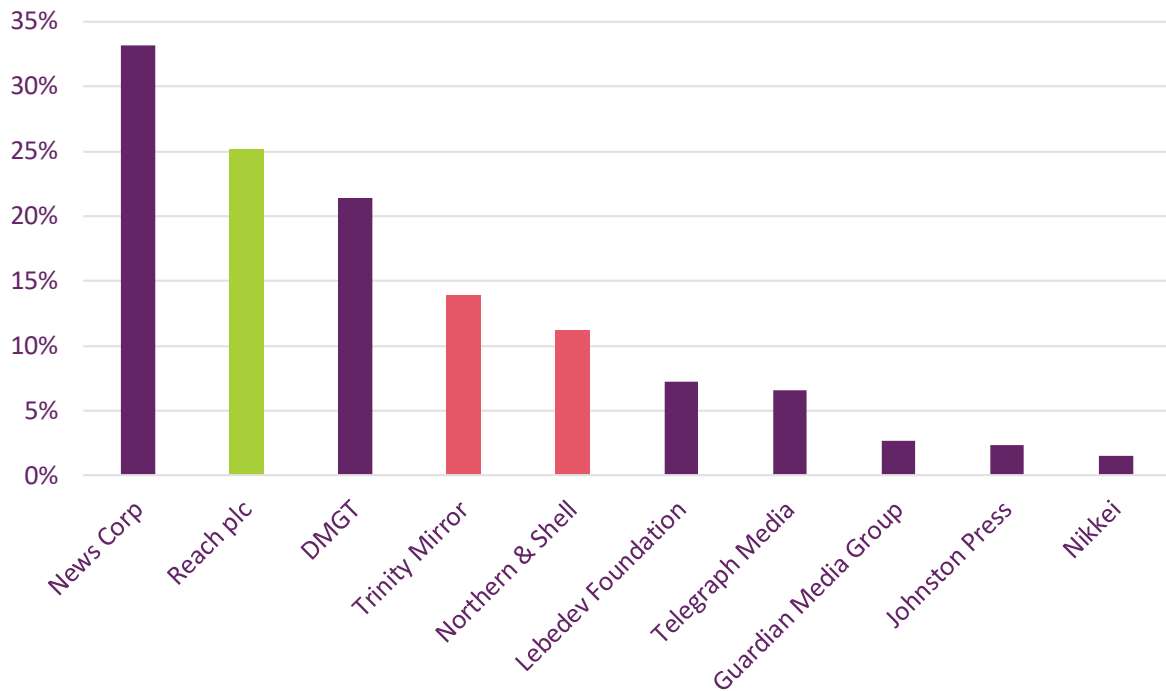
NR2a: Thinking about specific newspaper titles, please indicate when you last looked at or read each of these titles [Yesterday, Past seven days]

Print circulation of Reach plc titles is the second largest amongst newspaper groups but significantly behind News Corp

4.29 Based on the print circulation of paid-for newspapers, News Corp is the largest national newspaper group (Figure 4.5). Pre-transaction, Trinity Mirror and Northern & Shell accounted for 14% and 11% of print circulation respectively, with Trinity Mirror titles having fallen in share of circulation from 19.5% since 2003. By contrast, News Corp and DMGT have increased their share of circulation over the same period, from 31.5% to 33% and from 16% to 21% respectively.

4.30 Following the transaction, Reach plc becomes the second largest national newspaper group by print circulation (Figure 4.5), behind News Corp by eight percentage points.

Figure 4.5: Share of circulation of national newspaper print market by publisher group, 2017

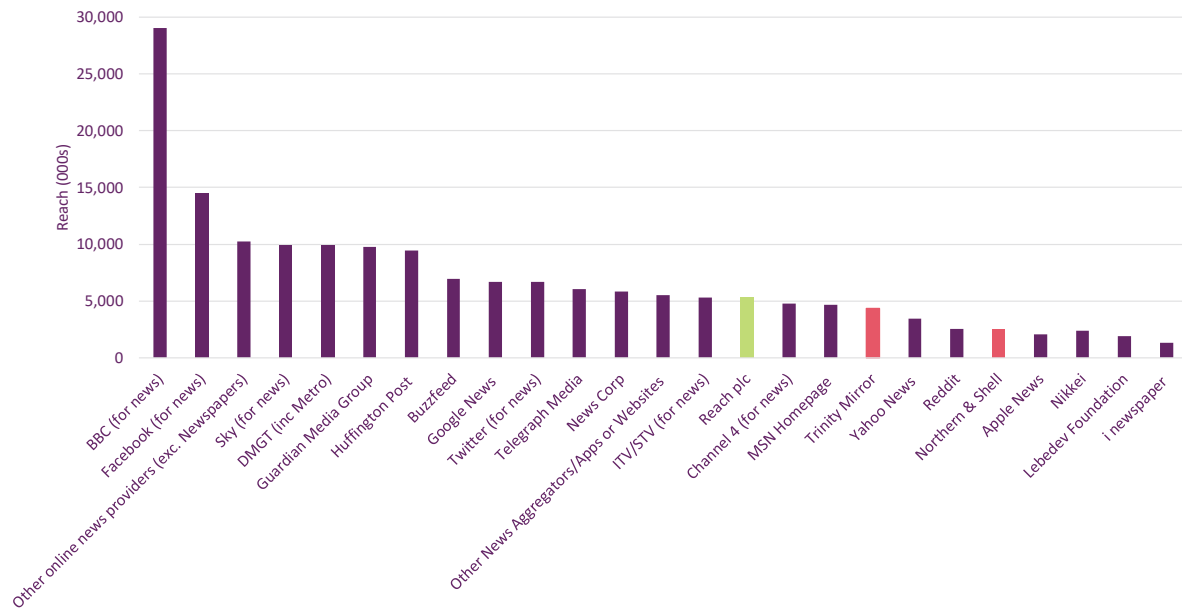


Source: Audit Bureau of Circulation (ABC) / Ofcom analysis

The online reach of Reach plc titles is lower than that of other major newspaper titles

4.31 Trinity Mirror’s news websites were used by 4.3 million GB adults per month, while Northern & Shell’s were used by 2.5 million. Following the transaction, Reach plc’s news websites are used by a combined 5.3 million GB adults. Figure 4.6 below illustrates that this combined online reach is lower than that of other major newspaper groups - DMGT, Guardian Media Group, Telegraph Media and News Corp - both prior to and following the transaction.

Figure 4.6: Monthly reach of online news sources, 2017



Source: TouchPoints 2017, GB adults 15+

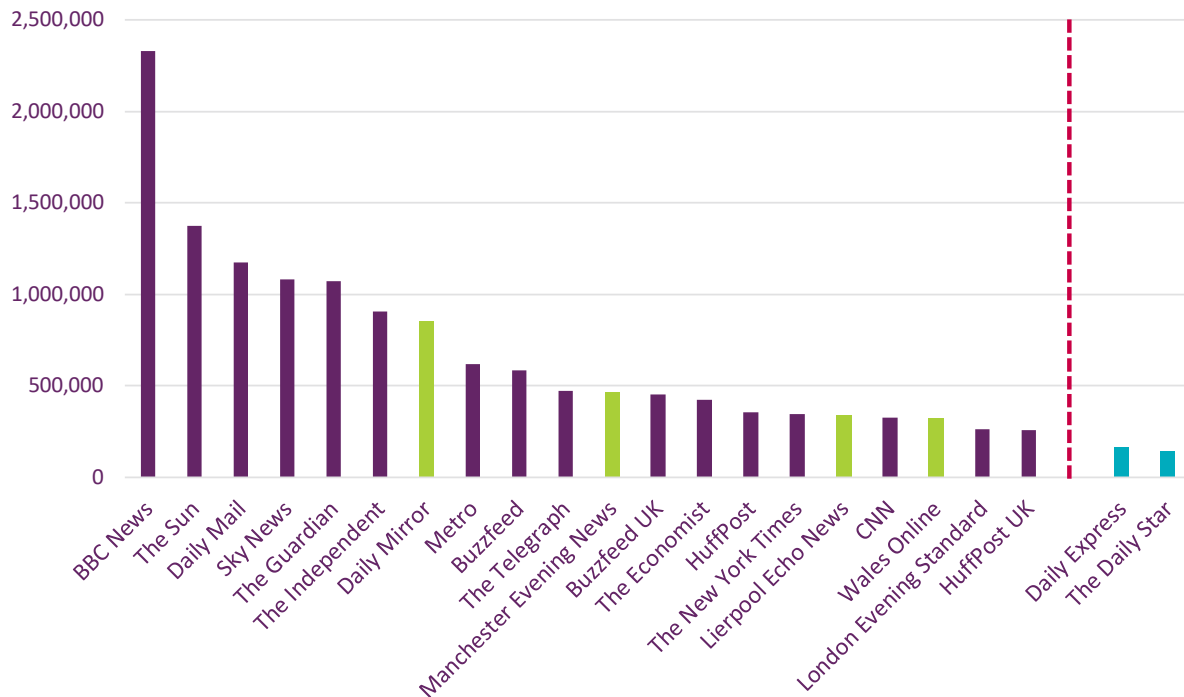
NR2a: Thinking about specific newspaper titles, please indicate when you last looked at or read each of these titles [Yesterday, Past seven days, Past four weeks]

Consumption of Reach plc titles via online intermediaries appears to be relatively low

- 4.32 There is no single measure for consumption of news across online intermediaries.⁶⁷ We have previously used Facebook and ‘likes’ by its UK-based users of different news provider pages as a proxy for readership.
- 4.33 As Figure 4.7 shows, the Daily Mirror is the seventh most ‘liked’ news and current affairs related page among UK Facebook users, and a number of Trinity Mirror’s regional papers are in the top 20 news pages by this measure. The Northern & Shell titles are significantly less widely ‘liked’ on Facebook and none is within the top 20.

⁶⁷ In this section, we use the term ‘online intermediaries’ to be consistent with the terminology adopted by the 2015 Plurality Framework.

Figure 4.7: Facebook ‘likes’ from UK-based users, 20 largest news pages plus selected Northern & Shell titles, May 2018



Note: Purple bars represent Trinity Mirror national titles, green bars Trinity Mirror regional titles, and blue bars Northern & Shell national papers.

Source: Socialbakers. Data was sorted by ‘Daily News’ fans from the UK.

<https://www.socialbakers.com/statistics/facebook/pages/local/united-kingdom/media/daily-news/page-1-2/> [Accessed 11 May 2018].

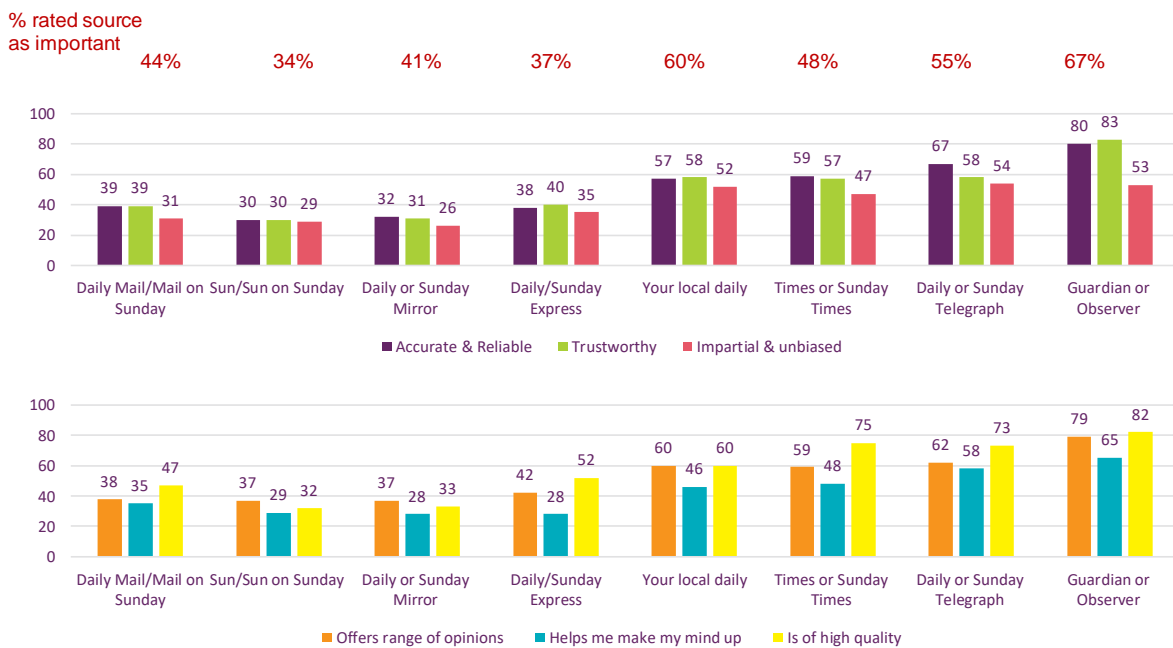
The impact of Reach plc titles is smaller than that of most other news brands

- 4.34 News providers may have a particular impact on the people who use them for news if they are trusted by their readers, viewers or listeners and can influence their opinions. A news source may also make an impact if users regard the news provider as a voice of authority. This may be because it operates as part of an established brand, or is perceived as impartial and unbiased.⁶⁸
- 4.35 Unlike broadcast news providers, newspapers can take a position on certain issues, such as supporting a particular political party or policy, or can present the news in a partisan way to try to persuade its audience of its view.
- 4.36 While quantifying impact is complex, we use a number of proxies, namely the importance, impartiality, reliability, and trustworthiness of different news sources to their regular users, and the extent to which news sources help them to make up their minds about issues.

⁶⁸ Ofcom, *Public interest test for the proposed acquisition of Sky plc by 21st Century Fox, Inc*, Section 7 https://www.ofcom.org.uk/_data/assets/pdf_file/0012/103620/public-interest-test-report.pdf.

4.37 According to the results of our 2016 News Consumption Survey, certain newspaper titles are more likely to be rated as important, accurate, trustworthy and influential ('helps me make my mind up') than others by their readers. As Figure 4.8 shows, The Guardian and the Daily Telegraph are considered to be so by the majority of their readers. However, the Daily Mirror/Sunday Mirror and the Daily Express/Sunday Express rate relatively low on these impact proxies and are the least likely titles to be seen by their readers as helping them to make up their mind on an issue. This suggests Reach plc titles may not have a significant impact on their readers, particularly when compared to other national newspapers.

Figure 4.8: Perceived importance of newspaper sources and views on their attributes among those who use each source weekly or more often, 2016



Source: Ofcom News Consumption Survey 2016.

Q9c) And to what extent do you think the following statements apply to [SOURCE] as a news source?

Base: Those who use platform to access the news weekly or more often (or at least every 2-3 weeks for weekly newspapers) on each type (varies) – Only includes bases over 50. Note: News sources are ordered by consumption levels. Bases: Daily Mail/Mail on Sunday – 250; Sun/Sun on Sunday – 184; Daily/Sunday Mirror – 114; Your local daily – 103; Times/Sunday Times – 102; Daily/Sunday Telegraph – 74 (low base); Guardian/Observer – 68 (low base); Daily/Sunday Express – 64 (low base).

Contextual factors do not raise concerns about the transaction

4.38 Contextual factors, arising from the fact that the operating environment can differ between news sources and news organisations, may be relevant to an assessment of media plurality.⁶⁹

⁶⁹ Ofcom Media Plurality Measurement Framework, 2015.

- 4.39 We have previously said that the press is perceived to play a particularly influential role in setting the wider news agenda, informing other news providers and being referenced beyond its own readership.⁷⁰
- 4.40 Research suggests that both Trinity Mirror and Northern & Shell titles are less likely to be a source of news stories than some other newspapers.⁷¹ A Cardiff University study looked at the relationship between newspaper agenda setting and television news during the 2015 General Election. The study found that amongst election-related broadcast stories which had previously been covered by newspapers, the Mirror and Express were the least referenced of national newspapers along with The Sun (Figure 4.9). Consequently, we do not consider that this indicates that Reach plc titles are likely to have a particular influence on the news agenda.

Figure 4.9: Origin of election-related broadcast stories which had previously been covered by newspapers

Newspaper	Percentage of times broadcast story covered (%)
The Daily Telegraph/ The Sunday Telegraph	20.2
The Times / The Sunday Times	16.3
The Independent/ The Independent on Sunday	15.4
Daily Mail / The Mail on Sunday	12.5
The Guardian / Observer	12.5
Daily Mirror / Sunday Mirror	9.6
Daily Express / Sunday Express	6.7
The Sun / The Sun on Sunday	6.7
Total	100 (N=104)

Source: Cushion, S., Kilby, A., Thomas, R., Morani, M. & Sambrook, R. *Newspapers, Impartiality and Television News: Intermedia agenda-setting during the 2015 UK General Election campaign*, April 2016

- 4.41 Our framework also sets out that internal plurality within a particular news provider, whereby editorial freedom between titles within a group is preserved, may go some way to mitigating concerns in relation to external plurality. As we have not identified any concerns in relation to external plurality in this transaction, we do not consider that it is necessary to assess internal plurality.

⁷⁰ Ofcom, *Public interest test for the proposed acquisition of Sky plc by 21st Century Fox, Inc*, Section 7.

⁷¹ Cushion, S., Kilby, A., Thomas, R., Morani, M. & Sambrook, (April 2016). R. *Newspapers, Impartiality and Television News: Intermedia agenda-setting during the 2015 UK General Election campaign*.

<http://orca.cf.ac.uk/88825/7/Cushion%20et%20al%202016.pdf>.

The transaction does not raise concerns over plurality

- 4.42 We do not consider that the transaction raises any plurality concerns which would operate against the public interest. Following the transaction, there is no reduction in the number of news sources available and Reach plc remains a relatively small player on a cross-media basis. The impact of Reach plc titles is smaller than that of other news brands, and we have not identified any broader contextual factors of relevance.
- 4.43 While we have concerns that a narrow assessment of plurality in newspapers may no longer reflect the realities of news consumption, we have considered this limited basis owing to the particular public interest concern referred to us. On this assessment, the transaction creates a substantial fourth player behind DMGT, News UK and Guardian Media Group. We do not consider that this indicates a concern in relation to the plurality of voices in newspapers.
- 4.44 Given the broader context of uncertainty faced by newspapers, the transaction may provide greater financial security, helping support the continued existence of a range of voices. A thriving newspaper industry plays an important role in ensuring plurality. We are conscious that the continued existence of a range of newspaper titles is important to ensure plurality more generally across media sources.
- 4.45 **Overall, the transaction does not raise concerns in relation to plurality.**

5. Free expression of opinion in newspapers

Summary

- 5.1 This is the first time that Ofcom has been asked to consider the free expression of opinion ground, described by the DTI guidance as an editor's ability to determine the stance of a newspaper without interference by the proprietor.⁷² It is important to note that being free to take a particular editorial position does not mean that a newspaper cannot change its view.
- 5.2 In statements related to the transaction, Reach plc committed to ensuring free expression of opinion in newspapers.
- 5.3 Following the transaction, the Editor-in-Chief appointed new editors to the Daily Express and the Daily Star. Given that neither the Board nor shareholders were involved in the appointments of the new editors, in our judgement, these appointments do not demonstrate a restriction on free expression of opinion.
- 5.4 We also do not consider that the Board or shareholders have the incentive or ability to influence the editorial position of Reach plc newspapers.
- 5.5 The proprietors of Reach plc are large institutional shareholders. They hold a variety of interests and we consider it unlikely that they would have commercial or political interests in common that would lead them to interfere with editorial positions. Even if there were a common interest between certain shareholders, a formal decision at Reach plc would require significant coordination; the assent of at least six shareholders.
- 5.6 The reporting structures of Reach plc also create a significant distance between the Board and the editors of individual newspaper titles. This should ensure that the Board members are unable to influence editorial decisions.
- 5.7 In any case, a significant change in the editorial position of a Reach plc newspaper is likely to be commercially damaging - alienating readers and reducing revenues.

Free expression of opinion refers to the editor's ability to determine the position of a newspaper without interference from the proprietor

- 5.8 This is the first time that Ofcom has been asked to consider this public interest ground. We have taken account of DTI's guidance on free expression of opinion⁷³ as well as relevant

⁷² <http://webarchive.nationalarchives.gov.uk/20100512170615/http://www.bis.gov.uk/files/file14331.pdf>. As set out above, we have concerns that the public interest grounds contained in the statute may no longer reflect the reality of news consumption and we have therefore considered the Guidance carefully in the light of the time which has passed since its introduction.

⁷³ Ibid.

regulatory decisions.⁷⁴ We recognise that some time has passed since that guidance was put in place and that significant changes have occurred in the newspaper industry during this time. We have considered the guidance in this context. In particular we note that in this transaction, no single proprietor owns the company, rather a number of institutional investors with a variety of interests.

- 5.9 DTI's guidance describes free expression of opinion as the freedom of the editor or editorial team to determine the position or view of a newspaper without interference from the proprietor.
- 5.10 Concerns have been raised in submissions that the editorial stance of the Daily Express may change following the transaction.⁷⁵ Provided the editor retains the ability to determine the paper's stance without influence from the proprietor, we do not consider that a change of editorial stance is relevant to the free expression of opinion ground.⁷⁶

We have considered the Board and the shareholders of Reach plc in our analysis of the ability of a proprietor to influence editorial position

- 5.11 We have considered the ability and incentives of the shareholders of Reach plc, as proprietors of the newspaper titles, to influence the editorial position. We have also considered the position of the members of the Board of Directors, acting as representatives of those shareholders.

Reach plc has publicly confirmed its commitment to free expression of opinion

- 5.12 In recommending the transaction to its shareholders, the then Trinity Mirror Board repeated its policy that each newspaper is free to take its own editorial position on politics and current affairs, bearing in mind the opinion of its readers.⁷⁷ In its circular to shareholders, the Directors confirmed that:
- i) the Express Newspapers titles have a different editorial proposition from the Trinity Mirror titles and Trinity Mirror will ensure each title retains its unique positioning;
 - ii) each newspaper brand will continue with its current editorial positioning, ensuring that it continues to present the editorial content to which its readers and advertisers are accustomed;

⁷⁴ In particular: Monopolies and Mergers Commission, *Report on the proposed transfer of The Observer to George Outram and Company Ltd, a subsidiary of Scottish and Universal Investments*, 29 June 1981; Competition Commission, *Trinity plc/Mirror Group plc and Regional Independent Media Holdings Limited/Mirror Group plc: A report on the proposed merger situations*, 23 July 1999; and Competition Commission, *Johnston Press plc and Trinity Mirror plc: A report on the proposed merger*, May 2002.

⁷⁵ [3<]. Five responses to the CMA consultation raised concerns that the transaction could result in a shift in editorial position of the Daily Express.

⁷⁶ As identified by the CC in *Johnston/Trinity Mirror*, editors, in determining the content of the title are "likely to be mindful of their own career prospects, and of the desirability of their newspapers being profitable as well as respected for the quality of their journalism" (paragraph 2.126).

⁷⁷ Trinity Mirror, *Proposed acquisition of Northern & Shell's publishing assets*, page 5.

- iii) it is Trinity Mirror's policy that each news brand is free to take its own editorial position on politics and current affairs; and
- iv) Trinity Mirror does not interfere in the editorial position of its titles.⁷⁸

5.13 In its merger notice to the CMA, Trinity Mirror stated its commitment to free expression of opinion as follows:

“The Trinity Mirror Board does not influence the content, politics or agenda of any of its titles. Trinity Mirror's editorial policy relates to the editorial policies and procedures in place to maintain accurate presentation of news and freedom of expression. Editors carry ultimate responsibility for providing appropriate content in their newspapers and websites, and they are free to edit without interference from the Board of Trinity Mirror.”⁷⁹

5.14 The group Editor-in-Chief [redacted].⁸⁰ [redacted].

Enacted and planned changes following the transaction do not affect free expression of opinion

Following the transaction, new editors of the Daily Express and the Daily Star were appointed

5.15 Following the transaction, the editor of the Daily Express retired and the editor of the Daily Star left her position to become a freelance journalist.⁸¹ Reach plc Editor-in-Chief and the Director of Corporate Development told us that [redacted].⁸²

5.16 In their place, the group Editor-in-Chief appointed a former editor of the Sunday Mirror and Sunday People and a former associate editor at the Daily Mirror.⁸³ The former editor of the Daily Star has since taken a position as a weekly columnist for the Daily Star. The group Editor-in-Chief informed us that he made the appointments himself based on their performance and suitability for the new roles and he was not influenced in this decision by members of the Board or shareholders.⁸⁴

5.17 Evidence provided by Reach plc to Ofcom suggests that these appointments [redacted].⁸⁵ [redacted].⁸⁶ [redacted].⁸⁷

5.18 We have not seen any evidence that the departure of the editors of the Daily Express and Daily Star was a result of pressure from shareholders or Board members of Reach plc. Nor

⁷⁸ Reach plc's response to Ofcom, paragraph 67.

⁷⁹ Reach plc's response to Ofcom, quoting its submissions to CMA in relation to the anticipated acquisition by 21st Century Fox, Inc of Sky Plc, paragraph 62.

⁸⁰ Ofcom meeting with Reach plc Editor-in-Chief and Director of Corporate Development, 17 May 2018.

⁸¹ Newsworks. 1 May 2018. *Trinity Mirror completes acquisition of Northern & Shell's publishing assets*, <https://www.newsworks.org.uk/news-and-opinion/trinity-mirror-completes-acquisition-of-northern-shells-publishing-assets> [accessed on 30 May 2018].

⁸² Ofcom meeting with Reach plc Editor-in-Chief and Director of Corporate Development, 17 May 2018.

⁸³ Ibid.

⁸⁴ Reach plc's response to Ofcom, paragraph 80.

⁸⁵ [redacted].

⁸⁶ [redacted].

⁸⁷ Ofcom meeting with Reach plc Editor-in-Chief and Director of Corporate Development, 17 May 2018.

have we been provided with any evidence that the shareholders or Board members were involved in the decision to appoint new editors to these titles. We have been told that this decision was taken solely by the group Editor-in-Chief.⁸⁸ We do not therefore consider that the change in editors of the Daily Express and Daily Star gives reason for concern in respect of the free expression of opinion in newspapers acquired as a result of the transaction.

Reach plc plans to share more content across the group

- 5.19 In its circular to shareholders recommending the acquisition, Trinity Mirror stated that the transaction would create a business of scale that would be able to improve its editorial proposition by sharing best practice, content and resources across a bigger group and would reduce duplication.⁸⁹ It stated that these plans would not impact on plurality as each newspaper would continue to retain its distinct editorial proposition and present editorial content to which its readers and advertisers are accustomed.⁹⁰
- 5.20 In its response to our invitation to comment, Johnston Press said that the fact that individual newspapers in its portfolio can draw on material from its central content teams does not affect their ability to express views that resonate with their readerships and their brand values.⁹¹ [redacted].⁹²
- 5.21 Reach plc told us that each national newspaper will retain its own editorial propositions and political and current affairs teams.⁹³ But they will share content in overlapping areas which are not unique to each newspaper's positioning such as lifestyle, travel, gardening, health, sports match reporting and the central picture desk.⁹⁴ Reach plc also informed us and its shareholders that, when they use shared content, each newspaper will retain its ability to shape the tone and presentation of their reports to suit their readership.⁹⁵
- 5.22 As dedicated teams will continue to support the individual editorial propositions of the acquired newspapers, we do not consider that the sharing of content as a result of the transaction will restrict free expression of opinion.

⁸⁸ Reach plc's response to Ofcom, paragraph 80; Ofcom meeting with Reach plc Editor-in-Chief and Director of Corporate Development, 17 May 2018.

⁸⁹ Trinity Mirror, *Proposed acquisition of Northern & Shell's publishing assets*, page 1.

⁹⁰ Trinity Mirror, *Proposed acquisition of Northern & Shell's publishing assets*, page 5.

⁹¹ Johnston Press response, paragraph 2.

⁹² [redacted].

⁹³ Reach plc's response to Ofcom, paragraph 48 and 53.

⁹⁴ Reach plc's response to Ofcom, paragraph 52.

⁹⁵ Trinity Mirror, *Proposed acquisition of Northern & Shell's publishing assets*, page 5-6; Ofcom meeting with Reach plc Editor-in-Chief and Director of Corporate Development, 17 May 2018.

We have considered whether there may be incentives for the shareholders of Reach plc to interfere with editorial stance

Proprietors may be driven by commercial or political incentives

- 5.23 In addition to the policies and processes in place to maintain free expression of opinion, we have also considered whether shareholders will have an incentive to interfere with the editorial position of newspaper titles within the group, directly or indirectly.⁹⁶
- 5.24 We identify two main incentives that a proprietor may have to interfere with editorial freedom:
- i) **Commercial incentives to restrict views or promote particular interests:** if a proprietor has significant commercial interests outside of its newspapers, it may have an incentive to promote those interests in its newspaper(s), or to prevent editors from running stories which may be harmful to those interests. Acting on this incentive could result in a change of view being presented to its readership for the commercial benefit of the proprietor.
 - ii) **Political views of the proprietor:** the proprietor may wish to support certain political views or to avoid certain views being promoted (or certain stories being covered).

There is no single proprietor or majority shareholder of Reach plc

- 5.25 As part of our analysis of whether there are commercial or political incentives to interfere with free expression of Reach plc newspaper titles, we have considered the make-up of its shareholders.
- 5.26 Reach plc is a public trading company with no single proprietor or major shareholder. The largest ten shareholders of Reach plc own approximately 66% of the company between them. No single shareholder owns more than 13.5% (Figure 5.1).

⁹⁶ Cf. Observations of the MMC in *Observer/Lonrho* at paragraph 8.39.

Figure 5.1: Largest ten Reach plc shareholders as of 31 December 2017

	Shareholder	Percentage of issued share capital	Description ⁹⁷
1	Aberforth Partners	13.16	UK based investment management firm. Aberforth Partners holding in Trinity Mirror equals 1.1% of its overall holdings in various organisations.
2	Schroder Investment Management	11.96	Global investment manager responsible for £447 billion of assets.
3	Majedie Asset Management	8.52	Independent investment boutique with assets under management totalling approximately £15 billion.
4	Aberdeen Standard Investments (Standard Life)	7.92	Asset manager, managing £273.5 billion of assets for clients.
5	Dimensional Fund Advisors	5.16	Global investment management business with approximately \$586 billion of assets under management.
6	Premier Fund Management	4.99	Asset manager with £6.4 billion under management.
7	JPMorgan Asset Management Holdings	4.32	Asset manager with £2.9 billion under management.
8	Aviva Investors	3.55	Global asset manager.
9	River & Mercantile Asset Management	3.55	Advisory and asset management business.
10	LSV Asset Management	3.23	Specialists in value equity management with approximately \$119 billion in value equity portfolios.
	Total	66%	

Source: Trinity Mirror plc, 5 March 2018. Annual Report 2017, page 69.

⁹⁷ Sources: Aberforth Partners (2018), <http://www.aberforth.co.uk/unit-trust/aberforth-uk-small-companies-fund/portfolio-holdings/>; Schroders, <http://www.schroders.com/en/about-us/our-story/>; Majedie Asset Management, <http://www.majedie.com/>; Standard Life Investment, https://www.standardlifeinvestments.com/about_us/index.html; Dimension Fund Advisors, <https://eu.dimensional.com/en#>; Premier Asset Management, <https://www.premierfunds.co.uk/global/about-us>; JP Morgan Asset Management, <https://www.premierfunds.co.uk/global/about-us>; Aviva Investors, <https://www.avivainvestors.com/en-gb/institutional/about-us/for-todays-investor.html>; River & Mercantile Asset Management, http://www.riverandmercantile.com/about_the_group; LSV Asset Management, <http://lsvasset.com/about-lsv/>.

Note: As of 22 March 2018 the following notifications of major holdings have been published since 31 December 2017: Aviva Investors, 2.49% (12 February 2018⁹⁸); Schroders plc, 11.17% (2 March 2018⁹⁹); The Wellcome Trust Limited, 2.94% (7 March 2018¹⁰⁰).

We do not consider that there are political or commercial incentives for the shareholders of Reach plc to limit free expression of opinion in newspapers

- 5.27 Reach plc's shareholders are primarily large institutional investors. They have different commercial interests. Open source searches of the top shareholders did not reveal any significant political interests or suggest that their motivations for investing in Reach plc were anything other than financial.
- 5.28 We believe it is unlikely there is a common commercial interest - beyond the success of Reach plc itself - which would incentivise them to act in concert to interfere with editorial positions.
- 5.29 Even if institutional shareholders were to hold common political views or commercial interests, the distribution of shareholding would require significant coordination for them to challenge successfully an editorial position. For example, we note that the largest six shareholders would need to combine before they held in excess of 50% of the shares and were able to pass a resolution.¹⁰¹ Therefore, even if there were a common incentive, the ability of the shareholders to act on it is limited.
- 5.30 As a part of the transaction agreement we note that Richard Desmond, the former owner of the Northern & Shell titles, is due to receive a shareholding of approximately 8.6%¹⁰², which will make him the third largest shareholder.¹⁰³ We note that Mr Desmond has previously donated to UKIP¹⁰⁴ and expressed support for this and other political parties in the past.¹⁰⁵ However, given the distribution of shareholding detailed above, we do not believe Mr Desmond would be able to use his shareholding to compel a change of editorial direction.

⁹⁸ Reach plc (March 2018), *Holding(s) in Company*, <https://www.reachplc.com/detail-p1.php?id=13026>.

⁹⁹ Reach plc (March 2018), *Holding(s) in Company*, <https://www.reachplc.com/detail-p1.php?id=13051>.

¹⁰⁰ Reach plc (March 2018), *Holding(s) in Company*, <https://www.reachplc.com/detail-p1.php?id=13066>.

¹⁰¹ This analysis is based solely on share ownership figures and does not reflect the terms of any shareholder agreements.

¹⁰² Calculated on the basis of 299.27 million shares outstanding. Financial Times (2018), *Reach plc*, <https://markets.ft.com/data/equities/tearsheet/summary?s=RCH:LSE> [Accessed 11 May 2018]; Trinity Mirror, *Proposed acquisition of Northern & Shell's publishing assets*, page 1.

¹⁰³ The seller is prohibited from buying more shares for a period of 12 months, cannot sell shares for six months and may only sell shares in the next six months through Reach plc's own brokers; Trinity Mirror, *Proposed acquisition of Northern & Shell's publishing assets*, page 9.

¹⁰⁴ <https://www.theguardian.com/politics/2015/apr/16/daily-express-owner-richard-desmond-ukip-donation>

¹⁰⁵ *The Leveson Inquiry*, page 1435-1436, paragraphs 2.21-2.23.

We do not consider that the Board of Reach plc has the ability or the incentive to influence editorial positions

The Board has no role in editorial matters

- 5.31 We considered whether the Board of Reach plc could influence editorial decision-making. The Board has overall responsibility for the Group’s operations and sets the strategic framework for the group within which editors work.¹⁰⁶ The Board is directly responsible to the shareholders of the company. It consists of five non-executive directors, a non-executive chairman, the Chief Executive (‘CEO’) and Group Finance Director.¹⁰⁷
- 5.32 None of the Board members has a significant shareholding in Reach plc. The CEO holds the largest number of shares of any Board member with a 0.34% share.¹⁰⁸
- 5.33 The Group Editor-in-Chief is responsible for maintaining editorial independence.¹⁰⁹ He sits between the Board and the editors of the individual national titles and the editorial director for all the regional titles and the editor-in-chief of each region (see Figure 5.2).
- 5.34 Reach plc has told us that the Group Editor-in-Chief [redacted].¹¹⁰ [redacted].¹¹¹
- 5.35 The Group Editor-in-Chief reports to the CEO. [redacted].¹¹²

¹⁰⁶ We note that in *Observer/Lonrho* the MMC endorsed that the right of editors to determine the contents of their title could be limited by “the bound of reasonable economic consideration and the established policy of the publication” (paragraph 8.37-8.38); In *Trinity/Mirror/RIM*, the CC accepted that the groups’ policy of editorial independence was “within an agreed commercial framework” (para. 2.20) and in *Johnston/Trinity Mirror*, the CC acknowledged that in practice “[e]ditors operate within the framework of commercial businesses and face financial and other constraints in consequence.” (paragraph 2.126) [redacted].

¹⁰⁷ Reach plc website, <https://www.reachplc.com/our-people>. [Accessed 16 May 2018].

¹⁰⁸ Morningstar, Reach plc,

<http://tools.morningstar.co.uk/uk/stockreport/default.aspx?tab=5&vw=dd&SecurityToken=0P00007POB%5D3%5D0%5DE0WWE%24%24ALL&Id=0P00007POB&ClientFund=0&CurrencyId=BAS&TransactionSize=0> [Accessed 16 May 2018].

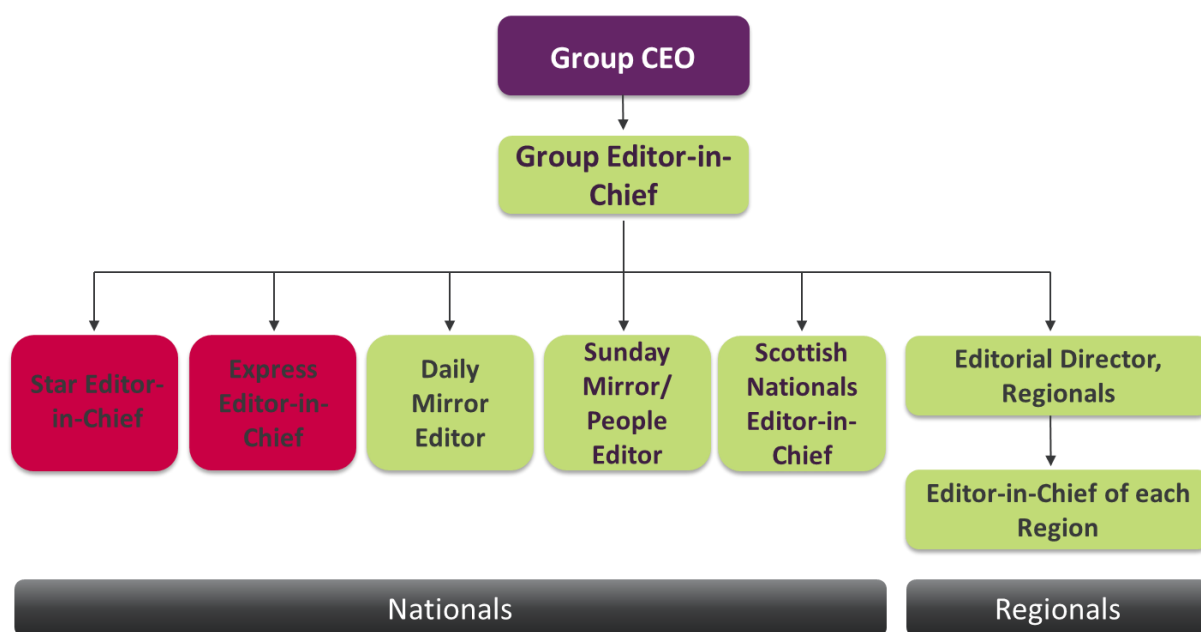
¹⁰⁹ Trinity Mirror Notice of Acquisition, paragraph 440.

¹¹⁰ Ofcom meeting with Reach plc Editor-in-Chief and Director of Corporate Development, 17 May 2018.

¹¹¹ [redacted].

¹¹² Ofcom meeting with Reach plc Editor-in-Chief and Director of Corporate Development, 17 May 2018.

Figure 5.2: Editorial structure of Reach plc



Source: Reach plc

The editors of the newspaper titles are independent of the Board

- 5.36 Editorial staff below the Editor-in-Chief do not attend Board meetings. Furthermore, all national editors, the editorial director of the regional titles and the editors-in-chief of each region are appointed by and report to the group Editor-in-Chief. The Board is not involved in the appointment of editors.¹¹³
- 5.37 In addition to the lack of commercial or political incentive, we do not consider that the Board has the *ability* to influence the editorial position of these titles given the organisational distance that sits between it and the editors.

A significant change in the editorial position of a Reach plc newspaper could result in a decline in readership and lower revenues

Reach plc’s national newspaper titles currently appeal to different audiences

- 5.38 Through undertaking regular and detailed analysis of a range of information and data, Reach plc has a developed understanding of the readership of its various national newspapers and believes the diverse news content reflects the interests of their different target audiences.¹¹⁴

¹¹³ Reach plc’s response to Ofcom, paragraph 80.

¹¹⁴ Information and data used by Reach plc includes audience surveys, website traffic data and circulation figures; provided to Ofcom as part of Reach plc’s response.

- 5.39 The distinct editorial propositions of Reach plc’s national newspapers appeal to different audiences. Reach plc describes the Daily Star and Daily Star on Sunday as supporting more right-wing views, targeting younger readers - predominantly men. These titles focus on celebrity, sports and lifestyle content with a heavy focus on image content.¹¹⁵ The Express daily and Sunday editions also take a right-leaning political position and are aimed at older readers with a focus on news and current affairs, weather, finance, business and the Royal Family.¹¹⁶ The Daily Mirror and Sunday Mirror tend to have proportionately more C2DE readers than the Daily Express¹¹⁷ and these titles tend to focus on non-political news, sport and entertainment.¹¹⁸ When they do report on politics, the Mirror titles take a left-leaning position.¹¹⁹ The Sunday People is also left-leaning and focuses on largely non-political news, sport and entertainment. It tends to appeal to older audiences.¹²⁰
- 5.40 In its response to the CMA’s invitation to comment for its own investigation into the transaction, it received some responses from readers of the Daily Express. These readers strongly valued the distinctive editorial position of the newspaper and stressed that they would not wish it to change following the transaction.

Reach plc’s long-term sustainability depends on the ability of its newspapers to attract and retain readers and advertisers

- 5.41 In order to maintain or increase circulation, newspaper titles need to reflect the views and concerns of their readership. This has been recognised in previous regulatory decisions.¹²¹
- 5.42 The adverse financial consequences of not reflecting the views of readers were highlighted in evidence before the Leveson Inquiry in relation to the Daily Express. In 2001, the Daily Express came out for the Labour party in the general election, a position that set it at odds with its readership. According to the subsequent editor, who returned the newspaper to its traditional support for the Conservative party in 2005:

“...the entire history of the Daily Express had been that of a right-of-centre newspaper. It has an enormous constituency of readers who supported that view, and I felt that it had been a huge mistake to move the newspaper to support the Labour Party, which had been done by previous editors and administrations, and it had, in fact, cost the newspaper an enormous number of readers who had abandoned it in despair.”¹²²

¹¹⁵ Trinity Mirror Notice of Acquisition, paragraphs 52 to 54 and 158 to 177.

¹¹⁶ Ibid

¹¹⁷ Touchpoints, 2017. C2DE is the standard classification used by Market Research Society occupational groupings (MRS, 1991). It refers to the three lower social and economic groups in a society including skilled and semi-skilled manual workers and those dependent on the state long term.

¹¹⁸ Trinity Mirror Notice of Acquisition, paragraphs 52 to 54 and 158 to 177.

¹¹⁹ Trinity Mirror Notice of Acquisition, paragraph 161.

¹²⁰ Trinity Mirror Notice of Acquisition, paragraphs 52 to 54 and 158 to 177.

¹²¹ See e.g., *Trinity/Mirror/RIM*, paras 2.22 and 2.25.

¹²² *The Leveson Inquiry*, page 1435-1436, paragraphs 2.21-2.23.

- 5.43 Reach plc states that attracting advertising revenue depends on continuing to attract readers to its newspapers, and increasingly the digital versions of these titles.¹²³ [§].¹²⁴
- 5.44 Reach plc has financial incentives to attract a wide range of audiences in order to generate circulation revenue and attract advertising spend.¹²⁵

We do not consider there are incentives for Reach plc to interfere in editorial decisions

- 5.45 If Reach plc significantly changed the distinct editorial position of the acquired newspapers the likely effect would be to alienate readers, reduce circulation and weaken revenues. There is therefore a strong commercial incentive for Reach plc to maintain the editorial position of their acquired newspaper titles. We note, in particular, that an earlier change in the editorial position of the Daily Express was considered to be a commercial failure.

The transaction does not reduce free expression of opinion

- 5.46 Reach plc is an established proprietor of newspapers that shows an understanding of the importance of free expression of opinion. It set out its commitment to free expression of opinion within its merger notice to the CMA. The Reach plc Board has also repeated its policy that each newspaper is free to set its own editorial position on politics and current affairs, reflecting the views of its readers.
- 5.47 We have also considered the potential incentives that the proprietors of Reach plc might have to interfere with the editorial position of their newspapers. We have identified these as commercial incentives to restrict views or to promote particular interests; and political incentives to support or avoid certain political views being promoted.
- 5.48 Large institutional investors hold the majority of Reach plc shares. We consider it is unlikely that they will have a common commercial or political interest that would drive them to act in concert to change the newspapers' editorial stance. Moreover, the distribution of shareholding requires significant co-ordination to affect a formal decision.
- 5.49 In addition to the lack of incentives, we do not consider that the Board has the *ability* to influence the editorial position of the newspaper titles. The reporting structures of Reach plc create a significant distance between the Board and the editors of the individual newspaper title. We consider this should also ensure that the Board members are unable to influence editorial decisions.
- 5.50 In any event, a change in the editorial position of a Reach plc newspaper — absent any wholesale change in its readers' views — could result in a decline in readership, circulation and revenues.
- 5.51 **We do not consider that the transaction reduces free expression of opinion.**

¹²³ Trinity Mirror Notice of Acquisition, paragraph 440; Trinity Mirror, *Proposed acquisition of Northern & Shell's publishing assets*, 9 February 2018, page 4.

¹²⁴ [§].

¹²⁵ Trinity Mirror Notice of Acquisition, paragraphs 214 and 215.

A1. Summary of responses to invitation to comment

A1.1 We received four responses to our invitation to comment. Respondents included: IMPRESS, an independent press regulator in the UK; Johnston Press, one of the largest local and regional newspaper publishers in the UK; Ofcom’s Advisory Committee for Wales; and [REDACTED].

Main points raised relating to plurality

A1.2 [REDACTED].

A1.3 [REDACTED].

A1.4 [REDACTED].

A1.5 In addition, [REDACTED].

A1.6 IMPRESS expressed no view on whether the transaction will have a positive or negative impact on plurality. Instead they wished to inform Ofcom’s approach to the assessment on plurality grounds. IMPRESS agreed with our plurality framework noting the importance of taking into account contextual factors.

A1.7 Johnston Press did not comment in their submission on the effect on the transaction on plurality.

A1.8 Ofcom’s Advisory Committee for Wales expressed concerns in general about the current “lack of plurality within the newspaper market in Wales” and the “dominance of Trinity Mirror in Wales’ newspaper market”. The Committee highlighted that Trinity Mirror is the owner of both of Wales’ ‘national’ daily papers, *The Western Mail* and *The Daily Post*, and the increased ‘dominance’ of Trinity Mirror’s regional output, under Media Wales, following its acquisition of Local World in 2015.

A1.9 In relation to the transaction, Ofcom’s Advisory Committee for Wales acknowledged that Northern & Shell has no Wales-specific brands and therefore the transaction may appear to have little impact on plurality within Wales. However, it argued that Northern & Shell papers are widely read in Wales and that the distinction between UK national and pan-Wales/‘regional’ titles is blurring.

Main points raised relating to free expression of opinion

A1.10 Johnston Press gave no view as to the impact of the transaction upon free expression of opinion. However, it stated that “ensuring that free expression of opinion is paramount even when newspapers are brought through acquisition, under common control”. It claimed that all of its titles are under a single editorial leadership yet remain free of proprietorial influence, and gave examples of where its titles had expressed opposing views to illustrate this.

- A1.11 Johnson Press argued that different titles drawing on the same sources does not limit their ability to produce distinct reports that express differing opinions. They stated that professional editors are trained to protect the integrity of an individual title from their personal views, and those of proprietors.
- A1.12 [REDACTED].
- A1.13 [REDACTED].
- A1.14 Ofcom’s Advisory Committee for Wales stated that they do not believe the transaction raises any particular threats to free expression of opinion.

Main points raised relating to the broader context

- A1.15 IMPRESS believed that Ofcom should take into consideration the regulatory context when conducting its assessment, noting that both Trinity Mirror and Northern & Shell are members of IPSO as opposed to IMPRESS, and suggested that Ofcom should be aware of the differences between the two regulatory regimes.
- A1.16 IMPRESS also highlighted several market trends that it perceived and advised Ofcom to take these into account when considering the impact of the transaction. Firstly, they noted that traditional news journalism media in the UK is declining. However, they argued that there is also a trend of emerging grassroots news organisations that with appropriate support may continue to develop over the coming years. IMPRESS said that these do not compare in size with Trinity Mirror, Northern & Shell, or other major news publishers which “currently dominate the UK newspaper market”. IMPRESS said that there has been movement in the UK newspaper market of ever-increasing consolidation with a movement towards monopolisation.
- A1.17 [REDACTED].
- A1.18 Ofcom’s Advisory Committee for Wales suggested that, in the face of increased competition and challenges, the transaction will allow the titles to claim a larger audience reach when selling to advertisers, by sharing underlying online platforms. The Committee did however express concern about how, given the declining newspaper revenues, Trinity Mirror will finance the £20m cost of restructuring following the transaction, and whether resources in Wales will be reduced.

A2. Methodology

Data sources used

A2.1 This annex outlines the core metrics and research used in the report, detailing their methodologies and the extent to which they are directly comparable with one another.

A2.2 The main sources of information used in the report are set out in the following table.

Source	Methodology	Main time period used	Age range and sample size	News definition	Reach definition
National Readership Survey (NRS) (Became PAMco 2018) www.nrs.co.uk	Face-to-face quantitative survey	2003-2017	35,000 GB respondents annually; Aged 15+	Self-reported measure - “Read the newspaper” (from a given list of UK-wide titles)	Annual readership
Audit Bureau of Circulation (ABC) www.abc.org.uk	Independent audit of newspaper circulation figures, based on paid-for titles (excludes free titles)	2003-2017	n/a	n/a	n/a
Ofcom News Consumption Survey (NCS)	Face to face omnibus on use of news sources on a variety of platforms	Q4 2016*	2,894 adults aged 16+, including Nations’ boosts	News and current affairs content in your region/nation, across the UK and from around the world.	“Use particular news source nowadays”
Institute of Practitioners of Advertising (IPA) TouchPoints www.ipa.co.uk	Self-completion questionnaire on media consumption	Q1 2017	c6,000 GB adults 15+ (annual survey)	Self-reported measure of consumption of news brand	Thinking about specific news titles, please indicate when you last looked at or read each of these titles [Yesterday, Past seven days]

* NCS data for 2017 will be published as a statistical release on 21 June 2018

Ofcom's News Consumption Survey

- A2.3 Ofcom's 2016 News Consumption Survey comprised a face-to-face omnibus among a representative sample of 2,894 adults across the UK, including sample boosts across the devolved nations.
- A2.4 Respondents are asked about their news consumption by way of an introduction of how they might use news throughout the day across a variety of platforms including social media. They are also given a definition of news as "news and current affairs in [nation], across the UK and around the world".
- A2.5 The survey has approximately 150 codes for different potential sources for news, as well as the option to allow respondents to nominate their own sources which yields a further 700 or so, including regional sources. This gives us a bottom-up measure of what people consider they use for news (about their nation, the UK, and internationally) and will not necessarily include every possible outlet. The survey therefore provides a granular range of news sources, and the nets include this longer tail of providers.
- A2.6 As part of the prompted list for online sources we include various social media, for example Facebook and Google, that may refer or link to, or aggregate, multiple other news sources. However, we can't tell from our survey which news brands people are using within these sources.
- A2.7 Given the recall-based nature of the survey, it is possible that results may underestimate some online news consumption activity. It is likely to be harder for respondents to recall ad-hoc online news consumption compared to, say, the purchase of a newspaper or the watching of an evening television bulletin. We acknowledge the limits of such recall-based surveys. On the other hand, respondents show through such surveys what is resonant to them, and our figures focus on what people perceive to be their news consumption as distinct from e.g. entertainment.
- A2.8 The report groups news sources according to their provider. The tables below provide details on how each source has been grouped. It is important to reiterate that these sources are the ones nominated by respondents, rather than an exhaustive list of all possible news sources.

Retail news provider	Sources included
Bauer	Absolute Radio, Cool FM, Radio Borders, CFM, Radio City, City Talk, Clyde 1, Clyde 2, Downtown, Forth 1, Free Radio, Gem 106, Hallam, Key 103, Kiss, Magic, Metro, M.F.R., NorthSound 1, Radio Aire, Radio City, Rock FM, Tay FM, TFM, Wave 105, West Sound, Planet Rock, Viking FM, West FM, West Sound
BBC	BBC One, BBC Two, BBC Three, BBC Four, BBC Alba, BBC News channel, BBC Parliament, Teletext via BBC, BBC Radio 4/4 Extra, BBC Radio 3, BBC Radio 2, BBC Radio 1, 6 Music, BBC Asian Network, BBC Radio Five Live, BBC World Service, BBC Radio Scotland, BBC Cymru/Wales, BBC Radio Ulster, BBC website or app, BBC iPlayer, BBC local radio services
Channel 4	Channel 4, Channel 4 website or app
DMGT	Daily Mail, Metro, The Mail on Sunday, The Mail website or app, Metro website or app
Facebook	Facebook
Fox	Fox News, Star Plus
Global Radio	Classic FM, Real Radio, LBC, Heart, Capital FM, Smooth Radio, Gold, XFM, Radio X
Google	Google News (search engine just for news), YouTube, Google Finance, Google (general search engine)
Guardian Media Group	The Guardian, The Observer, The Guardian/Observer website or app
ITV	ITV1 / ITV Wales / STV / UTV, ITV2, ITV3, ITV website or app, STV website or app, UTV website or app,
Johnston Press	The i, The Scotsman, local press titles
Lebedev Foundation	London Evening Standard, The Independent website / app, London Evening Standard website / app
News Corp	The Sun, The Times, The Sun on Sunday, The Sunday Times, talkSPORT, Swansea Sound, The Wave, Wire FM, Signal 1, Wish FM, Signal 2, The Sun website or app, The Times\Sunday Times website or app, U105
Northern & Shell	Daily Star, Daily Express, Daily Star on Sunday, Sunday Express, Daily Star website or app, Daily Express website or app
Sky	Sky News, Sky1, Sky Sports, Sky Sports News, Sky Atlantic, Sky News website or app
Telegraph Media	The Daily Telegraph, The Sunday Telegraph, The Telegraph website or app, The Spectator
The Nikkei	Financial Times, Financial Times website or app
Trinity Mirror	Daily Mirror, Sunday Mirror, Daily Record, The People, Mirror website/app, local press print titles, local press websites
Twitter	Twitter
Viacom/C5	Channel 5
Other intermediaries	Yahoo news, MSN news, AOL news, Feedly app, Flipboard app, News Now website or app, Bing, Yahoo, Bing News, AOL, MSN, Safari
Other	S4C, non-specific/other local print titles, foreign language sources (TV and web), other international sources, other commercial radio, local TV channels, other TV news channels, other TV non-news channels, local authority sources, community sources, Republic of Ireland sources, weather websites, Apple news, blogs, Instagram, magazines, other web sources, other app sources