

# Advice to the Department for Digital, Culture, Media and Sport

Concerning the undertakings given by News  
UK in 2019 relating to The Times and The  
Sunday Times

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## Summary

On 30 July 2021, the Department for Digital, Culture, Media and Sport (DCMS) requested the CMA to provide it with advice on the Undertakings given to its Secretary of State in 2019 by News UK concerning The Times and The Sunday Times and which relate to News UK's 1981 acquisition of these titles. This request followed an Invitation to Comment, carried out by DCMS following the application by News UK to have the Undertakings released.

This document provides the CMA's advice to the Secretary of State for DCMS (the Secretary of State). It includes analysis of the newspaper market and the broader media sector since 1981, when the transaction was approved on a conditional basis. This analysis has shown there to be significant changes since that time, both in consumer preferences and news consumption activities, and also in the ways in which news and other information is delivered to consumers in the UK. Since 2019, when the Undertakings were agreed, the sector has continued to evolve, with the pace of change having increased during the Covid-19 pandemic.

Given these changes, the CMA has identified the following changes of circumstance in relation to the UK newspaper market, in the context of the DCMS request:

- a) **the decline in circulation for national print newspapers, reflecting in part the growth of online news.** This has been a long-running trend where the peak of the circulation of national newspapers was in the 1950s. Since 1981, this decline has had a number of causes, including the expansion of television news services, and more recently the creation and growth of online news and a wider range of information services online for consumers in the UK;
- b) **the position of news publishers in the online news and information sector (which limits their ability to replace declining print revenues with online revenues).** The decline in revenues from print newspapers has typically been faster than the growth in online news revenues. This is caused in part by the structure of the online advertising market where large online businesses, including search and social media platforms, have proved to be more attractive places for advertisements than online news sites. This is also caused in part by the limited number of UK consumers willing to pay for online news content, given there is a significant volume of information available without charge (though the CMA recognises that The Times and The Sunday Times currently operate a combined online paywall);
- c) **the merging of some national newspapers' operations for online news, daily and Sunday titles (where News UK is not able to make the same changes due to the Undertakings).** While the Undertakings ensure News UK maintains the two titles separately, other newspaper publishers have merged

news operations for daily and Sunday titles, as well as for online news operations. The extent of these activities has varied by publisher, but are largely in response to the changes identified above; and

**d) the Covid-19 pandemic has accelerated the rate of decline of print media and advertising revenue.** While the level of advertising expenditure fell generally in the pandemic, this is recovering more quickly in the online sector, but appears less likely to return to close to pre-pandemic levels in print media.

Further to identifying these specific changes of circumstance, the CMA has also explored the impact of the Undertakings on News UK, examining the direct financial cost of complying with the *independence* obligations of the Undertakings, as well as indirect costs through the impact of the *separation* obligation of the Undertakings on the structure of The Times Newspaper Limited (TNL). This was with a view to determining whether News UK is unable, or constrained, in its ability to respond to the above identified market changes, while the Undertakings remain in force.

Based on the analysis described in this document, the direct costs of the independence obligations of the in the Undertakings do not appear to be having a material impact on TNL financially, or on its ability to react to the trends and changes taking place in the wider sector.

However, the indirect costs of the separation obligation on TNL appear to be more significant. This obligation appears to restrict the cost savings that TNL can achieve through sharing resources, including journalists, between the two titles, and more broadly, is restricting TNL's ability to adopt a fully-unified structure across the two titles, as is commonly used by other national newspaper publishers. Based on the analysis we have carried out, it appears that the indirect cost savings arising from the ability to restructure and merge desks fully could have a material impact on the financial performance of TNL.

# 1. Background

## Purpose

- 1.1 This report forms the CMA's advice to Secretary of State on its 30 July 2021 request for advice concerning the Undertakings given in 2019 by News UK concerning The Times and The Sunday Times and which relate to News UK's 1981 acquisition of these titles.

## Original investigation of the acquisition of The Times and The Sunday Times in 1981 by News International

- 1.2 The acquisition was subject to investigation under the Fair Trading Act 1973 by the Director General of Fair Trading (DGFT), to determine whether the acquisition was expected to act against the public interest, focused on the plurality of media and specifically newspaper ownership. The DGFT recommended to the Secretary of State for Trade that the acquisition would be consistent with the public interest where the acquirer, News International (now News UK), were subject to certain conditions. The Secretary of State gave consent, subject to the conditions, for the acquisition on 27 January 1981 (the 1981 conditions).

## Conditions given in the public interest in 1981

- 1.3 The 1981 conditions concerned the following:
- (a) continued publication of the Times and The Sunday Times as two separate newspaper titles under the direction of separate editors;
  - (b) The Times Newspapers Holdings Ltd (TNHL) Articles of Association to be amended to give six independent national directors (INDs) of TNHL certain roles with respect to safeguarding the editorial independence of The Times and The Sunday Times. This included a requirement that a majority of the INDs must approve the appointment or dismissal of the editors of both publications and for the INDs to determine any disputes between the proprietor and editors; and
  - (c) TNL Articles of Association be altered to make clear that the editors of each paper had control over political comment and opinion, were each

responsible for giving instructions to journalists as well as the appointment, deployment and dismissal of journalists.<sup>1</sup>

## **2019 Review of the conditions**

- 1.4 On 10 January 2019, News Corp UK and Ireland Limited, trading as News UK,<sup>2</sup> asked the Secretary of State to accept its proposed undertakings in place of the 1981 conditions.
- 1.5 The changes requested by News UK were designed to permit a greater sharing of resources and services, including journalists, between the two newspapers. News UK considered such sharing to be necessary to mitigate the financial challenges that the two titles would face in the future.
- 1.6 Following an invitation to comment on the draft undertakings, and reviewing the responses received, the Secretary of State sought variations to the draft undertakings to address a lack of clarity in governance arrangements, that led to News UK submitting revised draft undertakings.
- 1.7 On 27 June 2019, the Secretary of State issued a further consultation notice seeking representations on the revised undertakings. Following the review of the responses received, on 23 July 2019, the Secretary of State decided to accept the [revised undertakings \(the Undertakings\)](#) and issued a Notice of Acceptance.

## **2021 request from News UK for a review of the undertakings**

- 1.8 In 2021, News UK submitted a request for the Undertakings to be released. News UK highlighted that it considered that:
  - (a) the markets have changed radically since the conditions were accepted in 1981 and there have been further material changes since the undertakings were accepted in 2019;
  - (b) financial difficulties for the newspaper industry had accelerated due to the Covid-19 crisis, with an estimated 20% decline in print circulation, and a 21% decline in advertising across print and online news sites in 2020, and

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<sup>1</sup> [Invitation to comment, published by DCMS on 24 June 2021](#)

<sup>2</sup> The Times and The Sunday Times are published by Times Newspapers Limited, a subsidiary of Times Newspaper Holdings Limited that is itself a subsidiary of News UK.

it considered that much of these declines will not return to pre-pandemic levels;

- (c) News UK is the only organisation in the industry subject to the Undertakings which impose additional financial burdens on it and can restrict its ability to react quickly to developments;
- (d) the sector has seen further consolidation in recent years with owner of the Daily / Sunday Mail and the Metro being permitted to purchase the 'i' newspaper and website in 2019, while the acquisition by Reach plc of the Daily Express, Sunday Express, Daily Star and Daily Star Sunday newspapers was also permitted in 2018, with neither transaction requiring intervention;
- (e) News UK produces content across the landscape of media across all 7 days a week, and both newspaper titles have a digital first approach, and in such circumstances the separation of the two titles is artificial and impedes necessary developments and changes; and
- (f) In conclusion, News UK argued that the changes in the media landscape since 1981 have been profound, and do not justify the retention of these Undertakings.

1.9 On 24 June 2021, DCMS published an invitation to comment on the request for a review of the Undertakings as received from News UK. The period for comment closed on 15 July 2021.

### **Advice sought by DCMS**

1.10 Following the closure of this consultation period, on 30 July 2021, DCMS sought advice from the CMA (the Request for Advice) on the following matters:

- (a) the extent and nature of the changes in circumstances, particularly in relation to the UK newspaper market, in the context of News UK's request; and
- (b) whether or not News UK is – as it suggests – either unable or constrained in its ability to respond to such market changes unless the Undertakings are released as proposed by News UK.

1.11 DCMS also sought the following advice sought from Ofcom:

- (a) whether or not, taking into account the public interest considerations applying to newspapers (namely, accurate presentation of news, free



expression of opinion and media plurality), the release of the Undertakings may be expected to operate against the public interest.

## **The CMA's response to the Request for Advice**

- 1.12 This document forms the CMA's advice to the Secretary of State on the two matters listed above. This advice is provided to the Secretary of State pursuant to section 92(3)(a) of the Enterprise Act 2002 which requires that the CMA, '*shall give the Secretary of State such advice as it considers appropriate in relation to any possible variation or release by the Secretary of State of an enforcement undertaking accepted by him*'. Section 92 applies by virtue of paragraph 62(7)(c) of Schedule 18 of the Communications Act 2003.
- 1.13 The CMA has prepared this advice using information supplied by News UK, Ofcom and a range of publicly available sources of information.

### ***Timeframe for the CMA's analysis***

- 1.14 The CMA notes that, as indicated in paragraphs 1.4 to 1.7 above, the 1981 conditions were replaced by the Undertakings in 2019. The limited scope of the review in 2019 meant that the Secretary of State did not examine whether there were other changes in circumstance that would mean that the remainder of the obligations in the Undertakings (and previously the conditions) would no longer be appropriate, seeking instead only to address the specific concerns raised by News UK at the time relating to sharing resources.

- 1.15 In the Request for Advice, DCMS notes that:

*'As a guide to determining what timespans to consider, Ofcom and the CMA are advised to note that the Secretary of State will consider whether there has been a material change of circumstances since the Undertakings were made in July 2019 and, to the extent it is relevant to an obligation imposed under the 1981 Conditions (and accepted as an undertaking in 2019), whether there has been a material change of circumstances since the Conditions were approved in 1981.'*

- 1.16 Consequently, in preparing this advice, the CMA has considered both the potential for one or more changes in circumstance that would be relevant to the Undertakings to have arisen since 2019 as well as since 1981.

### **Structure of this advice**

- 1.17 The remainder of this document is structured as follows:

- (a) Chapter 2 explores ways in which the UK media sector has changed since the conditions came into effect in 1981 and following the previous review in 2019, including:
- (i) the decline in circulation of national newspapers;
  - (ii) the growth of online news and shifting consumer preferences;
  - (iii) changing sources of newspaper revenues; and
  - (iv) changes since the Undertakings were agreed in 2019.
- (b) Chapter 3 explores the impact of the Undertakings on News UK, examining the scale of the financial cost of the obligations in the Undertakings.
- (c) Chapter 4 provides the CMA's advice to DCMS that it requested on the Undertakings.

## **2. Key developments in the news sector**

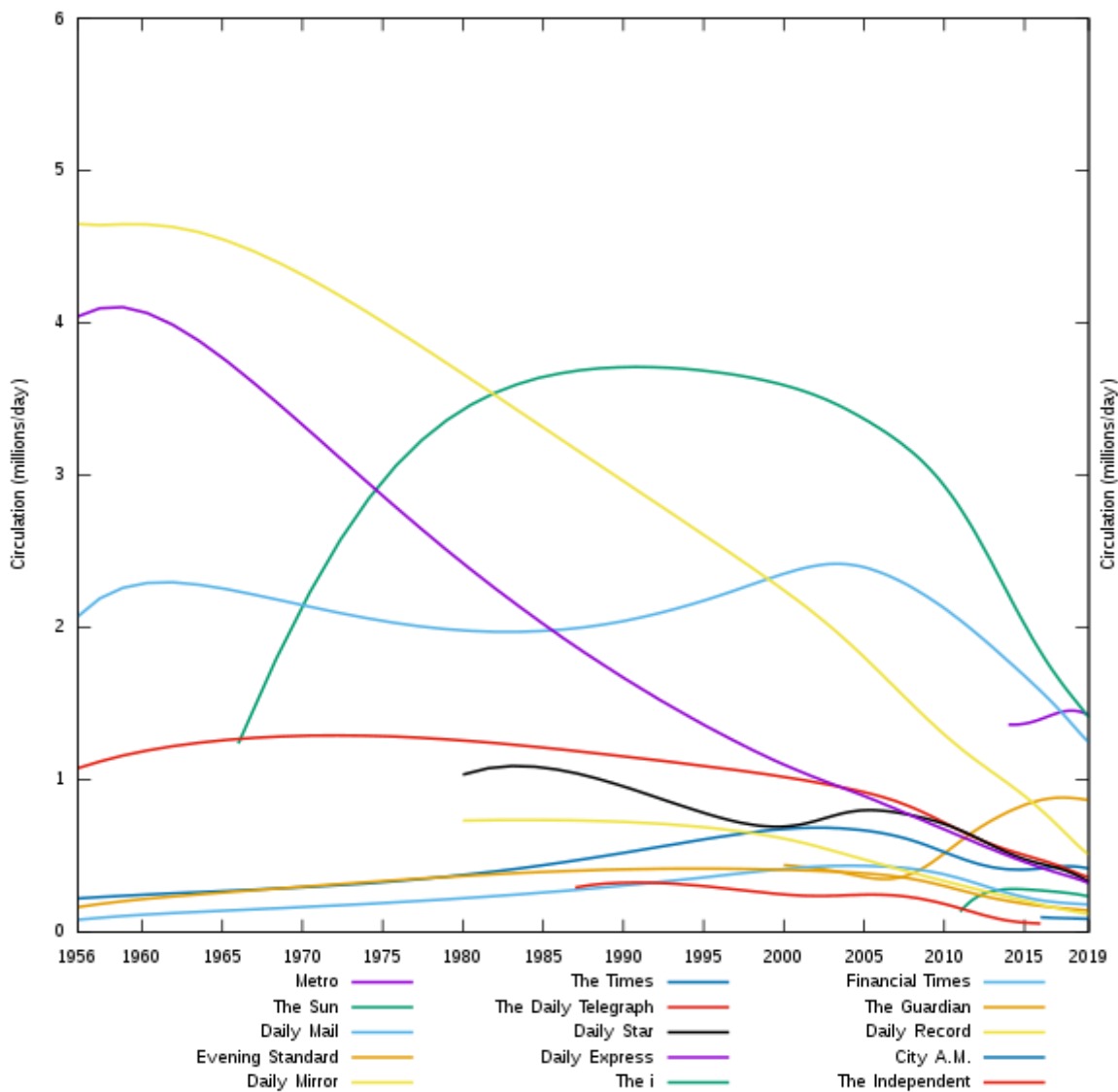
### **Introduction**

2.1 In this Chapter, we consider the extent and nature of the main changes in the UK newspaper and broader media sector since the acquisition of the Times and The Sunday Times by News UK was approved with conditions in 1981. We also consider specifically the extent of changes since 2019 when the Undertakings were accepted.

### **The UK national newspaper sector at the time of the original acquisition**

2.2 The circulation of most newspapers in the UK is in long-term decline. Figure 2.1 shows the circulation of national newspapers from 1956 to 2019. This indicates that while circulation of particular newspapers have taken different trajectories, the broader peak in overall circulation occurred during the 1950s. Since then, the readership of newspapers has been in gradual decline, with some newspapers continuing to grow after the 1950s while others have entered a sharper decline. This indicates that the declining circulation from 1981 onwards was not a new trend and had started several decades earlier.

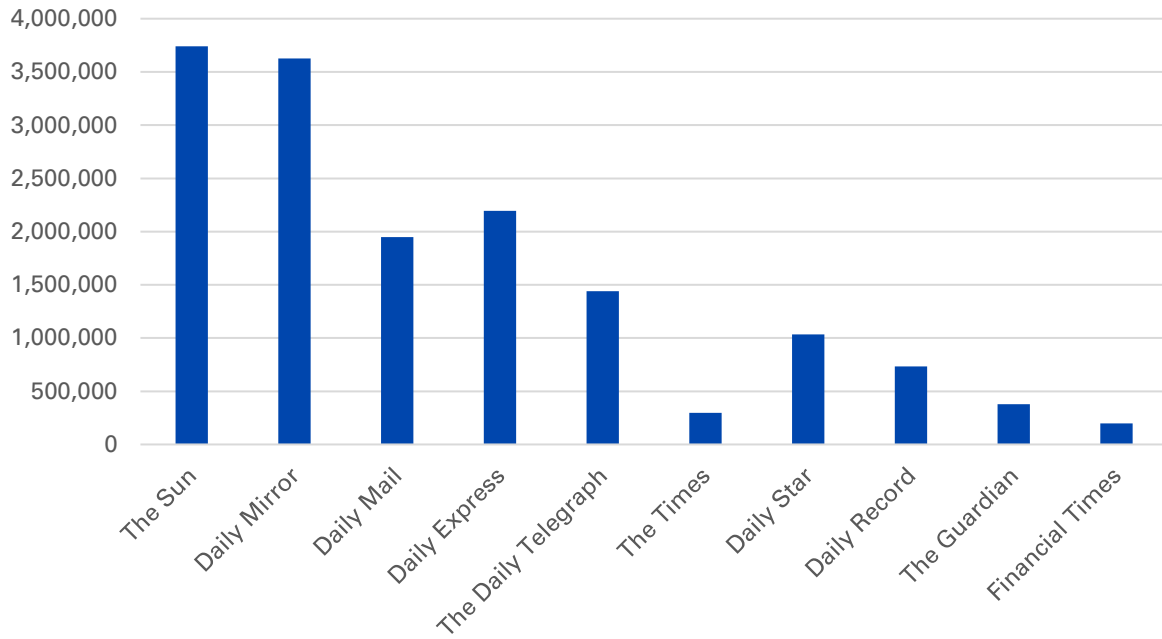
**Figure 2.1: Circulation of UK national newspapers from 1956 to 2019**



Source: Wikipedia through its Creative Commons Licence

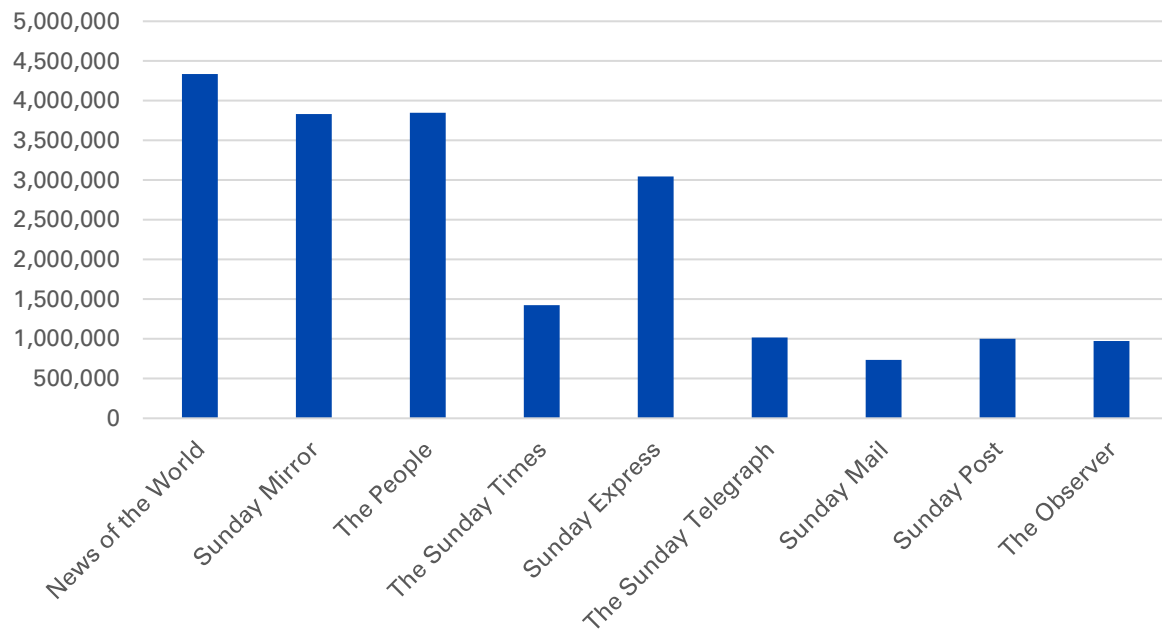
2.3 At the time of the acquisition by News UK of The Times and The Sunday Times in 1981, the UK had a number of sources of printed news, including the following national daily and Sunday newspapers, where total circulation was over 20 million copies for Sunday titles and over 15 million for daily titles:

**Figure 2.2: Circulation of national daily newspapers 1980**



Source: Audit Bureau of Circulations

**Figure 2.3: Circulation of Sunday newspapers 1980**



Source: Audit Bureau of Circulations

2.4 In addition to newspapers, there were news broadcasts on BBC and ITV television channels,<sup>3</sup> as well as on a range of BBC and commercial radio stations.<sup>4</sup>

## Key changes since 1981

### *The continued decline in circulation of national print newspapers*

2.5 There have been a number of changes to the newspaper sector since 1981. The clearest change has been the continual decline in circulation of national daily and Sunday newspapers which can be seen from the following figure.

**Figure 2.4: Circulation of weekday paid newspapers 1980 to 2019**



**Source:** News UK

2.6 As the above figure shows, there has been a continued decline in overall circulation since the transaction in 1981, with this accelerating in the late 1990s and after 2000. Two of the key changes from 1981 onwards that contributed to this decline were:

- (a) the growth in television news, and specifically the launch of 24-hour television news channels. Sky launched its 24-hour continuous news service in 1989 and the BBC followed in 1997, and these news sources have grown to be in the top six news sources used by consumers in the UK, while five of the top seven sources of news now used by consumers are television channels;<sup>5</sup> and
- (b) the development of the internet has accelerated this decline, including the growth in the use of smart mobile telephones that allow consumers easy access to a wider variety of online sources of information, with, for example, both Facebook and Twitter being reported as more frequently used sources of news than any newspaper brand.<sup>6</sup>

2.7 While a number of newspaper titles have experienced a decline in circulation, more recently and specifically since 2010, the decline in print circulation has

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<sup>3</sup> BBC1 and BBC1 and ITV channels were broadcast in 1981 at the time of the transaction. ITV news broadcasts were through Independent Television News.

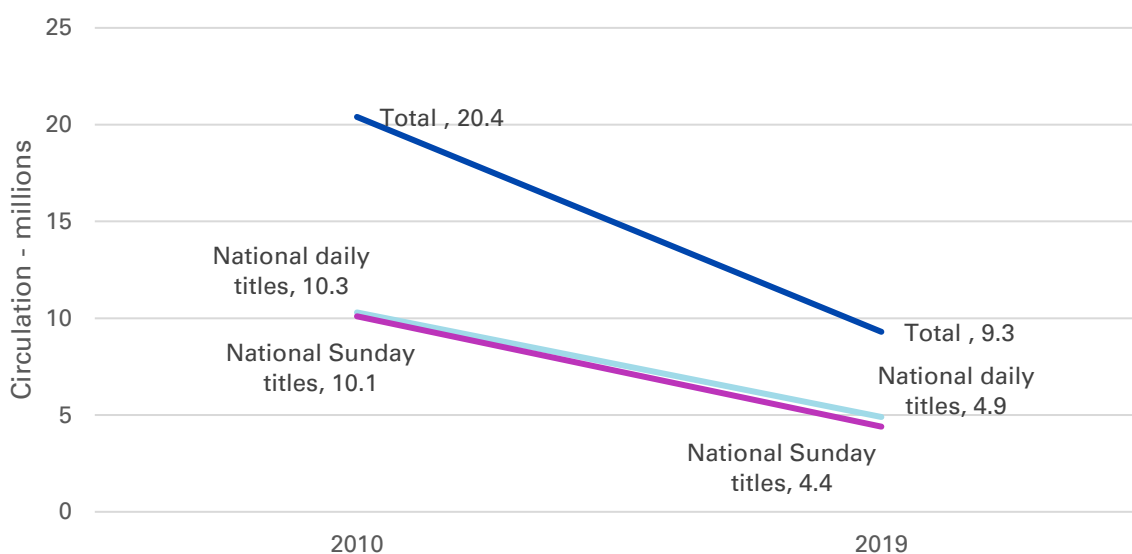
<sup>4</sup> News on commercial radio stations at the time was often provided by Independent Radio News through subscriptions from commercial radio stations.

<sup>5</sup> Ofcom, [News Consumption in the UK: 2021](#), 27 July 2021.

<sup>6</sup> Ibid.

been broader and faster, and more clearly linked to the growth of online sources of news, as we have more evidence of the declining print circulation and the growth of online news sources at the same time, (see Figure 2.5 and 2.6 below for details). As the following figure indicates, overall circulation of daily and Sunday titles has fallen by more than 50% between 2010 and 2019. The level of circulation in total in 2019 is 9.3 million and compared with circulation of over 35 million in 1980, this shows the scale of the decline in the last 40 years while the Undertakings and the 1981 conditions have been in place.

**Figure 2.5: Circulation for national daily and Sunday newspaper titles**



**Source:** Ofcom from Audit Bureau of Circulations

2.8 While the above figure shows the overall picture for circulation of newspaper titles, during this period from 2010 to 2019, the circulation of The Times and Sunday Times fared slightly better than average, with a [X] fall for The Times, while The Sunday Times fell by [X]. Both of these figures are before the more recent impact of Covid-19 on the sector.<sup>7</sup>

***Consolidation in newspaper ownership***

2.9 While circulation has fallen since the original transaction in 1981, the number of daily and Sunday titles has not fallen significantly. However, there are two significant examples of titles that are no longer published. The Independent, which began its print newspaper in 1986, stopped its print version in 2016 due to declining circulation to become online only. The News of the World ceased

<sup>7</sup> News UK Submission to DCMS.

publishing in 2011, although its owners launched a new publication, The Sun on Sunday which began in 2012.

- 2.10 While the titles remain broadly similar in this period, there has been continued change in ownership and a gradual consolidation of newspaper brands, such that now the sector has a small number of large media companies that own a number of titles, while some other titles remain separately owned. The table below shows the ownership of the national daily and Sunday titles in 1981 and the main changes up to 2021.



**Table 2.1: Ownership of newspaper brands**

<b>Newspaper(s)</b>	<b>1981 Owner and subsequent changes</b>	<b>2021 Owner</b>
The Times / The Sunday Times	News UK – purchased in 1981	News UK
The Sun / News of the World / Sunday Sun	News UK	News UK
The Mail / Mail on Sunday	Daily Mail and General Trust	Daily Mail and General Trust
The Metro	Launched in 1999 by Daily Mail and General Trust	Daily Mail and General Trust
The ‘i’	First published in 2010 and owned by Independent Digital News & Media Ltd. Daily Mail and General Trust purchased in 2019	Daily Mail and General Trust
The Independent	First published in 1986 and ceased in 2016, online only since 2016. Owned by Independent News and Media from 1997. Sold to Alexander Lebedev in 2010	Alexander Lebedev
Daily / Sunday Mirror / People & Daily Record / Sunday Mail (Scotland)	Owned by Robert Maxwell from 1984 before being sold to Trinity in 1999 to become Trinity Mirror	Reach plc (formerly Trinity Mirror)
Daily / Sunday Express	Owned by Express Newspapers, sold to Richard Desmond (Northern Shell) in 2000. Reach plc (formerly Trinity Mirror) purchased in 2018	Reach plc (formerly Trinity Mirror)
Daily / Sunday Star	Started in 1978 and owned by Express Newspapers, sold to Richard Desmond (Northern Shell) in 2000. Reach plc (formerly Trinity Mirror) purchased in 2018	Reach plc (formerly Trinity Mirror)
Daily / Sunday Telegraph	Owned by Lord Hartwell in 1981. Purchased by Conrad Black in 1985, and acquired by the Barclay Brothers in 2004	Sir Frederick Barclay
Guardian / Observer	Guardian Media Group	Guardian Media Group
Financial Times	Pearson plc, sold to Nikkei Inc in 2015	Nikkei Inc
Evening Standard	Associated Newspapers bought initial stake in 1980 (from Express Newspapers) and bought the remaining stake in 1985. Sold to Alexander Lebedev in 2009	Alexander Lebedev

**Sources:** News UK, Newspaper brand corporate pages, Wikipedia and CMA, CC and OFT websites

## ***Changes in newspaper publisher structures***

2.11 There are no other national newspaper publishers that have equivalent restrictions on the separation of their daily and Sunday titles. As a consequence, and in response to the changes taking place across the sector and the impact on their revenues, the publishers of other national newspapers have taken a number of steps to integrate their different titles to achieve a range of cost savings and efficiencies, from combining weekday and Sunday title staff as well as online and print edition staff, as well as staff across a wider range of news titles. News UK informed the CMA that some of the main changes in recent years included the following:

- (a) The Daily Star and Daily Star on Sunday – was reported to be integrating its Sunday and daily titles in 2015,<sup>8</sup> with a single editor-in-chief across the two titles, while each title has its own deputy editor;
- (c) The Daily and Sunday Express integrated its daily and Sunday editions in 1996, with the aim of that producing a 15% cost reduction from shared resourcing, and an editor-in-chief across the two titles while each has its own deputy editor;
- (d) The Daily Mirror and Sunday Mirror and Sunday People – integration began in 2012, with full integration achieved in 2014 with a single newsroom across all three titles and a move to have more staff focused online;<sup>9</sup>
- (e) The Daily Telegraph and Sunday Telegraph – the two newsrooms merged in 2013, as a part of re-structuring process to achieve one unified operation across 7 days.<sup>10</sup>
- (f) The Independent / Independent on Sunday – began merging some feature desks and staff in 2007, with full integration in 2013, including some integration with the Evening Standard;<sup>11</sup>
- (g) The Mail and Mail on Sunday – have some integrated editorial control from 2018 with the intention of further cost savings;<sup>12</sup> and

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<sup>8</sup> [Daily Star Sunday editor Peter Carbery expected to depart | Daily Star Sunday | The Guardian](#)

<sup>9</sup> [Daily Mirror, Sunday Mirror and People newsrooms to merge | Media | The Guardian](#)

<sup>10</sup> [Telegraph to merge Sunday and daily papers with net loss of 30 jobs - Press Gazette](#)

<sup>11</sup> [Independent on Sunday editor exits as Lebedev papers go seven-day | Independent on Sunday | The Guardian](#)

<sup>12</sup> [New Daily Mail editor to be Geordie Greig | Daily Mail | The Guardian](#)

(h) The Guardian and Observer – have had a common editor-in-chief since 1996 with greater integration between the editorial teams and a reduction in the number of staff working on the Observer.<sup>13</sup>

2.12 The above examples indicate that seeking cost savings and efficiencies through integrating newspaper teams across daily and Sunday titles as well as online appears to be common practice for national newspaper publishers. Depending on the number of titles included in the scope of such exercises, these examples indicate that there is the potential to achieve significant savings compared to having two or more separate editorial and journalist teams.

### ***The growth of online news and shifting consumer preferences***

2.13 One of the more significant changes since 1981, and one of the likely causes of the decline in circulation of printed newspapers, has been the creation and growth of news on the internet.

2.14 While radio and television were both providing news in 1981 and have expanded, including through 24 hour news channels in the intervening years, the internet has been a further significant new and growing area for publishers, to the extent that newspaper publishers are now also significant providers of news online.

2.15 There are now a wider range of news sources online than the previous number of newspaper and TV sources available in 1981, with new online sources that have grown to compete with established newspaper brands. These include some television news content available online, including from the BBC and Sky as well as their bespoke online news, other online-only news sites that generate their own content, while others, including social media sites, collate content from a variety of sources for consumers. These additional sources and collation activity expand both the amount of news seen and the sites on which news can be found and shared by consumers.

2.16 Consumption of news online has increased from being used by 32% of adults to 73% in the period 2013 – 2021.<sup>14</sup> Over the same period, consumption of news through print newspapers has fallen from 40% to 32%. While this might suggest that online news may be replacing newspapers as a preferred channel, Ofcom has reported that online users are more likely to go directly to news provider websites/apps than to find news through search engines or news aggregators, indicating the continuing relevance of established news

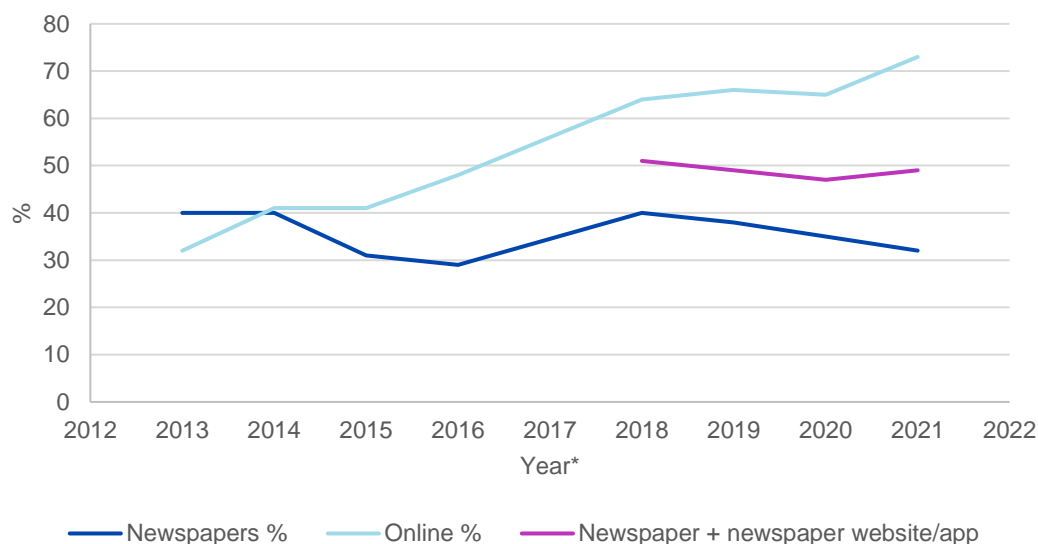
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<sup>13</sup> [Observer to cut sections in redesign | The Observer | The Guardian](#)

<sup>14</sup> For which Ofcom has published relevant data.

brands online as well as newer online-only news sources.<sup>15</sup> Additional data available for the period 2018 – 2021 supports this by showing that a significant proportion of online news is consumed online through newspaper websites/apps.

**Figure 2.6: Proportion of adults sourcing news from newspapers and online in the period 2013 – 2021**



**Source:** Ofcom News Consumption in the UK reports 2013-2021

**Note:** \*No report was published for 2017

2.17 Consumers use multiple sources of news beyond just newspapers, with Ofcom research published in 2020 showing that 75% used television, 65% used the internet, 42% used radio and 35% used newspapers.<sup>16</sup> Of those that use newspapers for news, few rely purely on newspapers for their news, and most use a range of different media for news sources, as shown in the table below. In addition, Ofcom data from 2020 shows that the usage of newspaper brands as a source of news increases from 35% to 47% when newspaper websites/apps are included as well as newspapers.<sup>17</sup>

<sup>15</sup> Ofcom, News Consumption in the UK 2021.

<sup>16</sup> Ofcom News Consumption Survey 2000.

<sup>17</sup> Ofcom: News Consumption in the UK 2020.

**Table 2.2: Crossover of news platform usage by consumers who use newspapers**

Sources used by consumers for news (those that include print newspapers)	Percentage of newspaper consumers (total 35%)
Newspapers only	1%
Newspapers and television	5%
Newspapers, television and internet	7%
Newspapers and internet	2%
Newspapers and radio	0%
Newspapers, radio and television	7%
Newspapers, radio, television and internet	12%
Newspapers, radio and internet	1%

**Source:** Ofcom News Consumption Survey 2000

2.18 The 40-year period since the conditions were imposed has seen the growth of television news, and the creation of online news consumption, which has increased significantly within the last 10 years.

### ***Newspaper revenues***

2.19 Print newspaper revenues have come from sales to consumers and the placement of advertisements, with the value of advertising being determined by the circulation levels and the number of consumers by whom the advertisement would be seen. The decline in newspaper circulation and the growth in online news has limited these two main sources of revenue. While newspaper publishers can seek income from advertising online, and through subscriptions online, in both of these areas, publishers have typically not been able to replicate the scale of revenues previously obtained.

2.20 Industry wide, newspaper revenues fell by almost [X] between 2010 and 2018 from [X] to [X]. This was caused by a [X].<sup>18</sup>

2.21 Estimates of news industry revenues in 2018 indicated that:

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<sup>18</sup> [X]

- (a) Around [✂] was earned from circulation, with around [✂] of that from online circulation;<sup>19</sup>
- (b) [✂] from advertising, with a roughly [✂] between online and print newspapers;<sup>20</sup> and
- (c) [✂] from aggregators, bundling services and other news portals.<sup>21</sup>

**Figure 2.7: Total advertising across print and online newspapers (1982 onwards)**

[✂]

Source: News UK

2.22 As shown above, advertising revenues for news brands peaked in around [%], and have been [%] in the years since. The figure below shows how print and online advertising for news brands has changed from 2011 to 2020, with a significant decline in print advertising revenue, and a smaller increase in online advertising revenue.

**Figure 2.8: Newspaper advertising revenue by type, online (yellow line) and print (red line) 2011 onwards (estimates from 2020 onwards)**

[✂]

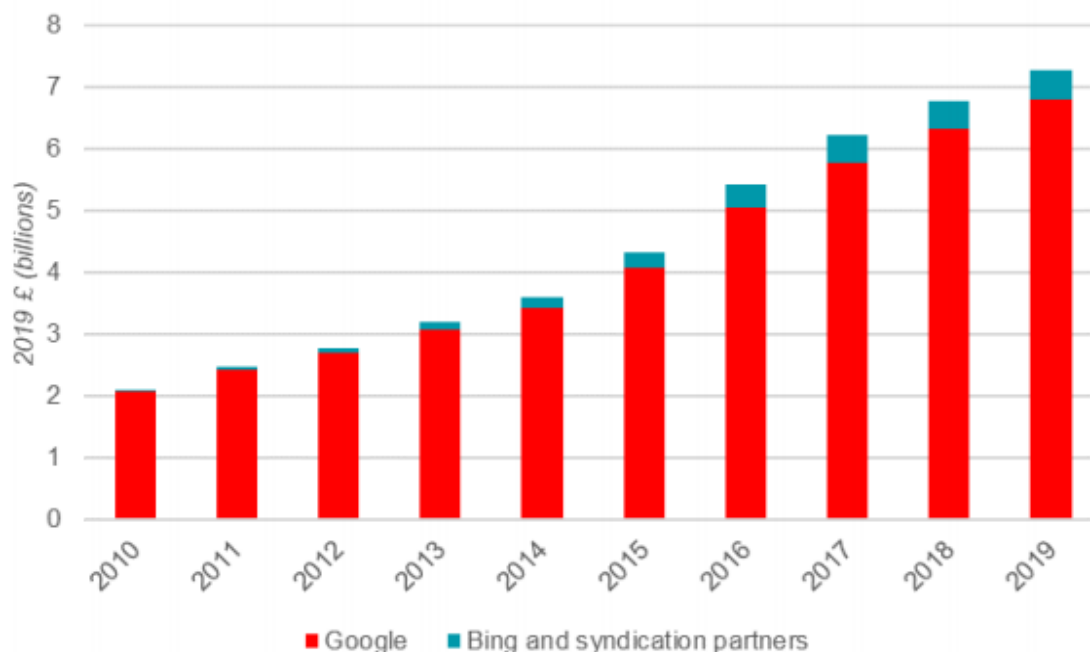
Source: News UK

2.23 By way of comparison, online search advertising has grown at a much faster rate than online advertising by newspaper brands. Online search advertising is shown in the figure below.

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19 [✂]  
 20 [✂]  
 21 [✂]

**Figure 2.9: UK search advertising revenues by year**



**Source:** CMA Online platforms and digital advertising market study (final report, July 2020, page 224)

- 2.24 When seeking advertisers online, news brands face competition from other online players, including social media and search firms, some of which have a high share of online advertising. [✂].
- 2.25 The CMA explored the online advertising sector in its market study into Online platforms and digital advertising, the final report of which was published on 1 July 2020.<sup>22</sup> In this, the CMA noted that:

*‘Most advertisers told us that they used a range of platforms to buy display advertising and that different platforms had different relative advantages in achieving advertising KPIs. The platforms most commonly mentioned and ranked highest were Facebook, Google DV360 (Google’s demand-side platform for purchasing advertising in open display) and Twitter.’<sup>23</sup>*

*‘Overall, the evidence we have assessed suggests that there is a long-term shift from traditional media to display advertising driven by growing use of online channels by consumers, rather than a substitution effect in response to changes in competitive dynamics. In addition, as described above, competitive constraints are likely to be*

<sup>22</sup> CMA’s final report.

<sup>23</sup> CMA’s final report, paragraph 5.137.

*asymmetric, such that traditional advertising may be constrained by display advertising, without the reverse being the case.<sup>24</sup>*

*‘We consider...that Google and Facebook are able to use their bargaining power to extract terms in relation to content and data sharing which have the effect of reinforcing their market power. Although publishers are entering into a commercial relationship with the platforms and benefit from the user traffic that is generated through sharing their content on Google and Facebook’s platform, we nevertheless agree with the publishers that they have very little choice but to accept the terms offered by these platforms, given their market power.’<sup>25</sup>*

- 2.26 The CMA [✂] that there are larger players in the online advertising sector and that advertisers’ preferences are likely to have changed given the growth of advertising online.
- 2.27 One of the outcomes of the above market study has been the creation of the Digital Markets Unit (DMU) – currently on a non-statutory footing – within the CMA. The government is consulting on powers for the DMU and has also asked the CMA to look specifically at how a code would govern the relationships between platforms and content providers such as news publishers, including to ensure that they are as fair and reasonable as possible. While the CMA’s work is still ongoing, it is likely that it will aim to facilitate an equitable balance in the relationships between certain of the largest online players and the content creators whose work they link to or display (in particular news content). This should enable content providers to compete more effectively and achieve better and more sustainable outcomes in digital markets.
- 2.28 In addition to online advertising, a range of newspaper publishers have put in place paid subscriptions for online content supported by pay-walls. While this practice looks similar to paying for a print newspaper, there has been mixed success for such business models across different publishers and in different countries. In the UK, a challenge for publishers arises from consumers’ generally limited willingness to pay for online news content, particularly where there is a wide range of content available online without charge. As an indication of general willingness to pay online, The Reuters Institute found that 8% of UK adults had paid for news online.<sup>26</sup> Those publishers that have had greater success with paid subscriptions, including News UK, tend to be those

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<sup>24</sup> CMA’s final report, paragraph 5.152.

<sup>25</sup> CMA’s final report, paragraph 5.366.

<sup>26</sup> The Reuters Institute Digital News Report 2021 (ox.ac.uk)



where content is more clearly differentiated from other news information available online without charge, and for whom consumers' willingness to pay is higher.

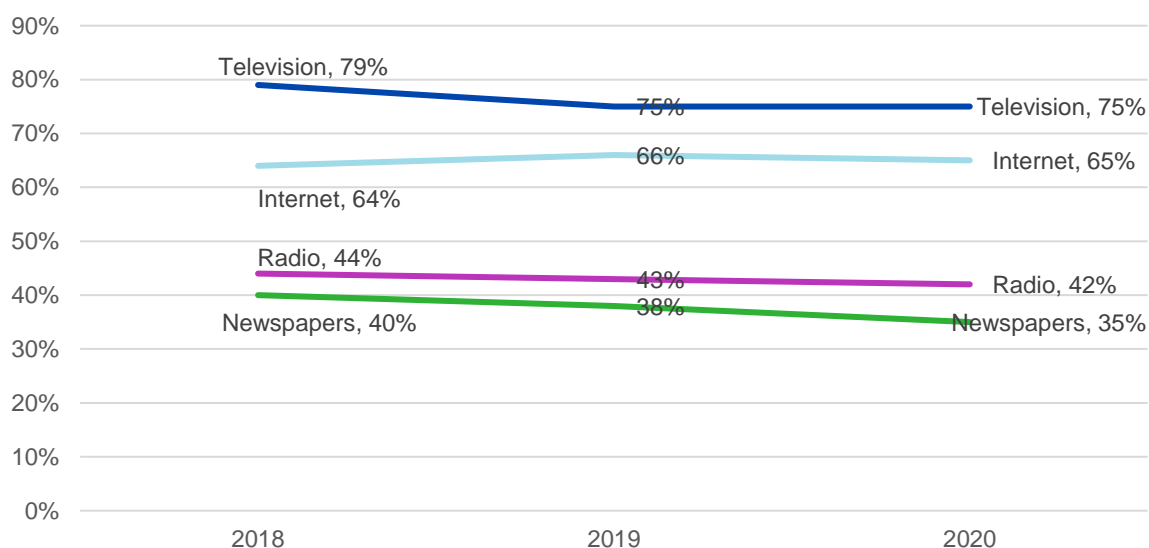
2.29 News UK has a paywall and online subscription in place for The Times combined with The Sunday Times, which has been in operation since 2010. We note that its paywall and online subscription for The Sun and The Sun on Sunday was not successful, having been imposed in 2013, it was removed in 2015 due to the large reductions in site visitors that resulted. We examine the revenues that TNL has received from sales subscriptions and advertising in Chapter 3.

## Key changes since 2019

2.30 In addition to considering the changes in the sector since 1981, we have also examined evidence surrounding more recent changes, and whether recent events such as the Covid-19 pandemic have altered the patterns seen previously.

2.31 The figure below shows recent changes in use of different media platforms by consumers. As can be seen, the key trend is a 5% decrease in adults that use newspapers, from 40% in 2018 to 35% in 2020, with a rise in the use of the internet for news.

**Figure 2.10: Main news platforms used for news by adults 16+**



**Source:** Ofcom News Consumption Survey 2020

2.32 The Covid-19 pandemic had a significant effect on the circulation of national newspapers. There has been an [✂] decrease in total average print circulation per issue for daily national titles, and [✂] for Sunday national titles

between March 2020 and March 2021.<sup>27</sup> This compares to an [X] and [X] fall respectively during the previous year from March 2019 to March 2020, and indicates the scale of the impact of changes in consumer behaviour during the Covid-19 pandemic.

- 2.33 The change in consumer behaviour in the Covid-19 pandemic is most notable in the reduction in free daily newspapers, which experienced a fall in circulation of 59% from March 2020 to April 2020, while national newspapers overall experienced a fall in circulation of 20% in the same month.<sup>28</sup>
- 2.34 The Covid-19 pandemic has also reduced advertising revenue for newspaper providers, by more than the reduction in circulation. While lower circulation can lead to lower advertising, many advertisers also substantially reduced their expenditure in the pandemic. The Guardian reported on a general decline in print advertising revenue of 80% in April 2020, and it also reported that, as an example, Daily Mail advertising revenue had fallen by 69% for print and 17% online by August 2020.<sup>29</sup>
- 2.35 There is some uncertainty about the extent to which the reductions in print circulation and advertising will recover to pre-pandemic levels. While it is too early to record accurately the extent of any recovery, WARC expects that the levels of advertising online will match that of print news by 2022, mostly due to ongoing reductions in print advertising with recovery in advertising expected only online rather than in print newspapers.<sup>30</sup>
- 2.36 The news sources used by consumers in 2021 (Figure 2.11 below) show the extent to which print newspapers have declined in circulation and relevance for consumers as a whole, with only three newspaper brands appearing in the top 20 sources:

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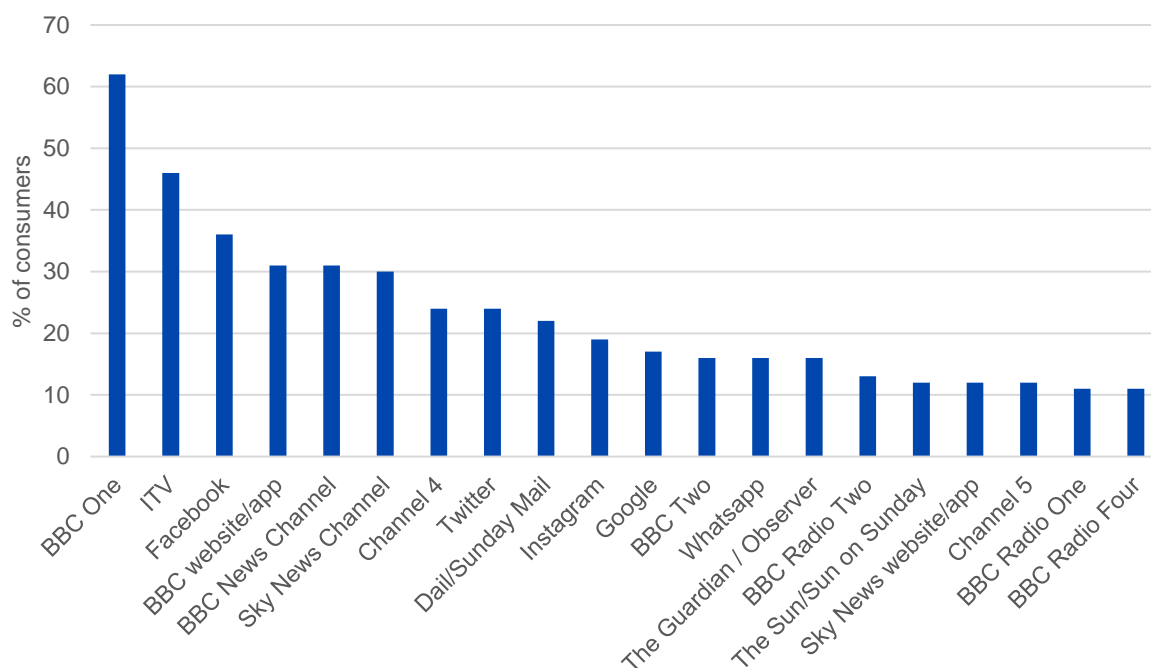
<sup>27</sup> [X]

<sup>28</sup> Source: News UK (Audit Bureau of Circulations).

<sup>29</sup> [Guardian – Covid-19 leaves news and entertainment industries reeling, 17 April 2020](#); [Guardian – Daily Mail publisher to cut up to 100 jobs as revenues fall, 13 August 2020](#).

<sup>30</sup> World Advertising Research Centre (WARC) provides analysis of media trends, see Figure 3.8 above for details.

**Figure 2.11: Top 20 sources of news in 2021**



Source: Ofcom, [News Consumption in the UK: 2021](#), 27 July 2021

## Changes of circumstance

2.37 Based on the analysis above, the CMA has identified the following changes of circumstance since 1981 when the original transaction was approved on a conditional basis:

- (a) **the decline in circulation for national print newspapers, reflecting in part the growth of online news.** This has been a long-running trend where the peak of the circulation of national newspapers was in the 1950s. Since 1981, the decline has had a number of causes, including the expansion of television news services, and more recently the creation and growth of online news and a wider range of information services online for consumers in the UK;
- (b) **the position of news publishers in the online news and information sector (which limits their ability to replace declining print revenues with online revenues).** The decline in revenues from print newspapers is typically faster than the growth in online news revenues. This is caused in part by the structure of the online advertising market where large online businesses including search and social media sites are more attractive places for advertisements than online news sites. This is also caused in part by the limited number of UK consumers willing to pay for online news content, given there is a significant volume of information available

without charge (while recognising that The Times and The Sunday Times currently operate a combined online paywall);

- (c) **the merging of some national newspapers' operations for online news, daily and Sunday titles (where News UK is not able to make the same changes due to the Undertakings).** While the Undertakings ensure News UK maintains the two titles separately, other newspaper publishers have merged news operations for daily and Sunday titles, as well as for online news operations. The extent of these activities has varied by publisher, but are in response to the changes identified above; and
- (d) **the Covid-19 pandemic has accelerated the rate of decline of print media and advertising revenue.** While the level of advertising expenditure fell generally in the pandemic, this is recovering more quickly in the online sector, but is less likely to return to close to pre-pandemic levels in print media.

### **3. Assessment of the impact of the Undertakings on News UK**

#### **Introduction**

3.1 This Chapter explores the effects of the Undertakings on News UK's newspaper business, considering the Undertakings and the nature of the direct costs of complying with them, as well as the implications of the Undertakings for the structure of News UK and the wider market. From this analysis we draw conclusions on the scale of the impact of the Undertakings on News UK.

#### **The Undertakings**

3.2 Following the decision in 2019 by the Secretary of State to agree the Undertakings with News UK, the main obligations on News UK are the following:

- (a) continued publication of the Times and The Sunday Times as two separate newspaper titles under the direction of separate editors;
- (b) The Times Newspapers Holdings Ltd (TNHL) Articles of Association giving six independent national directors (INDs) of TNHL certain roles with respect to safeguarding the editorial independence of The Times and The Sunday Times. This includes a requirement that a majority of the INDs must approve the appointment or dismissal of the editors of both publications and for the INDs to determine any disputes between the proprietor and editors; and
- (c) The Times Newspaper Limited (TNL) Articles of Association prescribing that the editors of each paper have control over political comment and opinion, and were each responsible for giving instructions to journalists as well as the appointment, deployment and dismissal of journalists.<sup>31</sup>

#### **Obligations imposed by the Undertakings**

3.3 The Undertakings have the following impact on News UK:

- (a) they impose a direct cost for News UK in the requirements for it to maintain six INDs as part of its Board and for them to be involved in the required decisions of the business. If the INDs requirement were no

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<sup>31</sup> See Undertakings on DCMS website.

longer present, News UK would still need to maintain a Board but this could be carried out at a lower cost than at present; and

- (b) they entail a structural restriction that prevents News UK from fully integrating all its news service between The Times and The Sunday Times, with the requirement for these to be operated separately and with separate editors. While the Undertakings allow News UK to share resources including journalists, and News UK has merged some news desks, this cannot be carried out in full for staff in all areas, due to the ongoing requirement for separation.

3.4 We explore these restrictions in the sections that follow.

### ***Direct financial impact of the Undertakings in the context of News UK's newspaper business***

3.5 In considering the impact of the Undertakings in the context of News UK's newspaper business, firstly we considered the financial position of News UK's newspaper business more broadly, before turning to the direct and indirect financial impact of the Undertakings.

#### *General financial background*

3.6 In this section, we consider the financial position of News UK's newspaper business. First, we observe trends in TNL's revenue, split between (i) total revenue, (ii) print and digital sales revenue, and (iii) advertising revenue. Next, we turn to a consideration of costs and underlying profitability. When considering trends in overall profitability we use earnings before interest, taxation, depreciation and amortisation (EBITDA), and we consider the profitability of TNL as well as its subsidiaries, The Times Limited and The Sunday Times Limited.

3.7 Total revenue earned by TNL has [redacted] throughout the period from 2017 to 2021, largely due to [redacted], as set out below.

### **Figure 3.1: Times Newspapers Limited Revenue Streams from 2017 to 2021 (£m)**

[redacted]

**Source:** CMA analysis of information from News UK

3.8 In the 5-year period from 2017 to 2021, TNL saw an overall [redacted], driven by an [redacted].

### Figure 3.2: Times Newspapers Limited Sales Revenue from 2017 to 2021 (£m)

[✂]

Source: CMA analysis of information from News UK

3.9 Since 2017, revenue earned from the sale of print newspapers saw a [✂], while revenues earned from the sale of digital offerings saw a [✂] in the same period.

3.10 While print sales revenue increased, this appears to be a result of [✂].

### Figure 3.3: Total Times and Sunday Times Sales Volume from July 2015 to June 2021

[✂]

Source: CMA analysis of information from News UK

3.11 Figure 3.3 shows an overall reduction in print circulation. Prior to the impact of COVID-19, sales volumes had [✂], just prior to the decline resulting from the COVID-19 pandemic.

3.12 The [✂] means that advertising revenues generated from print newspapers [✂], despite [✂].

### Figure 3.4: Times Newspapers Limited Advertising Revenue from 2017 to 2021 (£m)

[✂]

Source: CMA analysis of information from News UK

3.13 As demonstrated in Figure 3.4, since 2017, advertising revenue earned from the sale of print newspapers [✂] in the 4-year period from 2017 to 2021. [✂]. We note that [✂] begins prior to the COVID-19 pandemic.

3.14 We considered cost data provided by TNL for the period from 2017 to 2021.

### Figure 3.5: Times Newspapers Limited Costs from 2017 to 2021 (£m)

[✂]

Source: CMA analysis of information from News UK

3.15 Figure 3.5 indicates that costs are [✂] in the 3 years from 2017 to 2019, with a [✂]. With cost of sales comprising [✂],<sup>32</sup> a [✂].

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<sup>32</sup> [✂].

3.16 [REDACTED].<sup>33</sup>

**Figure 3.6: Times Newspapers Limited EBITDA from 2017 to 2021 (£m)**

[REDACTED]

**Source:** CMA analysis of information from News UK

3.17 We also considered the profitability of each of The Times and The Sunday Times.

**Figure 3.7: Times Newspapers Limited, The Times and The Sunday Times EBITDA from 2017 to 2021 (£m)**

[REDACTED]

**Source:** CMA analysis of information from News UK

3.18 As indicated in Figure 3.7, the profitability of TNL overall and The Times Limited [REDACTED].<sup>34</sup>

*Direct financial impact of the Undertakings*

3.19 With regard to the financial impact of the Undertakings, News UK estimated the annual direct costs of complying with the Undertakings to be approximately [REDACTED] per annum:

**Table 3.1: Times Newspaper Limited direct financial costs**

[REDACTED]

**Source:** CMA analysis of information from News UK

3.20 News UK considered that, “the removal of these costs alone would provide sufficient justification for release of the Undertakings”.<sup>35</sup> We have not been able to assess whether these costs are exclusively attributable to the Undertakings. Further, News UK also noted that they do not capture additional indirect costs such as management time around preparation for board meetings and general administration.<sup>36</sup>

3.21 We considered these cost savings in the context of historic financials as per TNL’s statutory accounts.<sup>37</sup> Based on historic EBITDA over the period from

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<sup>33</sup> [REDACTED].  
<sup>34</sup> [REDACTED].  
<sup>35</sup> [REDACTED].  
<sup>36</sup> [REDACTED].  
<sup>37</sup> [REDACTED].



2016 to 2020, the estimated savings comprise [REDACTED]. Cost of sales comprise [REDACTED].

**Table 3.2: Direct cost savings as a % of historic operating costs and EBITDA**

[REDACTED]

**Source:** CMA analysis of information from News UK

- 3.22 News UK has proposed that, in the case where the Secretary of State decided to release of the Undertakings, it would set up an independent committee to monitor and mediate any disputes between the Editors and the company relating to independence. It anticipates that [REDACTED].<sup>38</sup>
- 3.23 News UK noted that these Independent Directors would require reimbursement to act as a mediation committee. It explained that [REDACTED]. In this case, the net savings from direct costs would be [REDACTED].
- 3.24 It is not evident that the totality of the direct costs as set out by News UK would be saved absent the Undertakings. For example, we would expect that TNL would still require an audit and therefore incur audit fees, and that general operational tasks such as board meetings and office support for the chairman etc would still be required. Therefore, the estimated direct cost savings of between [REDACTED] may be an overestimate of the actual direct costs that could be saved on release of the independence obligations in the Undertakings.
- 3.25 We consider that, in isolation, these estimates make up only a small proportion of the overall costs of operating both The Times and The Sunday Times and that they do not appear to have a material impact on the ability of News UK to carry out its operations.
- 3.26 However, we recognise that these costs may not capture the wider indirect costs associated with the Undertakings, such as management time or the cost of keeping desks separate, which have the potential to further impact News UK's financial position. We discuss these below.

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<sup>38</sup> [REDACTED]

## ***Structural obligation imposed on News UK from the Undertakings***

- 3.27 In this section, we explore the impact of the requirement for separation of The Times and The Sunday Times including the financial implications from sharing staff and the potential benefits of further integration.
- 3.28 As highlighted in Chapter 2, there has been some consolidation of ownership of some national newspaper titles since 1981. One of the more significant changes has been the integration of many national newspaper publishers' staff between their daily and Sunday titles and with print and online. This integration has been taking place for a number of years and is typically intended to deliver cost savings concerning the operation of daily and Sunday newspapers as well as with print and online areas.
- 3.29 The Undertakings permitted News UK to go some way towards integration, by allowing it to share resources including journalists, however, the structural separation of the two titles remain in place. This limits the scale of savings that can be achieved, as full integration is not permitted by the Undertakings. Consequently, in the event that the Secretary of State were to release the structural obligation in the Undertakings, there are further benefits it could achieve from a more complete integration. In this section, we explore the potential cost savings that might arise from the removal of this obligation.
- 3.30 Following the 2019 Undertakings, News UK merged [REDACTED], resulting in annual savings of [REDACTED].<sup>39</sup> A further [REDACTED] across The Times and The Sunday Times remain separate because of the restrictions imposed by the Undertakings. News UK estimates that merging the remaining desks, alongside the removal of all Undertakings, could deliver an additional indicative saving [REDACTED] per year.<sup>40</sup> Thus, the total savings that could be earned from the previous and proposed changes to the Undertakings could comprise between approximately [REDACTED] per annum.
- 3.31 Since the [REDACTED] cost savings may already be included to some extent in the financial results from 2019 onwards, in order to illustrate the impact of the savings resulting from the 2019 Undertakings and any future savings that may occur if the Secretary of State decided to release the structural obligation in the Undertakings, we have compared the proposed savings against historic EBITDA and operating costs from the 5 years prior to the 2019 Undertakings (i.e. 2014 to 2018). We use the lower bound of the News UK estimate of [REDACTED].

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<sup>39</sup> [REDACTED]

<sup>40</sup> [REDACTED]

As with our consideration of direct costs, we consider operating costs in total and exclusive of cost of sales.

**Table 3.3: Indirect cost savings as a % of historic operating costs and EBITDA**

[REDACTED]

**Source:** CMA analysis of information from News UK

- 3.32 While the figures in Table 3.3 above are based on historic financials and therefore are not indicative of future performance, they show the range of potential indirect cost savings that may arise from the release of the structural obligation in the Undertakings. These potential indirect cost savings may enable News UK to reduce total operating costs by around [REDACTED].
- 3.33 Therefore, while the direct cost savings that may occur as a result of the release of the independence obligations in the Undertakings on News UK are low, the indirect costs arising from the greater ability to restructure and merge desks could have a significant impact on News UK's financial position, with savings potentially equivalent to [REDACTED]. This could potentially have a material impact on the financial position of News UK.

**The commercial impact of the Undertakings on News UK**

- 3.34 The CMA estimates that the direct costs of the Undertakings on TNL and News UK are small, being at most [REDACTED] annually. For TNL, and based on historic EBITDA over the period from 2017 to 2020, the estimated savings may be equivalent to [REDACTED].
- 3.35 The indirect costs of the Undertakings are likely to be more significant in terms of the impact on TNL and News UK. The most significant of these is the requirement to hold The Times and The Sunday Times separately. This structural element of the Undertakings is preventing News UK from benefitting to the full extent possible from the sharing of staff (including journalists) that was allowed when the 2019 Undertakings were agreed. We have estimated that the indirect cost savings arising from the ability to restructure and merge desks could have a more material effect, potentially in the region of [REDACTED]. We consider that this restriction could be having a material impact on its business.

## 4. Conclusions and advice to DCMS

- 4.1 On 30 July 2021, the Department for Digital, Culture, Media and Sport (DCMS) requested the CMA to provide it with advice on the Undertakings given to its Secretary of State in 2019 by News UK concerning The Times and The Sunday Times and which relate to News UK's 1981 acquisition of these titles. This request followed an Invitation to Comment, carried out by DCMS following the application by News UK to have the Undertakings released.
- 4.2 This document provides the CMA's advice to the Secretary of State for DCMS (the Secretary of State). It includes analysis of the newspaper market and the broader media sector since 1981, when the transaction was approved on a conditional basis. This analysis has shown there to be significant changes since that time, both in consumer preferences and news consumption activities, and also in the ways in which news and other information is delivered to consumers in the UK. Since 2019, when the Undertakings were agreed, the sector has continued to evolve, with the pace of change having increased during the Covid-19 pandemic.
- 4.3 Given these changes, the CMA has identified the following changes of circumstance in relation to the UK newspaper market, in the context of the DCMS request:
- a) **the decline in circulation for national print newspapers, reflecting in part the growth of online news.** This has been a long-running trend where the peak of the circulation of national newspapers was in the 1950s. Since 1981, this decline has had a number of causes, including the expansion of television news services, and more recently the creation and growth of online news and a wider range of information services online for consumers in the UK;
  - b) **the position of news publishers in the online news and information sector (which limits their ability to replace declining print revenues with online revenues).** The decline in revenues from print newspapers has typically been faster than the growth in online news revenues. This is caused in part by the structure of the online advertising market where large online businesses, including search and social media platforms, have proved to be more attractive places for advertisements than online news sites. This is also caused in part by the limited number of UK consumers willing to pay for online news content, given there is a significant volume of information available without charge (though the CMA recognises that The Times and The Sunday Times currently operate a combined online paywall);
  - c) **the merging of some national newspapers' operations for online news, daily and Sunday titles (where News UK is not able to make the same**

**changes due to the Undertakings).** While the Undertakings ensure News UK maintains the two titles separately, other newspaper publishers have merged news operations for daily and Sunday titles, as well as for online news operations. The extent of these activities has varied by publisher, but are largely in response to the changes identified above; and

**d) the Covid-19 pandemic has accelerated the rate of decline of print media and advertising revenue.** While the level of advertising expenditure fell generally in the pandemic, this is recovering more quickly in the online sector, but appears less likely to return to close to pre-pandemic levels in print media.

- 4.4 Further to identifying these specific changes of circumstance, the CMA has also explored the impact of the Undertakings on News UK, examining the direct financial cost of complying with the independence obligations of the Undertakings, as well as indirect costs through the impact of the separation obligation of the Undertakings on the structure of The Times Newspaper Limited (TNL). This was with a view to determining whether News UK is unable, or constrained, in its ability to respond to the above identified market changes, while the Undertakings remain in force.
- 4.5 Based on the analysis described in this document, the direct costs of the independence obligations of the in the Undertakings do not appear to be having a material impact on TNL financially, or on its ability to react to the trends and changes taking place in the wider sector.
- 4.6 However, the indirect costs of the separation obligation on TNL appear to be more significant. This obligation appears to restrict the cost savings that TNL can achieve through sharing resources, including journalists, between the two titles, and more broadly, is restricting TNL's ability to adopt a fully-unified structure across the two titles, as is commonly used by other national newspaper publishers. Based on the analysis we have carried out, it appears that the indirect cost savings arising from the ability to restructure and merge desks fully could have a material impact on the financial performance of TNL.