

Strictly Private & Confidential

Commercially sensitive

29th April 2022



[REDACTED]

Deputy Director, Media & Creative Industries

Department of Culture, Media and Sports

Email: [REDACTED]

Dear [REDACTED],

Further to your letter dated 26th April 2022 I am writing to set out Newsquest Media Group's ("Newsquest") representations as to why there are no plurality or public interest concerns related to the acquisition of Archant Community Media Ltd ("Archant" together with Newsquest, the "Parties") (the "Transaction"). Indeed, the Transaction is the best way to ensure that Archant's local titles can have a strong and sustainable future, and one which will enable quality local journalism to flourish and plurality to be enhanced.

We have gone into detail in this letter to provide you with sufficient information so that you are able to make an informed decision.

Executive summary

- Newsquest will invest in Archant's journalism and seek to increase investment where viable. We have absolutely no intention of reducing Archant's front line reporting resources: this would make no commercial sense. Indeed, we wish to add to it and look to improve it.

- Newsquest has a proud longstanding track record of supporting quality local journalism, as does Archant. We will continue to support and develop this. Newsquest gives complete editorial freedom to its editors and Newsquest management never interfere with content decisions.

- In Norfolk, Suffolk, Cambridgeshire ("Cambs") and Essex [REDACTED]% of the adult population read a Newsquest or Archant newspaper. There are a wide range of other diverse sources through which people get their local news. There will be no negative impact on plurality as a result of this transaction.

- The digital platforms (Google, Facebook, BBC online, Twitter) continue to dominate both the local advertising market and the local news ecosystem – in East Anglia and elsewhere and this will continue to be the case for the foreseeable future.

- [REDACTED] of Archant's newspaper titles are currently loss making [REDACTED]. With Newsquest's economies of scale, it is our intention to save these loss-making titles but time is running out to rescue them.

- Archant as a whole is also loss making. For the last few years, it has been operating 'hand to mouth'. It needs help now.

- The only other bidders for Archant were [REDACTED].

- The delays that a DCMS intervention will inevitably entail (from the associated regulatory process), may cause further harm to the Archant staffing, titles and journalism, much of which may be irreparable.

1. Very little overlap between Newsquest and Archant's titles, and very low penetrations

In Norfolk, Suffolk, Cambs and Essex [REDACTED] of the adult population read a Newsquest or Archant newspaper (see Annex 1 for the full details). [REDACTED]

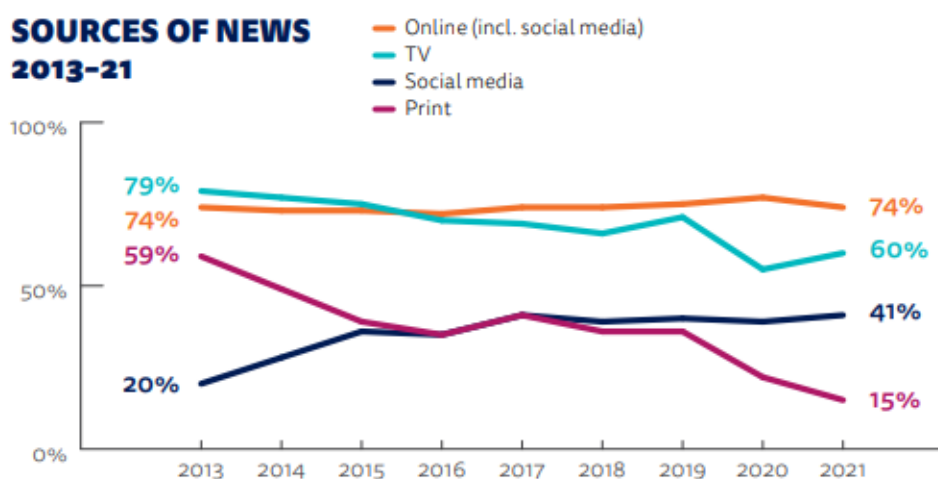
The parties do not compete for advertisers or readers. In our submissions to the CMA of which you have copies¹, we showed the negligible overlap between Newsquest and Archant's titles on the fringes of a handful of titles, with Archant's principal geographic area of activity being in Norfolk and Suffolk, where Newsquest does not publish. Newsquest has 9 titles distributed in Essex and no titles distributed in Cambs, Norfolk and Suffolk. Archant has 13 titles distributed in Cambs, Norfolk and Suffolk and only 1 title distributed in Essex. Archant's only title in Essex is primarily distributed in the towns of Saffron Walden and Great Dunmow, where Newsquest does not have a title and any overlaps with Newsquest titles (such as the Braintree & Witham Times) are peripheral, as the evidence Newsquest submitted to the CMA shows.

After Archant, Iliffe is the second largest publisher in Cambs, Norfolk and Suffolk with 8 titles, followed by Reach plc and then National World plc. This in itself should provide assurance that there is plenty of plurality in East Anglia even taking a very narrow and outdated market definition of traditional local newspaper publishers.

It is worth highlighting that the only other bidders for the Archant business were [REDACTED]

2. A wide range of other options that people use to get regional and local news in East Anglia

Print (i.e. national and local newspapers, magazines) has become an increasingly less relevant source for news over the last ten years. 41% of the population now get their news from social media; and 68% of the population get their news via a smartphone, compared to 15% from print (all types). See chart below.



Source: Reuters News institute Report 2021

¹ Newsquest submissions to the CMA (March 21st and April 12th)

We list in Annex 2 the many other news providers in Cambridgeshire, Norfolk, Suffolk and Essex – ranging from other newspaper publishers, BBC regional/local (online, radio, TV), Anglia TV, local radio, local magazines, Reach plc's county sites, independent local news sites and other digital platforms. We have also included in this Annex a section on some public/voluntary sector bodies (e.g. local councils) which also publish local news direct to the public.

Although we do not have specific East Anglia readership data for the other platforms, we can see no reason why the UK average reach data² would not apply here: i.e. BBC News (TV and Radio) reaches 57% of the population and BBC News (Online) reaches 46% of the population – and continues to be the dominant news platform in the East Anglia region.

In addition to this wide range of options, many people now get their local news and information from Facebook local news groups, Twitter, Nextdoor, Instagram and other social platforms. Annex 3 shows just one example of the many local news and information groups on Facebook for Ipswich – there are thousands more such groups on many different platforms across the region – supporting a very diverse citizen driven and social news ecosystem.

It is completely outdated to think that traditional local news publishers have material influence over the news ecosystem. There are now no barriers to entry (apart from owning a smartphone and being old enough to have a social media account) to publishing local journalism.

As Elon Musk remarked this week “Twitter is the digital town square where vital matters are debated”³. It is certainly true that the digital platforms have now largely displaced local newspapers as the platform for ‘town square’ news sharing and debate. These extremely powerful tech platforms have much higher penetration and audiences in local communities than any of Archant's, Newsquest's or any other publisher's local newspapers. In our first submission to the CMA⁴, we gave an example of this noting that Facebook reaches 70% of the adult population in Braintree.

In addition, it is important to understand that Google is the gateway and controller of most online news content, with its algorithm deciding what news results to present to which user. This personalisation of results means that two users searching for ‘news in Chelmsford’ will get different results. Google's algorithm is far more influential than any newspaper editor or publisher in East Anglia could ever be.

The Google algorithm does ensure that a single news brand website does not get more than 2/10 chances to be seen in the organic (non-advertising or feature) results of each search – so to a large extent this ensures that plurality is now hard wired into the online local news ecosystem.

Competition in the provision of local news across East Anglia within a digital environment is very robust. Annex 4 shows the top 100 organic desktop results⁵ for searches for “local news” in each of the counties of Norfolk, Suffolk, Cambs and Essex and select towns within. You can clearly see the plethora of options available to a user when choosing a source of news based on these searches across East Anglia, with Newsquest and Archant combined making up only a small percentage of the overall SERP volume, with very little cross over in the geographic areas within East Anglia. In Norfolk, based on just the top 100 results (for local news searches) there are 95 distinct domain choices with Archant

² Data from Reuters News institute Report 2021

³ <https://www.ft.com/content/22f66209-f5b2-4476-8cdb-de4beffeb5>

⁴ Newsquest first submission to the CMA, March 21st 2022

⁵ These results were taken using a private browsing desktop set of results so as not to skew any SERP (Search Engine Results Pages) make up based on previous user behaviour.

representing only 17 of these and Newsquest representing 0⁶. In Essex, 97 different domains are represented in the top 100 results for news in the county, with 12 belonging to Newsquest and 5 to Archant taking the total to 17/100.

We have also undertaken some analysis of the volume of news related Google searches over a 12 month period which returned content from Newsquest or Archant's news sites in East Anglia plus Essex in the search results: this showed that users only clicked on a Newsquest or Archant news brand website to read a story/article [REDACTED]% of the time – i.e. [REDACTED]% of the time a user made a search for news and news topics relating to this eastern region they chose another (i.e. non Newsquest / Archant) source displayed on Google to meet their need.

It is important to note that the environment created by search engines would mean that Newsquest and Archant titles would be actively disadvantaged should Newsquest choose to reduce content quality, volume, uniqueness and or coverage. Digitally our commercial success relies on ensuring high quality journalism. It would be bad business to reduce quality, volume and or coverage. Rather our intention is and continues to be to actively increase investment in our digital journalism.

3. Newsquest will be able to support and further develop Archant's titles and local journalism

Archant has been in a parlous financial state, having recently been refinanced through a Creditors Voluntary Administration⁷. The Archant business has been undercapitalised and had to manage cash funding on a day-to-day basis prior to the acquisition. As a stand-alone business, its future is very challenged.

The survival of its newspapers has been in question for some time; in the last five years, Archant has had to close of its local newspapers. This has carried on into 2022 and more recently Archant decided (before they marketed the business for sale) to close its free titles in Waveney and Yarmouth.

Archant continues to be in a very challenging financial position [REDACTED]. [REDACTED] of Archant's newspaper titles [REDACTED] are currently loss making (mainly free newspapers). Archant's newsprint costs have increased by [REDACTED] in the last 12 months as a result of huge commodity driven inflation in the newsprint market. Archant's newsprint costs are currently c. [REDACTED]% more than what Newsquest pays, dramatically affecting the economics of their free newspapers on top of the migration of advertising customers to digital competitors.

Working with the Archant team, a process is underway to get their loss-making newspapers back to health and to a sustainable position, importantly leveraging the scale and wider resources that Newsquest has. But this will take time.

With Newsquest's economies of scale, we intend to do our utmost to save these loss-making titles. Plans are underway to transition some of these loss-making free titles [REDACTED] using Newsquest's expertise in this area, while also leveraging Newsquest's lower cost base; but they are in intensive care and time is running out to rescue them.

If DCMS were to issue a public interest intervention notice, it is very likely that the Competition and Markets Authority ("CMA"), for the purposes of their competition review required by the notice, would impose a hold separate order (as is their normal practice when investigating completed

⁶ This is from a total of 2.1 billion surface results from the query "local news".

⁷ <https://www.companyrescue.co.uk/guides-knowledge/news/archant-calls-on-cva-and-pension-lifeboat-in-rescue-deal-4571/>

transactions). This would likely be very damaging to the prospects of getting these loss making titles back to a sustainable position, using our expertise and common business resources to try to improve the titles for readers and advertisers before it is too late.

More generally, with the greater resources that Newsquest has, the transaction brings much greater financial stability to Archant's local newspapers. By combining the two businesses, their news brands are in a much better position to be able to survive the wholesale disruption of the local news industry, and to build a sustainable business model for local journalism for their communities.

Newsquest's operating model is to maintain strong investment in local editorial and local advertising sales. This makes us distinct from some of our peers who tend to operate with large central editorial and sales hubs [REDACTED]. It is important to Newsquest's strategy to maintain a physical presence and office in our local markets. For example, [REDACTED]. Beyond local editorial and advertising sales the Newsquest model is to run centralised systems, central back office, supported by strong purchasing power.

This Newsquest operating model has been extremely successful in sustaining local news titles, when others have closed. For example, it has meant that while other publishers have been unable to sustain local newspapers in London (a particularly challenging market), Newsquest has been able to keep local newspapers alive.

In 2010, the following local newspapers were published in London by other (i.e. **non** Newsquest) publishers: South London Press, North London and Herts Newspapers and the Yellow Advertiser. South London Press comprised eight editions including the Streatham Post and Greenwich Mercury, while North London and Herts Newspapers published eight titles including the Tottenham Advertiser and Potters Bar Press, and the Yellow Advertiser had 11 editions including the Barking & Dagenham and Ilford & Redbridge Advertisers. The Enfield Advertiser and Barnet Press were published by Tindle and the Harrow Observer was published by Reach. Archant published the Bromley Times and the Bexley Times.

In 2022, only four of these **non** Newsquest titles survive: Croydon Advertiser and the freesheets Ealing & Acton Gazette and Uxbridge Gazette. The South London Press also still publish but are currently asking for 'donations' from readers in order to keep publishing.

In 2010, 17 local newspapers were published in London by Newsquest: the News Shopper, Richmond & Twickenham Times, Ealing Times, Tottenham & Wood Green Independent, Wandsworth Times, Enfield Independent, Harrow Times, Hillingdon & Uxbridge Times, Borehamwood & Elstree Times, Surrey Comet, Sutton & Croydon Guardian, Watford Observer, East London & West Essex Guardian, Wimbledon Times, and the Hendon & Finchley, Barnet & Potters Bar, Edgware & Mill Hill Times. In 2022, Newsquest is still publishing 13 of these titles. Additionally, Newsquest has launched a new title, the Epping Guardian and Harlow Guardian.

In order to sustain these titles, our London business had to go through an extensive transformation. This change in business practices to create a more viable publishing business naturally attracts criticism from those who dislike changing working practices and reject embracing the opportunity to create new models for the digital economy. But if there is to be a vibrant and diverse local news sector, innovation and change is essential. And as the example shows, through this business change we have been able to carry on publishing local newspapers and providing local journalism for these London communities.

4. Newsquest has a strong track record of creating more diversity and choice in the news ecosystem

Not only is Newsquest a good custodian of local newspapers, as its economic model has enabled continuity of publication when many others have simply closed newspapers and thrown in the towel, it is also entrepreneurial in launching titles that serve a community and increase plurality.

The most powerful example of this is the launch of The National in Scotland. Newsquest identified that the Nationalist community in Scotland was not well represented in print news media. It launched *The National* (which operates alongside Newsquest's other Scottish newspapers,[REDACTED]) to reflect the views of this underrepresented (in the media) proportion of Scottish society. This ability to publish newspapers with different editorial views from the same operation demonstrates Newsquest's commitment to publishing integrity and focusing on the needs of its audience.

In a more traditional regional newspaper context, Newsquest launched the Oldham Times when the previous local newspaper (the Oldham Chronicle) became insolvent. Initially launched as a weekly newspaper, in 2021 it became a daily newspaper, currently publishing five days a week. Access to Newsquest's efficient publishing systems has enabled this newspaper to continue to publish and provide plurality of opinion in that community where operators without the scale and local publishing expertise have failed.

Not every launch is successful, but Newsquest has been one of the most active publishers in testing customer appetite for local news products to find viable new ways of delivering local news. Scale across the UK enables Newsquest to take the risk of losing money on product launches.

Newsquest's portfolio has historically included a higher proportion of free newspapers than other publishers. Over the last 20 years many of these have closed because of the migration of advertising customers to digital platforms. Newsquest has never closed a paid-for newspaper (although some editions of paid-for papers have been discontinued). Newsquest has successfully transitioned a number of formerly free newspapers to a part paid for, part free solution. This is an approach we intend to implement for the currently loss making Archant free newspapers.

With the transition to digital publishing some publishers have adopted different approaches. Some publishers (unlike Newsquest) have taken an approach of moving to county/regional web sites [REDACTED] with content focussed on attracting the maximum number of page views rather than focusing on community news. Press Gazette recently highlighted what proportions of digital audience come from local communities across the 50 leading UK regional press websites (<https://pressgazette.co.uk/uk-local-news-traffic/>). In this analysis, the Newsquest and Archant news sites feature as having a higher proportion of local audience reflecting that both Parties' editorial strategy is resolutely local in emphasis. Newsquest does not intend to change its or Archant's strategy - we both have the same local focus.

5. Newsquest will invest in Archant's local journalism

Newsquest will continue to invest in Archant's front line journalism, and we will increase investment here where viable. We have absolutely no intention of reducing Archant's front line reporting resource.

Once we have stabilised the Archant business (which has to be the immediate priority to give their titles a chance of a viable future), we will increase their investment in local journalism. The principal

objective in our previous newspaper restructurings has been to free up resources to invest in front line local journalism. That is our number one priority. [REDACTED]. We also hope to achieve some synergies in back-office functions.

In the first few weeks of our ownership of Archant, we have already taken steps to support [REDACTED]-

We have also commenced a project which will see Newsquest adopt best practice from Archant's digital content strategy.

The provision of quality journalism does depend on a solid business model to fund those staff. Newsquest can provide that solid business model. It is worth noting that in May last year we announced a major expansion in local journalism with the hiring of 50 new editorial roles.⁸

We also invest in our communities: through its charitable foundation, Newsquest has donated millions of pounds over two decades to help meet the needs of our local communities, from flood repairs and hostels for the homeless to hospice beds and adventure playgrounds. No other news publisher can demonstrate this level of local commitment.

6. Newsquest gives complete editorial freedom to its editors

Newsquest's editorial policy gives its editors the freedom to publish what they think is appropriate for their local community, thus maintaining plurality and diversity of local voices. Our local newspapers have no affiliation with political parties. Our local newspapers aim to be a platform that defines and holds a community together. Newsquest has always understood that the relationship between the newspaper and its readers is based on trust, which can only be preserved through independent local journalism and a willingness to defend it when called upon. Newsquest states that commitment publicly⁹:

"Our Editors have complete editorial independence and are free to edit as they see fit and do so in the interests of the individual communities they represent. Newsquest management does not interfere in editorial content decisions."

This policy is not simply an attractive democratic principle. It goes to the heart of being an effective regional newspaper. Without a product that has integrity that meets the information needs of the local communities, it will not attract and retain buyers/readers, and audience trust is a key point in the effectiveness of advertising solutions that fund news gathering.

While advertising is a key source of revenue, it never outweighs editorial integrity and Newsquest does not compromise its editorial integrity for a short-term economic gain – that would be long term economic destruction as it destroys the brands' credibility. Our editors publish stories without fear or favour even if it costs us with businesses and institutions withdrawing their advertising. We are happy to provide specific examples of this.

⁸ <https://www.newsquest.co.uk/news/newsquest-announces-major-new-investment-in-local-journalism>

⁹ <https://www.newsquest.co.uk/about-us#:~:text=Editorial%20Policy,interfere%20in%20editorial%20content%20decisions.>

In addition to this, we do not have an “Editor in Chief” role, in part because we want all our local Editors to edit as they see fit, independent of any higher influence. Our editors have no one editorially that they report into. Our editorial lead’s job title is “Editorial Development Director” because our central support is dedicated to adding skills and productivity not to set an editorial policy in local titles. Newsquest has a strong commitment to newsroom diversity and investing in training.

For the record, in the eight years I have been CEO of Newsquest, I have never received any complaint, indeed any communication from an Editor citing any concerns about editorial freedom at Newsquest or any interference from Newsquest management in editorial content decisions; and we also have an established ‘whistleblowing’ process that would enable any employee to raise such a concern confidentially, and no such concern has ever been raised.

Further throughout Gannett’s ownership of Newsquest (since 1999) there has never been any involvement of Newsquest management in editorial policy, standards or individual story lines.

We also have a proactive Apprenticeships programme designed to increase diversity in our newsrooms; importantly this is a way for school leavers who cannot afford / choose not to go to University to get into a career in journalism (see Annex 5 for further details). This will now be extended to include Archant’s newsrooms.

7. Deploying Newsquest’s greater legal resources and specialism to support editorial freedom

Scale is an important part of reducing the cost both of producing news but also the cost of supporting editorial teams. In a world where the powerful increasingly use the courts to attempt to suppress public interest stories, the resources of a larger publishing group to defend local journalism (and more importantly to see that it is published to a wide audience) become more important.

Recent examples of cases where Newsquest's larger economic resource has enabled a story to be pursued and published after fighting off legal restrictions include:

- In the Supreme Court: *Khuja (Appellant) v Times Newspapers and Newsquest Media Group 2017*. The judgment is the leading case on the primacy of open justice and freedom of expression guaranteed by Article 10 of the European Convention on Human Rights. The Oxford Mail (a Newsquest title) took action with the Times to defend unrestricted coverage of the trial of a child sex-grooming gang, which included references to a prominent local magistrate.
- In the High Court: *R (on the application of Newsquest Media Group Ltd) v Legally Qualified Chair of the Police Misconduct Tribunal 2022*. The Editor of the Basingstoke Gazette (another Newsquest title) refused to be cowed by threats of an injunction from lawyers acting for a police officer who had been dismissed by a disciplinary tribunal for using his status to exploit vulnerable women. This case reaffirms the requirement for transparency and public accountability in professional disciplinary proceedings.

Local newspapers are the primary source of independent information about local authorities and crown and magistrates’ courts and tribunals up and down the country. Newsquest has the resource to protect and promote rights to access and report council meetings and judicial proceedings. The Newsquest group regularly and successfully challenges reporting restrictions and resists attempts to delete news archives, sometimes in alliance with other media (as for example in the recent murder

cases of *R v Ricardo Linton* at Bradford Crown Court and *R v Carla Scott and Dirk Howell* at Worcester Crown Court).

The support of a large publishing group's legal team can be vital when confronting public authorities attempting to browbeat editors. Local government and powerful corporates may be equally opposed to having their business scrutinized too closely by the local press. In one instance in 2016, Newsquest's *Sutton Guardian* came under legal attack from both simultaneously when it looked into [REDACTED] Council's dealings with a family business empire, a key part of which was under investigation by the Serious Fraud Office in connection with allegations of international fraud on a grand scale. Newsquest's in-house legal advisor helped the newspaper stand its ground.

Where our journalists uncover matters of real concern, we will give them the space and support to bring them to public attention. In Northern Ireland, *The Impartial Reporter* in Enniskillen and its reporter Rodney Edwards were backed over two years as they exposed allegations of historic sex crimes against 70 children in a scandal that rocked the region, forced a major police investigation in 2021 and has now led to charges before the criminal courts. In-house legal guidance in this highly sensitive venture included resistance to police demands that threatened confidential sources. This piece of outstanding investigative journalism went on to win the prestigious Amnesty International Regional Media Award in 2020.

Even in the short time since Archant joined Newsquest, its editorial staff and investigative team have used Newsquest's in-house legal adviser to ward off attempts to shut down stories about a local election candidate who was forced to stand down and a special needs school with more pupils than it could cope with. Within a larger Newsquest group, Archant newspapers will have greater protection, not less, to deliver independent local news coverage for the benefit of the communities they serve.

We also include in Annex 6 some more examples of Newsquest's investigative journalism published in the last few months.

Quality journalism is the bedrock of the newspaper's engagement with its audience, and in turn therefore the long-term income generation from advertisers. It would simply be bad business if Archant's journalism is negatively impacted by the Transaction. In the long term, the biggest challenge to funding journalism is the economics of the news industry, and the Transaction will improve the economics of Archant and Newsquest.

8. Local news brands have a tiny share of the local advertising market

We have already submitted detailed evidence to the CMA that demonstrates the very low shares that Newsquest / Archant have of the local advertising market and the huge range of advertising choices available to local advertisers. In a typical local market Archant or Newsquest have approximately a 2% share of local advertiser spend, whilst Google / Facebook command a share of over 60%. The DCMS already has a copy of our two submissions to the CMA, so we have not included them here. Our last correspondence with the CMA was over two weeks ago and we have assumed they have no further questions.

9. A DCMS Intervention would further damage Archant and its local journalism

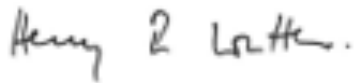
Finally, it is important to be clear about the impact that the issuance of a public interest intervention notice by DCMS and a related CMA-imposed hold separate order would have on the Archant business

and its titles. We are concerned that the erosion of staffing in editorial and advertising (caused by the current heightened uncertainty on top of the tight UK labour market) will cause product degradation, and reduce the chances of a transition being successful. [REDACTED] of Archant's titles are loss-making and in [REDACTED], requiring urgent expertise to get them back to health.

We hope that the very extensive information that we have provided in this representation is more than sufficient to ensure that there are no grounds for concern.

This Transaction is a very positive development for the Archant titles and we are very concerned to ensure that after such a period of instability, they can progress unencumbered and achieve their full potential. We would be happy to meet to discuss any further questions you may have.

Yours sincerely,

A handwritten signature in black ink that reads "Henry Faure Walker". The signature is written in a cursive, slightly slanted style.

Henry Faure Walker
Chief Executive
(Email: h.faurewalker@newsquest.co.uk)