

Linkages between publishers of local newspapers and other parties

1. In this appendix, we set out details of various linkages between different publishers (and other parties) operating in Scotland, and also linkages with Gannett (a main party to this inquiry, but which does not have any newspaper interests in Scotland). These linkages relate to contract print arrangements, equity holdings, shared distribution or resource use, and Internet activities.

SMG

Printing

2. [

Details omitted. See note on page iv.

]

3. In late 2002, SMG provided standby printing capacity for Scotsman Publications with respect to its *Evening News* title (a fire having occurred at Scotsman Publications' Edinburgh printing plant). [

Details omitted. See note on page iv.

]

4. [✂], SMG has considerable excess capacity (sufficient, for example, to produce 500,000 copies a week of weekly titles depending on a number of factors, including print runs) at its new printing plant, which also has scope for expansion. In that respect, SMG has sought to attract other contract printing business, though no agreements with other publishers have yet been finalized.

Distribution

5. SMG has a near-exclusive contract with John Menzies Limited (John Menzies) for the Scotland-wide distribution of its titles. SMG told us that John Menzies had a virtual monopoly in newspaper distribution within Scotland, and that SMG therefore had no viable alternative for the general distribution of its titles (though in practice, half of the *Evening Times* distribution in Glasgow is by other service providers). The value of SMG's contract with John Menzies is around £[✂] million a year.

6. In the Western Isles (of Scotland), there is cooperation between SMG and other publishers to use independent contractors to distribute SMG's newspapers and those of other publishers.

Shared resources

7. [*Details omitted. See note on page iv.*], SMG leases office space in the broadcasting section of its main headquarters to DMGT for use by its editorial staff working on the *Daily Mail*, *The Mail on Sunday* and *Metro* titles, and also allocates some exclusive space at its printing plant for use by DMGT. In addition, DMGT is permitted use of SMG's hard-text picture library (though not its digital picture library).

Equity holdings

8. SMG has a near 30 per cent equity stake in SRH; D C Thomson also has a 10 per cent stake in SRH.

Journalism

9. SMG told us that it shared journalist resources with other publishers (and SMG's television division) on an ad hoc basis. For example, SMG recently offered to provide a journalist to cover a possible war with Iraq and share its editorial content with other members of the SDNS (see paragraphs 13, 23 and 24).

Advertising

10. SMG's newspaper titles and SMG's television division have an informal cross-promotion arrangement between them, whereby each undertakes to match advertising spending with each other (on an arm's length pricing basis). Under the terms of the proposed acquisition of SMG's titles by Gannett, the parties would become bound by a formal agreement to spend a minimum of £1.5 million every six months with each other for three years. In addition, the SMG titles (taken together) will commit to pay £0.25 million a year for TV advert production by SMG's television division (no such agreement currently exists).

11. All such advertising, SMG told us, is charged for on the basis of normal arm's length commercial terms (station average price for television adverts, and newspaper rate card prices for newspaper adverts). In this regard, we note that under the terms of the agreement, two-thirds of [
Details omitted. See note on page iv.

]; and that [%] per cent of SMG's television division's total spend with SMG newspaper titles is with the *Sunday Herald*.

12. [

Details omitted. See note on page iv.

]

Other

13. SMG is a member of the Scottish Daily Newspaper Society (SDNS), as are DMGT, Trinity Mirror, News International, Scotsman Publications and D C Thomson; see also paragraphs 23 and 24.

DMGT

Printing

14. [

Details omitted. See note on page iv.

] it [%] shares some of SMG's office and library resources; see paragraph 7. DMGT also told us that it has a contract printing agreement with D C Thomson, under which the latter prints some copies of its *Daily Mail* title at D C Thomson's press in Dundee.

15. In addition, DMGT has a franchise agreement with Trinity Mirror with regard to DMGT's *Metro* title (a free daily newspaper), under which Trinity Mirror sells local advertising space, prints the title, and arranges distribution in Glasgow and Edinburgh. DMGT sells national advertising space in the *Metro* and provides the editorial content (Scottish and national/international news).

Distribution

16. DMGT distributes Gannett's *USA TODAY* title in Scotland (under 300 copies a day). It also distributes small quantities of SMG's *The Herald* title in the less accessible parts of northern Scotland, under an agreement with John Menzies Ltd (see paragraph 5).

Advertising

17. DMGT told us that its *Aberdeen Press & Journal* title, *The Herald* (SMG), the *Scotsman* (Scotsman Publications), and the *Courier & Advertiser* (D C Thomson) were currently considering whether to co-operate to offer national advertisers these titles as a package.

Other

18. DMGT is a member of the SDNS; see also paragraphs 23 and 24.

Gannett

Printing

19. Gannett told us that it prints DMGT's *Daily Mail* and had previously printed the *Metro* title at its Bradford and Southampton presses; and that a small number of Gannett's titles are printed by DMGT at its presses in Stoke-on-Trent.

Internet

20. Gannett has a joint web site venture—*thisisessex.com*—which is run in conjunction with DMGT; and also *holdthefrontpage.co.uk*, which is run in conjunction with DMGT and Trinity Mirror.

Other

21. Gannett told us that as with other major publishers in the UK, it is a member of the Newspaper Society.

Trinity Mirror

Printing

22. As noted in paragraph 15, Trinity Mirror has a franchise agreement with DMGT with regard to DMGT's *Metro* title (a free daily newspaper), under which Trinity Mirror sells local advertising space, prints the title, and arranges distribution in Glasgow and Edinburgh. DMGT sells national advertising space in the *Metro* and provides the editorial content (including, Scottish, national and international news).

Scottish Daily Newspaper Society

23. The SDNS is a trade association representing publishers of daily newspapers in Scotland. It is separate from the Newspaper Society, but has a sister organization—the SNPA—which represents publishers of local weekly titles in Scotland, and which is itself affiliated to the Newspaper Society.

24. Membership of the SDNS comprises SMG, DMGT, Trinity Mirror, News International, Scotsman Publications and D C Thomson. The SDNS's Council (which meets twice a year) is made up of the Chief Executives or subsidiary Managing directors of its member publishers; and the SDNS has three main committees, which deal respectively with newspaper distribution arrangements, advertising matters and editorial issues.

25. Membership of the SNPA comprises almost all publishers of local weekly titles in Scotland, including Trinity Mirror, Johnston, Archant and Clyde & Forth Press. It holds general meetings, open to all members, four times a year.