



**A STUDY OF THE EVOLUTION  
OF CONCENTRATION  
IN THE PRESS AND  
GENERAL PUBLISHING INDUSTRY  
IN THE UNITED KINGDOM**

**October 1977**

In 1970 the Commission initiated a research programme on the evolution of concentration and competition in several sectors and markets of manufacturing industries in the different Member States (textile, paper, pharmaceutical and photographic products, cycles and motorcycles, agricultural machinery, office machinery, textile machinery, civil engineering equipment, hoisting and handling equipment, electronic and audio equipment, radio and television receivers, domestic electrical appliances, food and drink manufacturing industries).

The aims, criteria and principal results of this research are set out in the document "Methodology of concentration analysis applied to the study of industries and markets", by Dr. Remo LINDA, (ref. 8756 -- English version), September 1976.

In 1977 the research programme has been extended to the press and publishing industry. This particular volume has as its subject the evolution of concentration in the press and general publishing industry in the United Kingdom, including a detailed analysis of newspapers by categories, of regional markets, of school textbooks. The volume also contains the three Linda matrices of oligopolistic interdependence (Matrix no. 1: Oligopolistic Inequality; Matrix no. 2: Comparative Performance; Matrix no. 3: Comparative Growth Rates) referring to the publishing industry as a whole.

COMMISSION OF THE EUROPEAN COMMUNITIES

**A STUDY OF THE EVOLUTION  
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## P R E F A C E

The present volume is part of a series of sectoral studies on the evolution of concentration in the member states of the European Community.

These reports were compiled by the different national Institutes and experts, engaged by the Commission to effect the study programme in question.

Regarding the specific and general interest of these reports and the responsibility taken by the Commission with regard to the European Parliament, they are published wholly in the original version.

The Commission refrains from commenting, only stating that the responsibility for the data and opinions appearing in the reports, rests solely with the Institute or the expert who is the author.

Other reports on the sectoral programme will be published by the Commission as soon as they are received.

The Commission will also publish a series of documents and tables of syntheses, allowing for international comparisons on the evolution of concentration in the different member states of the Community.

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## INTRODUCTION

The terms of reference from the Commission of the European Communities define three topics for investigation: the evolution of concentration in publishing as a whole, a more detailed study of concentration in the publishing of newspapers and periodicals and another detailed study of the sale of books in schools. This report is divided into sections corresponding with these three topics. Section I includes an examination of trends in the publishing industry and an analysis of concentration of sales turnover and of all the other financial variables specified by the Commission.<sup>1</sup> Section II contains a similar analysis of trends in the publishing of newspapers and periodicals (described more briefly as the Press). Section III is a report of a survey of stocks and purchases of textbooks in British schools in the academic year; the objective of this survey was to identify the degree of specialisation by publishers in particular subject areas.

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<sup>1</sup> The details of the methodology prescribed by the Commission are set out in R. Linda: "Methodology of Concentration Analysis applied to the Study of Industries and Markets" (Commission of the Eur.Comms., Sept.1976).



SECTION I - THE PUBLISHING INDUSTRY AS A WHOLE

Definition of Publishing

This study covers two industries as defined by the Business Statistics Office of the United Kingdom<sup>1</sup>:-

Minimum List Headings 485 and 486: printing and publishing of national daily and Sunday newspapers, local newspapers published at least once per week and periodicals issued regularly at intervals exceeding 24 hours.

Minimum List Heading 489 (part): publishing of books, maps, music, religious tracts, almanacs etc.

As far as possible, printing activities not directly associated with the publication of these products have been excluded. These excluded activities are job and contract printing, production of banknotes, stamps, tickets, playing cards and similar printed matter. Where these activities are undertaken on the same premises as the production of published matter (e.g. job printing by a newspaper company) it has not always been possible to exclude them but any distortion is believed to be small.

A. ANALYSIS OF SALES AND PRODUCTION OF PUBLISHED MATTER

1. Statistical Analysis

Table I-1 Analysis of Publishing Sales in Recent Years  
Value of sales (£ millions) at current prices.

	Press Copy Sales	Advertising	Books	Other	Total
1968	227	255	127	31	640
1970	272	320	161	42	795
1973	362	496	222	73	1153
1974	430	521	272	78	1301
1975	531	548	332	98	1509
1976	613	652	391	119	1775

Sources: Census of Production 1968 and 1973  
Business Monitor 1970, 1974, 1975 and 1976  
(The 1970 figures are adjusted for incomplete coverage on the basis of the two sets of figures published in the Business Monitor Series for 1971, quarter 4)

Figures relate to establishments with 25 or more employees.

<sup>1</sup> Condensed version of definitions given as prefaces to reports on 1973 Census of Production for PA 485/6 and PA 489 (Business Statistics Office 1976).

Table I-1 shows newspapers and periodicals account for a dominant part of sales revenue from publishing in this country and that sale of advertising space is the major source of income for the Press.

Inflation seriously distorts comparisons over the period 1968 to 1976. Correction for inflation can take two forms:

- a) adjustment to constant purchasing power, which is useful for comparison of the "real" value of expenditure on published material or the "real" value of company sales, or
- b) adjustment by a price index relating to published matter, which is useful for measuring changes in the volume of production. Both adjustments are shown in Table I-2:-

Table I-2 Indices of Publishing Sales Turnover 1968-76

- a) in terms of constant purchasing power - deflator used:

Index of Retail Prices (all items)

- b) in terms of production volume (derived by manipulation of data published in the Business Monitor series)

	(a)	(b)
1968	90	n.a.
1970	100	100
1973	114.3	117
1974	111.3	113
1975	103.9	96
1976	104.9	99

Table I-2 shows a substantial rise in activity in publishing between 1970 and 1973; over this period the volume of production rose by 17 per cent and the real value of total sales by over 14 per cent. During the recession from 1973 to 1976 the real value of sales turnover fell sharply and there was an even greater fall in the volume of production. This difference was due to an increase in average price per copy of newspapers and periodicals approximately 1.3 times that in the index of all retail prices.

Employment in the printing and publishing industries has been much more stable than production. It is not possible to isolate the printing and publication of books; in Table I-3 are set out production and employment statistics for (i) newspaper and periodical publishing and (ii) all other printing and publishing. Books and other published matter accounted for 37 per cent of sales in the latter sub-sector in 1976.

Table I-3 Production and Employment in Publishing 1970-76

(Second quarter of each year)

	<u>Newspapers &amp; Periodicals</u>		<u>Other Printing and Publishing</u>	
	<u>Production</u>	<u>Employment</u>	<u>Production</u>	<u>Employment</u>
	(1970=100)	(000s)	(1970=100)	(000s)
1970	100	149	100	226
1971	98.2	146	95.8	220
1972	104.5	139	100.2	212
1973	119.1	138	103.5	212
1974	117.0	149	105.1	208
1975	99.1	136	99.3	206
1976	101.5	131	99.4	196

Source: Business Statistics Office and Dept. of Employment.

From Table I-3 it may be calculated that in the production of newspapers and periodicals, output per person employed in 1976 was only 15 per cent higher than in 1970 and was 10 per cent lower than in 1973. Overmanning in the Press was one of topics emphasised in the recent investigation by the Royal Commission on the Press.<sup>1</sup> The prospects for a significant increase in labour productivity with a highly organised skilled labour force and a background of heavy unemployment appear rather slender and negotiations in this respect seem to have progressed only slowly.

In other printing and publishing, increases in labour productivity have also been slow - in 1976, it was only 15 per cent greater than in 1970 and was less than 4 per cent greater than in 1973. Increases in labour costs in relation to sales revenue have contributed to the decline of profitability in the publishing industry in recent years.

## 2. Overseas Trade in Published Matter

Exports and imports of newspapers and periodicals are fairly small in relation to the value of U.K. sales. In 1975, exports amounted to only £27 millions, or about 5 per cent of the value of production. The main destination countries were Australia, New Zealand and the Irish Republic. Imports amounted to £11m. and were mainly from E.E.C. countries, especially Italy (£4m.) or from the U.S.A.

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<sup>1</sup> Report published by HMSO, July 1977.

In the case of books, foreign trade is more significant. Table I-4 shows exports, home sales of U.K. producers and imports annually from 1970 to 1975.

Table I-4 Value of Trade in Books 1970-75 (£m.)

	<u>Exports</u> <sup>+</sup>	<u>Imports</u> <sup>+</sup>	<u>Home sales of U.K. producers</u> <sup>*</sup>	<u>U.K. market</u>
1970	46.9	22.6	95.8	118.4
1971	59.7	25.9	107.8	133.7
1972	69.7	29.6	133.8	163.4
1973	72.2	31.6	142.1	173.7
1974	81.7	39.3	172.2	211.5
1975	101.8	51.2	218.0	269.2

Sources: Overseas Trade Statistics and Business Statistics Office.

<sup>+</sup> Exports are valued f.o.b. ("free on board" value on leaving the U.K. port) while imports are valued c.i.f. (value on arrival at the U.K. port, including carriage, insurance and freight).

<sup>\*</sup> This column is derived by subtracting from sales by U.K. publishers the sales of books exported directly or known to be destined to export. Because of time lags, the total value of this export production exceeds the value of exports shown by Overseas Trade Statistics. The sum of columns (1) and (3) of this table is consequently less than column (3) in Table I-1.

The books exported from the U.K. are more expensive in relation to weight than those imported. In 1975 the f.o.b. value of exports was 0.178 pence per gram while that of imports was 0.113 pence per gram. This is partly because imports include a higher proportion of children's books with larger print but the principal reason is the predominance among exports of literary, technical and scientific books.

The largest single market for exports is the U.S.A., the destination of 23 per cent (by value) of books exported in 1975. Other English-speaking countries accounted for much of the rest. The U.S.A. was the source of 40 per cent (by value) of books imported. Trade with other E.E.C. countries was less important, presumably because of language differences.

Whereas U.K. publishers exported 30 per cent (by value) of their total production of books in 1975, imports from overseas represented only 19 per cent (again by value) of the U.K. market. Trade in books is influenced by widespread international agreements, the subject of considerable commercial security. However the predominance in the U.K. of British books (suggested by this statistical analysis) is also clear from our survey of educational publishing: the use of American texts appears to be widespread only in more specialist areas of advanced study.



### 3. Further Analysis of Sales of Books

In Section II of this report we examine in some detail the segmentation of the total market for newspapers and periodicals and in Section III we report on our survey of text-books used in schools. The market for books is very diverse and, because the topic is not covered elsewhere in this report, we have set out in Table I-5 an analysis of sales of books by U.K. publishers in 1971, 1973 and 1975.

Table I-5 Analysis of Book Sales by Value (£ millions)

<u>Hard-back</u>	<u>1971</u>	<u>1973</u>	<u>1975</u>
School textbooks	15.5	19.7	28.1
Technical & Scientific	33.7	37.6	54.0
Fiction, literature & classics	23.4	28.0	41.2
Children's	15.7	17.6	26.9
Other	39.5	49.9	80.7
<u>Paper-back</u>			
School textbooks	14.2	17.2	28.2
Technical & Scientific	5.0	7.5	11.8
Fiction, literature & classics	18.4	23.1	40.7
Children's	4.4	7.0	10.3
Other	<u>9.7</u>	<u>14.0</u>	<u>18.3</u>
TOTAL	179.5	221.6	340.1

Source: Business Monitor Series

The proportion of sales turnover accounted for by paper-backs rose from 28.8 per cent in 1971 to 32.1 per cent in 1975. The data in Table I-5 reveals no other substantial changes in the composition of book sales over the four year period.

### B.CONCENTRATION IN PUBLISHING AS A WHOLE

#### Methodology

The methodology for the measurement of the concentration has been laid down by the Commission of the European Communities.<sup>1</sup> A summary of this methodology is given in Appendix A of this report.

The analysis of concentration is based on two sets of data relating to samples of firms in the industry studied. The first of these refers to sales by establishments within the United Kingdom of the products of that industry; data are collected for sales turnover and any other variables from a list specified by the Commission for which data are available.

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<sup>1</sup> See R. Linda, op. cit.

This level of investigation is concerned with the Economic Activity Unit and the criterion for inclusion of any undertaking in the sample of companies studied is a minimum level of sales from U.K. establishments of the relevant products in a key year. In the present study, the firms included are the first 60 of a larger sample ranked according to sales turnover from published matter in 1970. Another firm which was formed in 1970 and became larger than some of these 60 was added to the sample from 1971 onwards<sup>1</sup>.

The second set of data relates to all activities in the U.K. and elsewhere of any enterprise included in the first sample, for which sales of the relevant products from U.K. establishments account for more than 50% of total world turnover in a given year (1970). The term "enterprise" is defined here as in the official definition of the Business Statistics Office:- "a business consisting of one establishment, or of two or more establishments under common ownership or control." Effective control is deemed to occur when any single person or institution or an identical group of persons and/or institutions has an absolute majority of voting shares.

The difference between the Enterprise and Economic Activity Unit (EAU) approaches is demonstrated by the inclusion of the S. Pearson group in both (publishing of books, newspapers and periodicals accounted for 61 percent of group turnover in 1970) but the inclusion of Reed International Ltd. only in the EAU analysis (U.K. publishing accounted for 41 per cent of 1970 turnover).

Because Reed International is the firm with the largest publishing activities in the United Kingdom, its necessary exclusion from the Enterprise analysis means that more meaningful conclusions about concentration in publishing can be drawn from the EAU approach. However, for the EAU analysis, it was possible to obtain data for only two of the ten financial variables specified by the Commission. This is because companies with interests outside publishing normally provide a breakdown by product only for sales turnover and net profits.

In order to study the concentration of other financial variables and to compare the relative financial strengths of the companies concerned, it is necessary to refer to the Enterprise analysis, even though some of the firms with the largest publishing interests are excluded.

The results of the EAU analysis for each of the calendar years are presented and discussed in the following part of the text, (Sub-sections 1-3). The more extensive tables for the Enterprise analysis produced by the Commission's own computer are described in Sections 4 and 5 below.

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<sup>1</sup> Another of the 60 firms was formed in 1969 and is not included in 1968.

1. Trends in Sales Revenue and Profits - Economic Activity Units

Table I-6 shows the total values of sales and net profits before tax for the sample of firms annually from 1968 to 1975. The third column of data refers to the total of profits and losses by EAU's, the fourth column shows the total of profits only.

Table I-6 Turnover and Profits 1968-75 (Total of EAUs)

	No. of firms	Sales turnover (£ mill.)	Total profits + losses (£ mill.)	Total of profits (£ mill.)	No. of profit-making firms
1968	59	577.1	60.03	60.11	56
1969	60	630.6	52.91	53.35	52
1970	60	695.0	43.62	48.31	53
1971	61	741.5	59.81	61.00	59
1972	61	851.7	94.12	94.12	61
1973	61	999.9	100.54	100.54	61
1974	61	1151.7	77.95	81.18	59
1975	62	1368.2	93.44	96.76	61

N.B. Profits = net profits before tax, attributable to publishing

Source: Company Accounts.

Comparison with Table I-1 shows that the sample of around 60 firms accounts for the majority of sales turnover in publishing represented by establishments with 25 or more employees. The percentage covered by the sample was about 90 per cent throughout the period.

The data in Table I-6 can better be understood in terms of constant purchasing power. Table I-7 shows changes in each of the three totals in index form.

Table I-7 Indices of Turnover and Profits at Constant Purchasing Power (Total of EAUs)

(Deflator used is Index of Retail Prices - all items)

	<u>Sales turnover</u>	<u>Profits + losses</u>	<u>Profits only</u>
1968	100	100.0	100.0
1969	103.6	83.5	84.2
1970	107.3	64.7	71.7
1971	104.7	81.2	82.7
1972	112.3	119.2	119.2
1973	120.7	116.7	116.7
1974	119.8	77.9	81.1
1975	114.6	75.2	77.8

Since 1968 the most profitable period for the publishing industry was the consumer boom of 1972 and 1973, when advertising revenue for the Press was at its peak for this survey period. The average profit margin in relation to sales was also at its peak in these years:-

Table I-8 Net Profits before Tax as Percentage of Sales  
(Total of EAUs; losses included in average)

	%		%
1968	10.40	1972	11.05
1969	8.39	1973	10.06
1970	6.28	1974	6.77
1971	8.07	1975	6.82

2. Some general comments regarding Concentration in Publishing

The combination in a single set of calculations of the Press and the publishing of books tends to distort slightly the analysis of concentration. Only four of the 61 firms included in the EAU analysis had significant sales of both books and newspapers/periodicals. These were:-

- S. Pearson and Son Ltd. (owners of the Financial Times, Westminster Press, Longmans and Penguin Books Ltd.);
- Reed International (Mirror Group newspapers and the International Publishing Corporation with its book-publishing interests in Butterworth and Hamlyn);
- The Thomson Organisation (the Times, the Sunday Times, regional newspapers, a range of periodicals and books published by Nelson, Pelham, Hamish Hamilton, and other subsidiaries;
- Scottish and Universal Investments Ltd. (a major newspaper publisher in Scotland and owner of Holmes McDougall, book publishers).

Some indication of the distortion is provided by analysis of the EAU data for 1968 and comparison with the Census data for that year. The five-firm concentration ratio for each product range were as follows (our own EAU data):-

Publishing in total	59.5	per cent of the totals
Newspaper & Periodicals	66.9	" for the sample of
Other publishing	42.8	" 59 firms.

The Census of Production for 1968 gave the five-firm ratio for published books as only 32.2 per cent. The discrepancy between this and our own estimate for books and other publishing is explained by the fact that 23 of the 59 firms in the 1968 sample did not publish books at all. This means that the sample included only 36 publishers of books and, while we are satisfied that these were the 36 largest publishers, the structure of book publishing was - and remains - fairly atomistic. The 1968 census showed 88 separate enterprises employing 25 or more people, and there was a large number of book publishers operating on an even smaller scale and accounting for 14 per cent of book sales.<sup>1</sup>

Even in the newspaper/periodical sub-sector the concentration ratios overlook the existence of a large number of small companies not included in our sample. Data are published on the distribution of these companies and these are analysed in Section II below.

<sup>1</sup> Census of Production 1968: Enterprise Tables and Industry Report No. 143.

### 3. Standard Concentration Ratios and their Interpretation

Tables I-9 to I-11 show values of the standard concentration ratios for turnover and profits annually from 1968 to 1975, applied to the EAU data.

Table I-9 Concentration of Sales Turnover 1968-75 (EAU)

	Number of firms	Mean (£000)	Coeff. of Variation	Gini coeff.	Herf.-Hirschman	Entropy
1968	59	9,782	2.273	0.705	104.51	-129.62
1969	60	10,509	2.241	0.698	100.38	-131.48
1970	60	11,584	2.187	0.693	96.42	-132.76
1971	61	12,157	2.072	0.677	86.77	-136.16
1972	61	13,962	1.946	0.665	78.46	-138.69
1973	61	16,391	1.864	0.656	73.33	-140.42
1974	61	18,881	1.857	0.662	72.94	-139.97
1975	61	22,430	1.861	0.660	73.17	-139.85

n*	Concentration ratio for n* firms				Linda Index for n* firms			
	4	8	10	20	4	8	10	20
1968	52.90	69.39	72.99	85.53	0.631	0.464	0.450	0.311
1969	52.36	67.95	72.04	84.99	0.609	0.448	0.418	0.297
1970	49.69	67.23	71.52	84.72	0.629	0.424	0.391	0.279
1971	47.66	65.65	69.92	82.87	0.588	0.393	0.370	0.269
1972	45.75	64.05	68.29	82.00	0.546	0.365	0.349	0.248
1973	44.56	62.84	67.10	81.39	0.530	0.351	0.339	0.234
1974	44.36	62.85	67.45	82.23	0.530	0.341	0.326	0.232
1975	45.14	63.40	68.12	81.97	0.522	0.339	0.321	0.252

Table I-9 shows a distinct decrease in concentration in publishing from 1968 to 1973. All the indices show a progressive annual decrease over this period. After 1973 there are indications of stability. From Table I-11 below, which shows critical values of the Linda index, it will be seen that this Index shows the existence in each of the years 1968 to 1973 of an oligopoly group of seven enterprises. Table I-11 also shows that their combined share of industry sales fell from 67.2 per cent in 1968 to 60.2 per cent in 1973. The seven companies concerned and their individual shares of the market over the complete seven year period are shown in Table I-12.

Table I-10 Concentration of Pre-Tax Profits 1968-75 (EAU)

	Number of firms	Mean (£000)	Coeff. of Variation	Gini Coeff.	Herf.-Hirschman	Entropy
1968	56	1073	2.201	0.708	104.39	-128.7
1969	52	1026	1.923	0.702	90.37	-129.0
1970	53	911	1.563	0.662	64.97	-137.3
1971	59	1034	1.721	0.675	67.16	-139.3
1972	61	1542	1.431	0.636	49.98	-146.9
1973	61	1648	1.461	0.619	51.41	-148.1
1974	59	1376	1.691	0.626	65.42	-143.8
1975	61	1596	1.922	0.675	78.26	-137.3

Concentration Ratio for n\* firms

Linda Index for n\* firms

n* =	4	8	10	20	4	8	10	20
1968	51.02	66.10	71.70	87.26	0.828	0.457	0.374	0.263
1969	48.85	67.23	74.15	89.02	0.606	0.360	0.294	0.261
1970	42.10	61.89	69.10	86.56	0.437	0.267	0.230	0.191
1971	41.42	61.57	68.26	84.83	0.504	0.279	0.245	0.194
1972	36.10	54.50	61.34	81.52	0.304	0.234	0.203	0.159
1973	35.73	53.97	59.51	79.02	0.425	0.275	0.244	0.160
1974	40.24	56.28	61.88	79.00	0.615	0.342	0.290	0.191
1975	48.06	63.15	68.50	82.76	0.530	0.385	0.333	0.251

N.B. In the measurement of concentration indices only positive profits are included (losses are omitted entirely from the computation).

Table I-11 Critical Values of the Linda Index (EAU)

	N* <sub>h</sub>	L* <sub>N<sub>m</sub></sub>	N* <sub>m</sub>	L* <sub>N<sub>m</sub></sub>	CR* <sub>N<sub>m</sub></sub>	LS
Sales Turnover (01)						
1968	2	1.142	7	0.4428	67.24	0.6740
1969	2	1.1039	7	0.4465	65.52	0.6732
1970	2	1.2544	7	0.4099	64.91	0.6831
1971	2	1.1412	7	0.3730	63.32	0.6319
1972	2	1.0565	7	0.3457	61.62	0.5839
1973	2	0.9303	7	0.3431	60.20	0.5443
1974	2	0.9225	47	0.1532	97.36	0.2565
1975	2	0.8614	6	0.3519	56.84	0.5499
Net profits before tax (04)						
1968						
1969	2	0.8643	12	0.2744	79.09	0.4653
1970	2	0.5846	12	0.2182	74.27	0.3336
1971	2	0.9331	23	0.1808	88.33	0.3037
1972	2	0.5126	15	0.1634	74.43	0.2515
1973	2	0.7452	34	0.1275	92.68	0.2182
1974	2	1.1029	37	0.1333	94.96	0.2634
1975	2	0.8299	14	0.2747	75.70	0.4226

Table I-12 Shares of Industry Sales of Seven Largest Companies

	% of total publishing sales in year stated							
	1968	69	70	71	72	73	74	75
IPC/Reed	26.3	25.6	25.3	23.2	21.1	19.6	19.4	18.9
Thomson	11.5	11.6	10.1	10.1	10.0	10.6	10.5	11.0
Assocd. News	7.9	7.6	7.1	6.4	6.3	6.3	6.5	6.1
Beaverbrook	7.2	7.6	7.3	7.1	7.0	6.6	6.3	5.9
Pearson	6.5	5.5	6.7	7.3	7.6	7.8	8.0	9.1
Telegraph	4.1	3.9	3.7	4.1	4.3	3.9	3.7	3.4
News Intl.	3.7	3.8	4.9	5.2	5.4	5.4	5.6	5.9
	67.2	65.5	64.9	63.3	61.6	60.2	60.0	60.3

The main reasons for the comparative decline of some of the largest publishing companies are changes in the relative importance of different sectors of the Press. The circulation of the more popular daily newspapers fell during the survey period and there was also a sharp drop in the circulation of many of the general interest magazines. These changes are discussed in Section II which is concerned with concentration in the Press.

It is important to emphasise that the ranking of net profits is different from that of sales turnover. The seven largest companies in terms of sales accounted for 67 per cent of turnover and 60 per cent of profits in 1968 ; by 1973 the proportions had fallen to 60 and 44 per cent respectively. In the difficult years of 1974 and 1975 some of the largest companies made losses.

In the analysis of market shares we have calculated the Index of Dynamism also defined by the Commission.<sup>1</sup> For sales turnover and net profits the values of this Index in each year were as follows :-

Table I-13 Index of Dynamism (EAU)

	Sales turnover (01)	Net profits (04)
1968-9	3.46	12.91
1969-70	3.78	15.90
1970-1	4.28	17.85
1972-3	3.17	14.85
1973-4	3.03	16.44
1974-5	3.85	36.03

<sup>1</sup> 
$$D = \frac{a_{it} - a_{it-1}}{\frac{\sum a_{it} + \sum a_{it-1}}{2}} \cdot \frac{100}{2}$$

See R. Linda, op. cit.

Because net profits represent a balance between flows, their distribution would normally be expected to change much more than that of sales turnover. The Index of Dynamism for sales turnover is unusually low. The progression away from concentration indicated by the analysis of the concentration indices has been a steady one.

An investigation of the possibility of a statistical relationship between size and profit margin (net profits as percentage of sales versus absolute size of sales) produced no significant correlation. This computation was undertaken both with data for individual years and with averages for the eight years. The reason for this absence of correlation is believed to be the compensating for economies of scale on the one hand by the relative decline of those particular activities (especially general periodicals and "popular" national newspapers) which are carried out by the largest publishing groups.

#### 4. Analysis of Other Financial Variables - Enterprise Tables

The enterprise analysis is based on data for world-wide, all-product operations of those enterprises of whose turnover at least 50 per cent is derived from publishing activities in the United Kingdom. The principal companies included in the EAU analysis but excluded from the Enterprise Tables are the following :-

	<u>U.K. publishing turnover 1975 (£m)</u>	<u>Total world-wide turnover 1975</u>
British Electric Traction Ltd.	12.3	437.1
British Printing Corporation Ltd.	32.9	127.5
Granada Group Ltd.	5.4	119.6
Reed International Ltd.	258.9	1063.6
Thomas Tilling Ltd.	10.9	625.6

Reed International obtained nearly 19 per cent of publishing sales in 1975 (26 per cent in 1968 - see Table 1-12 above) and the other four companies obtained a combined share of 4.5 per cent. The exclusion of Reed International from the Enterprise analysis affects the interpretation of the Tables of Concentration.

Table 1 shows the growth of the total for all enterprises in the sample with positive values of the variable concerned in any one year. It is interesting to note that the total value of sales turnover rose more quickly after 1972 than the total of the wage-bill. This may seem a paradox for an industry in which rising labour costs are blamed for increasing financial difficulties. Much of the explanation lies in the inclusion in sales turnover of that from overseas operations, the sterling value of which has appreciated with the devaluation of the pound. The effects of devaluation are also evident in the data for total exports.

On page 3 of Table 1 we include two variables not listed in the Commission's standard specification. These are 9- Net cash flow (Profit after tax plus depreciation) and 10- Net assets or total capital (Total assets minus current liabilities). Net cash flow is



particularly volatile ; if losses as well as profits were included this instability would be even more evident.

Table 2 shows the values of the mean of each variable, the coefficient of variation, the Gini, Herfindahl-Hirschman and Entropy measures of concentration in each of the years 1968-1974 (with data added for 1975 in the case of all variables except 06, gross additions to fixed assets). Most of the coefficients show sales turnover to be the least concentrated of the ten variables in each of the eight years. This result, which casts doubt upon the increasingly-accepted theory that sales revenue maximisation is the primary objective of business, is consistent with results of most of the other studies undertaken by and for the Commission of the European Communities in this series.

Exports are more concentrated than the other variables mainly because exporting is confined principally to book publishers and some of the companies included in the analysis do not publish books.

The concentration of equity capital (07- also known as "shareholders' funds") is understated in these Tables because some enterprises have significant minority holdings in others and the total value of equity is consequently over-stated. These inter-company holdings are confined mainly to the Press sub-sector and, since they also affect companies not included in the Enterprise analysis, they are listed in full in Table II- in the next section. The total value of the double-counted equity in the Enterprise analysis was £8.0 millions in 1975. While this is only 1.5 per cent of the total figure for equity capital in that year, the degree of concentration is under-stated in that control is in a smaller number of groups. The implications for competition are discussed in Section II.

Table 3 shows the concentration ratios and Linda coefficients for each of the ten variables in each of the seven years. For sales turnover, the Linda coefficients indicate the existence of an oligopoly group of six enterprises in 1968 and of five enterprises from 1969 onwards. A similar distinct size-group is shown for the first four years in the Linda analysis of employment and, throughout the period, in the analysis of wage-bill. It is interesting to note that, except in occasional years, no oligopoly groupings are identified for any of the other variables. Although the concentration of sales turnover is less than that of the other variables, there appears to be a distinct oligopoly "threshold" for this variable which is not observed for any of the others.

The three "matrices of oligopolistic interdependence" which follow the Tables of Concentration are described by Linda in some detail<sup>1</sup> and only brief comments on interpretation are set out in this text.

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<sup>1</sup> R. Linda, op. at. pp 38-76

Matrix No. 1 shows the ranking of each of the ten variables according to two criteria - the values of  $Lh^*h$  and of LS (see Appendix A). The "score" in the body of the matrix is the sum of the two rankings. The total "scores" of the variables over the eight years can be used to rank them according to their comparative inequality. In the case of profits, the total score is 80 while that for sales turnover is 95. This appears to lend some further support to Linda's finding<sup>1</sup> that the distribution of profits is generally more concentrated than that of sales turnover, though the evidence is less strong than corresponding evidence from other studies.

In only two of the eight years (1969-1976) exports again appear as the variable with the greatest inequality of distribution. The reason for this (the fact that many newspaper companies have negligible exports) has already been explained.

Matrix No. 2 is presented for only two years (1968 and 1973), chosen to illustrate the entire period. The symbols used in this matrix are as follows :-

Rank 1 = ranking of enterprises according to performance ratio 2r

$$1r = \frac{\text{net profits before tax}}{\text{total sales turnover}}$$

Rank 2 = ranking of enterprises according to performance ratio 2r

$$2r = \frac{\text{net profits before tax}}{\text{equity capital}}$$

1 x = ranking by sales turnover

7 x = ranking by equity

The score in the matrix for each firm is the sum of Rank 1 and Rank 2. Where a company is among the top 13 according to one performance ratio but not according to the other the total score (the addition of the two rankings) is shown in parentheses at the end of the column or row.

The numbers representing each firm are merely for identification (Because some of the most profitable companies in the survey period were very small, the use of alphabetic codes to designate size proved impracticable).

Few conclusions can be drawn from Matrix 2 :-

(a) The rankings by the two criteria vary substantially. A major reason for this is the existence of minority interests in some of the publishing companies ; another is variation in the amount of "gearing" (i.e., the extent to which companies use long-term loans as opposed to equity capital). Diversity of policy regarding asset revaluation during the period of rapid inflation may also have distorted the equity figures.

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<sup>1</sup> R. Linda, *ibid.* p.45

(b) The relationship between size and performance is very weak, as we have already explained on page 13 above, because economics of scale have been offset by changes in the composition of market demand.

A complete statistical investigation, in which each of the following regression calculations was undertaken, yielded no statistically significant correlation.

net profit before tax / sales turnover	v	sales turnover
" " " " / equity	v	equity
" " " " / net assets	v	net assets
cash flow before tax / sales turnover	v	sales turnover
" " " " / equity	v	equity
" " " " / net assets	v	net assets
cash flow after tax / sales turnover	v	sales turnover
" " " " / equity	v	equity
" " " " / net assets	v	net assets

Matrix No. 3 shows the ranking of firms based on growth between successive years of sales turnover (Rank 1, with the growth shown as 1 c) and of net profits (Rank 4 with the growth shown as 4c).

The growth rates are expressed as absolute changes in the company's percentage share of the total value of the variable achieved by all companies. For example, company 53 held 1.38 per cent of sales turnover in 1968 and 2.43 per cent in 1969, so that 1c for 1968-9 was 1.05. In the case of profits, only positive values are used for derivation of the total.

1 X = company's share of turnover in the earlier of the two years.

4 X = company's share of profits in the earlier of the two years.

The score in the matrix is the sum of the two rankings. As in Matrix 2, if a company falls within the first 12 according to one ranking but not according to the other, its "score" is shown at the end of the column or row in which it appears.

This matrix has been constructed on the basis of the EAU data, because these more meaningfully represent publishing activities. The analysis confirms the earlier textual observation that smaller companies have tended to grow at the expense of larger ones in this industry, in spite of the mergers which have taken place and are described in Section II.

TABLES OF CONCENTRATION - ENTERPRISE ANALYSIS

Please refer to p. 13 for  
interpretation of pp. 17 - 38.

TABLE 1 The Total Values of the Variables (Page 1 )

Year	No. of firms	Total Value £m.	Index 1968 = 100	
			Unadjusted	At constant purch. power
Variable: 01 Sales Turnover				
1968	44	478.5	100	100
1969	45	521.6	109	103
1970	45	582.7	122	109
1971	46	619.5	129	105
1972	46	817.9	171	130
1973	46	989.2	207	144
1974	46	1149.6	240	144
1975	45	1366.9	286	138
Variable: 02 Employment (Thousands)				
1968	44	114.6	100	
1969	45	118.6	103	
1970	45	122.5	106	Not applicable
1971	46	120.2	104	applicable
1972	46	129.7	113	
1973	46	130.7	114	
1974	45	135.0	118	
1975	45	118.5	103	
Variable: 03 Total wage bill				
1968	44	149.2	100	100
1969	45	166.8	111	106
1970	45	195.3	130	117
1971	46	213.6	143	117
1972	46	252.2	169	129
1973	46	289.9	194	135
1974	45	343.5	230	126
1975	45	398.7	267	129

TABLES OF CONCENTRATION - ENTERPRISE ANALYSIS

Table 1 The Total Values of the Variables (Page 2 )

Year	No. of firms	Total Value £m.	Index 1968 = 100	
			Unadjusted	At constant purch. power
Variable: 04 Net Profits before tax				
1968	42	56.5	100	100
1969	38	53.7	95	90
1970	40	57.6	101	91
1971	45	68.7	121	99
1972	46	108.1	191	145
1973	46	119.9	212	148
1974	43	90.6	160	96
1975	43	108.2	192	93
Variable: 05 Cash flow				
1968	43	68.2	100	100
1969	42	65.1	95	91
1970	43	70.0	102	92
1971	45	81.7	119	98
1972	46	124.4	182	139
1973	46	138.6	203	141
1974	43	119.9	176	106
1975	43	132.0	194	94
Variable: 06 Gross capital expenditure				
1968	44	17.92	100	100
1969	45	26.50	147	140
1970	45	27.25	152	136
1971	46	23.61	131	107
1972	46	33.41	186	142
1973	46	55.79	311	217
1974	46	63.21	352	211
1975	-	not available	-	-

TABLES OF CONCENTRATION - ENTERPRISES

Table 1 The Total Values of the Variables (Page 3 )

Year	No. of firms	Total Value £m.	Index 1968 = 100	
			Unadjusted	At constant purch. power
Variable: 07 Equity Capital (Shareholders' funds)				
1968	44	257.9	100	100
1969	45	278.6	108	102
1970	44	300.4	116	104
1971	46	342.8	132	108
1972	46	404.1	156	119
1973	46	460.9	178	125
1974	45	486.9	189	113
1975	45	542.7	210	102
Variable: 08 Exports				
1968	44	34.9	100	100
1969	45	36.9	105	100
1970	45	44.3	126	113
1971	46	51.7	148	121
1972	46	60.4	173	132
1973	46	78.0	223	156
1974	45	99.2	284	170
1975	45	134.8	387	187
Variable: 09 Net Cash flow				
1968	43	48.1	100	100
1969	42	44.8	93	88
1970	42	50.6	105	94
1971	45	57.8	120	98
1972	46	85.1	176	135
1973	45	84.0	174	122
1974	43	64.8	135	81
1975	42	128.4	267	129
Variable: 10 Net assets				
1968	44	342.9	100	100
1969	45	348.2	101	96
1970	45	388.9	113	101
1971	46	443.9	129	105
1972	46	529.3	154	117
1973	46	606.0	176	123
1974	45	677.9	198	120
1975	45	771.1	225	109

TABLES OF CONCENTRATION ENTERPRISES

Table 2 Standard Concentration Measures (Page 1 )

Variable	No. of firms	Mean	Coefficient of Variation	Concentration indices		
				Gini	Herf-Hirsch.	Entropy
<u>Year: 1968</u>						
01	44	10.88	1.680	.647	85.0	-129.4
02	44	2.60	1.715	.673	87.6	-126.9
03	44	3.39	1.789	.692	93.3	-124.2
04	42	1.35	1.797	.684	98.4	-123.5
05	43	1.59	1.814	.690	97.5	-123.7
06	44	0.41	1.582	.674	77.9	-128.5
07	44	5.86	1.805	.675	99.3	-124.9
08	44	0.79	2.068	.747	117.2	-115.8
09	43	1.12	1.991	.715	112.8	-119.4
10	44	7.79	2.256	.711	135.3	-116.9
<u>Year: 1969</u>						
01	45	11.60	1.642	.643	80.3	-131.3
02	45	2.64	1.685	.672	83.5	-128.5
03	45	3.71	1.757	.691	88.9	-125.8
04	38	1.41	1.609	.673	92.0	-122.3
05	43	1.55	1.694	.694	90.0	-123.6
06	45	0.59	1.821	.703	93.8	-124.1
07	45	6.19	1.749	.675	91.9	-126.9
08	45	0.82	1.927	.718	102.5	-121.3
09	42	1.07	1.813	.710	99.7	-120.7
10	45	7.74	2.181	.710	125.1	-118.8

TABLES OF CONCENTRATION ENTERPRISES

Table 2 Standard Concentration Measures (Page 2 )

Variable	No. of firms	Mean	Coefficient of Variation	Concentration indices		
				Gini	Herf-Hirsch.	Entropy
<u>Year: 1970</u>						
01	45	12.96	1.594	0.636	76.9	-132.2
02	45	2.73	1.689	0.672	83.7	-128.4
03	45	4.34	1.762	0.695	89.2	-125.3
04	40	1.44	1.885	0.706	111.0	-118.6
05	43	1.63	1.897	0.718	104.5	-120.2
06	45	0.61	1.862	0.721	97.1	-122.0
07	44	6.83	1.753	0.672	90.5	-127.0
08	45	0.98	2.258	0.741	132.6	-115.5
09	42	1.20	2.030	0.735	115.8	-117.4
10	45	8.65	2.232	0.712	130.0	-118.6
<u>Year: 1971</u>						
01	46	13.48	1.554	0.616	72.7	-135.4
02	46	2.62	1.712	0.672	83.7	-192.3
03	46	4.65	1.764	0.695	87.5	-126.3
04	45	1.53	1.913	0.695	101.3	-124.5
05	45	1.82	1.835	0.683	94.9	-126.4
06	46	0.51	1.614	0.692	76.7	-128.5
07	46	7.46	1.891	0.677	97.4	-126.9
08	46	1.13	2.316	0.745	135.4	-115.4
09	45	1.29	1.954	0.696	104.7	-124.0
10	46	9.66	2.311	0.706	134.9	-119.1



TABLES OF CONCENTRATION ENTERPRISES

Table 2 Standard Concentration Measures (Page 3 )

Variable	No. of firms	Mean	Coefficient of Variation	Concentration indices		
				Gini	Herf-Hirsch.	Entropy
Year: 1972						
01	46	17.80	1.639	.633	78.4	-133.1
02	46	2.82	1.830	.686	92.5	-126.8
03	46	5.49	1.796	.700	89.9	-125.5
04	46	2.35	1.756	.664	86.9	-129.9
05	46	2.71	1.743	.662	85.9	-130.2
06	46	0.73	1.629	.689	77.7	-128.7
07	46	8.80	1.934	.682	100.8	-126.3
08	46	1.32	2.581	.752	163.0	-111.4
09	46	1.85	1.862	.675	95.1	-127.8
10	46	11.52	2.336	.711	137.4	-118.6
Year: 1973						
01	46	21.53	1.683	.636	81.5	-132.4
02	46	2.84	1.864	.689	95.2	-126.1
03	46	6.31	1.810	.703	90.9	-125.0
04	46	2.61	1.763	.663	87.4	-129.7
05	46	3.02	1.751	.657	86.5	-130.3
06	46	1.21	1.882	.721	96.6	-123.0
07	46	10.03	1.895	.670	97.7	-127.7
08	46	1.70	2.628	.762	168.2	-109.9
09	45	1.87	1.868	.667	97.6	-127.3
10	46	13.19	2.310	.707	134.8	-119.1

TABLES OF CONCENTRATION ENTERPRISES

Table 2 Standard Concentration Measures (Page 4 )

Variable	No. of firms	Mean	Coefficient of Variation	Concentration indices		
				Gini	Herr-Hirsch.	Entropy
<u>Year: 1974</u>						
01	46	25.00	1.658	.639	81.5	-131.7
02	46	2.93	1.832	.676	94.7	-126.7
03	46	7.47	1.799	.697	92.1	-124.9
04	44	2.06	1.687	.644	87.4	-129.4
05	44	2.73	1.601	.643	81.0	-130.3
06	46	1.41	1.579	.680	75.9	-129.2
07	46	10.58	1.903	.659	100.4	-127.7
08	37	2.68	2.330	.699	173.8	-109.3
09	44	1.47	1.855	.656	101.0	-126.4
10	46	14.73	2.263	.707	133.1	-118.5
<u>Year: 1975</u>						
01	45	30.38	1.649	.627	82.7	-131.7
02	45	2.64	1.656	.657	83.1	-129.4
03	45	8.86	1.815	.689	95.4	-124.4
04	43	2.52	1.751	.661	94.6	-126.1
05	43	3.07	1.727	.657	92.6	-126.5
06	-	-	not available	-	-	-
07	45	12.06	1.873	.671	100.2	-125.7
08	36	3.75	2.199	.732	162.2	-105.7
09	42	3.06	2.982	.779	235.6	- 97.6
10	45	17.14	2.114	.686	121.5	-121.7

TABLES OF CONCENTRATION - ENTERPRISES

Table 3 Linda indices (L) and Concentration Ratios (CR) (Page 1 )

No. of firms =		4	8	10	N <sup>*</sup> h	L	N <sup>*</sup> m	L
		<u>Variable: 01 Sales Turnover</u>						
1968	CR	51.7	68.5	72.8	2	.690	6	.361
	L	.420	.405	.377				LS=0.472
1969	CR	49.6	67.8	72.5	2	.785	5	.340
	L	.396	.364	.338				LS=0.509
1970	CR	48.1	67.0	71.8	2	.626	5	.306
	L	.385	.355	.331				LS=0.449
1971	CR	45.2	64.4	69.4	2	.919	5	.313
	L	.402	.340	.309				LS=0.551
1972	CR	48.0	65.6	70.1	3	.573	5	.363
	L	.448	.364	.344				LS=0.472
1973	CR	49.3	66.1	70.6	3	.597	5	.398
	L	.478	.376	.354				LS=0.507
1974	CR	49.5	66.0	71.2	3	.571	5	.404
	L	.470	.373	.334				LS=0.498
1975	CR	50.3	66.3	71.2	3	.556	5	.417
	L	.464	.377	.343				LS=0.488
		<u>Variable: 02 Employment</u>						
1968	CR	53.2	69.0	74.0	2	.513	5	.356
	L	.399	.406	.355				LS=0.422
1969	CR	51.5	68.8	73.9	2	.543	6	.358
	L	.399	.371	.334				LS=0.418
1970	CR	51.3	68.8	73.8	2	.522	5	.352
	L	.404	.379	.336				LS=0.427
1971	CR	51.2	67.7	73.1	2	.507	5	.382
	L	.419	.382	.327				LS=0.449
1972	CR	52.9	69.3	74.2	2	.649	7	.409
	L	.508	.413	.366				LS=0.509
1973	CR	53.7	70.3	75.0	2	.650	21	.265
	L	.523	.415	.376				LS=0.379
1974	CR	53.0	69.1	73.9	2	.704	17	.276
	L	.558	.428	.382				LS=0.411
1975	CR	50.3	67.8	73.3	2	.548	13	.268
	L	.461	.366	.321				LS=0.376

TABLES OF CONCENTRATION ENTERPRISES

Table 3 Linda indices (L) and Concentration Ratios (CR) (Page 2 )

No. of firms =		4	8	10	N <sup>*</sup> h	L	N <sup>*</sup> m	L
		<u>Variable: 03 Wage bill</u>						
1968	CR	55.8	72.1	76.5	2	.686	5	.348
	L	.366	.423	.387			LS= 0.460	
1969	CR	54.1	71.9	76.6	2	.693	5	.347
	L	.354	.362	.350			LS= 0.459	
1970	CR	53.7	72.2	77.0	2	.694	5	.326
	L	.360	.366	.346			LS= 0.455	
1971	CR	52.7	71.6	76.3	2	.648	5	.320
	L	.368	.353	.341			LS= 0.456	
1972	CR	53.3	71.5	76.7	2	.525	5	.343
	L	.392	.368	.339			LS= 0.441	
1973	CR	53.6	72.5	77.4	2	.506	5	.327
	L	.385	.360	.349			LS= 0.425	
1974	CR	53.9	71.9	77.0	2	.501	5	.354
	L	.411	.371	.348			LS= 0.437	
1975	CR	54.3	71.9	77.2	2	.537	5	.385
	L	.467	.394	.357			LS= 0.477	
		<u>Variable: 04 Net profits before tax</u>						
1968	CR	54.7	70.7	76.5	2	.687	5	.483
	L	.533	.407	.346			LS= 0.571	
1969	CR	52.3	71.8	78.8	2	.542	11	.267
	L	.478	.335	.283			LS= 0.388	
1970	CR	54.6	73.7	79.8	3	.859	11	.332
	L	.641	.386	.339			LS= 0.517	
1971	CR	52.1	70.6	76.5	2	1.203	23	.249
	L	.580	.380	.332			LS= 0.394	
1972	CR	49.4	65.2	71.1	2	1.052	30	.202
	L	.515	.378	.319			LS= 0.321	
1973	CR	50.5	66.7	71.9	2	.847	31	.196
	L	.510	.393	.347			LS= 0.319	
1974	CR	48.2	67.2	73.4	2	1.205	11	.297
	L	.541	.340	.298			LS= 0.491	
1975	CR	52.1	69.4	74.1	2	.929	32	.206
	L	.536	.377	.363			LS= 0.329	

TABLES OF CONCENTRATION ENTERPRISES

Table 3 Linda indices (L) and Concentration Ratios (CR) (Page 3 )

No. of firms =		4	8	10	N <sup>*</sup> h	L	N <sup>*</sup> m	L
		<u>Variable: 05 Cash flow</u>						
1968	CR	54.1	70.7	76.6	2	.682	11	.313
	L	.543	.405	.340			LS= 0.460	
1969	CR	51.7	71.9	78.4	2	.512	11	.262
	L	.474	.309	.280			LS= 0.377	
1970	CR	53.6	73.1	79.5	2	.781	11	.307
	L	.610	.362	.315			LS= 0.482	
1971	CR	51.1	69.6	74.8	2	1.040	22	.243
	L	.561	.369	.342			LS= 0.381	
1972	CR	49.5	65.1	71.1	2	.943	31	.200
	L	.512	.383	.319			LS= 0.314	
1973	CR	50.5	66.5	71.6	2	.785	31	.199
	L	.508	.394	.348			LS= 0.317	
1974	CR	47.0	67.5	73.7	2	.976	11	.264
	L	.475	.300	.277			LS= 0.433	
1975	CR	52.9	69.4	74.5	2	.980	10	.348
	L	.475	.375	.348			LS= 0.495	
		<u>Variable: 06 Gross capital expenditure</u>						
1968	CR	49.8	69.2	75.1	2	.554	4	.321
	L	.320	.289	.278			LS= 0.433	
1969	CR	52.6	72.9	77.1	2	.788	6	.355
	L	.466	.359	.368			LS= 0.515	
1970	CR	54.2	73.3	79.6	2	.669	11	.302
	L	.501	.358	.313			LS= 0.419	
1971	CR	47.1	69.6	75.6	2	.546	6	.279
	L	.376	.271	.264			LS= 0.383	
1972	CR	47.5	67.7	75.2	2	.561	10	.246
	L	.407	.277	.246			LS= 0.369	
1973	CR	51.9	72.1	77.9	2	.786	16	.267
	L	.543	.344	.315			LS= 0.396	
1974	CR	47.0	68.3	74.1	2	.582	9	.273
	L	.387	.284	.274			LS= 0.366	
1975	CR	NOT AVAILABLE						
	L						LS=	

TABLES OF CONCENTRATION ENTERPRISES

Table 3 Linda indices (L) and Concentration Ratios (CR) (Page 4 )

No. of firms =		4	8	10	N <sup>*</sup> h	L	N <sup>*</sup> m	L
		<u>Variable: 07 Equity Capital</u>						
1968	CR	52.8	70.6	75.9	2	.896	12	.330
	L	.669	.389	.351			LS= 0.500	
1969	CR	53.0	69.7	75.3	2	.826	13	.310
	L	.497	.384	.339			LS= 0.445	
1970	CR	50.3	69.8	75.7	2	.879	11	.286
	L	.524	.331	.303			LS= 0.458	
1971	CR	51.5	69.7	75.2	2	.948	11	.314
	L	.597	.374	.337			LS= 0.507	
1972	CR	51.6	69.5	74.7	2	1.063	13	.313
	L	.629	.392	.355			LS= 0.503	
1973	CR	50.7	68.9	73.8	2	1.156	7	.383
	L	.606	.384	.352			LS= 0.656	
1974	CR	50.0	68.7	74.0	2	1.426	13	.309
	L	.661	.358	.336			LS= 0.529	
1975	CR	52.5	71.0	76.0	2	1.139	12	.326
	L	.554	.353	.347			LS= 0.504	
		<u>Variable: 08 Exports</u>						
1968	CR	56.8	73.3	78.9	2	1.071	19	.259
	L	.633	.453	.380			LS= 0.438	
1969	CR	53.6	69.5	75.4	2	.953	3	.628
	L	.629	.426	.355			LS= 0.790	
1970	CR	57.8	72.2	77.3	2	1.301	23	.264
	L	.810	.523	.436			LS= 0.469	
1971	CR	57.9	71.9	77.2	2	1.262	3	.866
	L	.900	.536	.439			LS= 1.064	
1972	CR	60.1	72.7	77.6	2	1.698	3	1.074
	L	1.085	.619	.503			LS= 1.386	
1973	CR	60.5	74.8	79.2	2	1.807	24	.278
	L	1.031	.582	.512			LS= 0.561	
1974	CR	61.1	75.1	79.3	2	2.002	24	.283
	L	1.001	.602	.529			LS= 0.582	
1975	CR	66.0	79.2	83.5	3	1.076	23	.354
	L	0.841	.604	.530			LS= 0.541	

TABLES OF CONCENTRATION ENTERPRISES

Table 3 Linda indices (L) and Concentration Ratios (CR) (Page 5)

No. of firms =		4	8	10	N <sup>*</sup> h	L	N <sup>*</sup> m	L
		Variable: 09 Net cash flow						
1968	CR	57.3	73.6	79.1	2	.781	11	.350
	L	.616	.441	.381			LS= 0.519	
1969	CR	54.7	73.7	80.3	2	.574	11	.291
	L	.517	.349	.307			LS= 0.419	
1970	CR	56.4	74.7	81.2	2	.875	11	.330
	L	.649	.395	.340			LS= 0.530	
1971	CR	52.7	70.4	76.2	2	1.068	22	.263
	L	.646	.404	.350			LS= 0.411	
1972	CR	50.9	67.0	72.7	2	1.032	27	.222
	L	.589	.391	.337			LS= 0.359	
1973	CR	52.7	67.7	73.4	2	.913	5	.512
	L	.572	.434	.359			LS= 0.693	
1974	CR	51.8	68.8	74.8	2	1.044	10	.344
	L	.652	.412	.344			LS= 0.564	
1975	CR	71.3	81.9	84.9	2	1.520	33	.411
	L	1.226	.842	.777			LS= 0.680	
		Variable: 10 Net assets						
1968	CR	59.7	73.6	78.3	4	.936	13	.417
	L	.936	.560	.474			LS= 0.624	
1969	CR	60.2	73.4	78.0	3	.824	13	.409
	L	.672	.540	.471			LS= 0.568	
1970	CR	58.5	73.3	78.2	3	.995	36	.255
	L	.786	.519	.441			LS= 0.411	
1971	CR	58.2	72.5	76.9	3	1.088	36	.241
	L	.873	.537	.473			LS= 0.424	
1972	CR	57.9	72.3	76.9	3	1.144	34	.253
	L	.912	.534	.465			LS= 0.436	
1973	CR	57.9	72.6	77.4	3	1.084	38	.245
	L	.876	.518	.449			LS= 0.415	
1974	CR	58.9	74.3	78.3	2	1.055	11	.446
	L	.784	.486	.471			LS= 0.654	
1975	CR	55.7	71.2	76.8	2	1.082	12	.371
	L	.776	.458	.394			LS= 0.606	

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE

Matrix No. 1: Oligopolistic Inequality - ENTERPRISES 1968

Ranking II	Variable	Ranking I	1	2	3	4	5	6	7	8	9	10
		Variable	08	10	07	09	01	04	03	05	06	02
		Ln*h LS	1.071	.936	.896	.781	.690	.687	.686	.682	.554	.513
1	10	0.624		3								
2	04	0.571						8				
3	09	0.519				7						
4	07	0.500			7							
5	01	0.472					10					
6	03	0.460							13			
7	05	0.460								15		
8	08	0.438	9									
9	06	0.433									18	
10	02	0.422										20



MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE

Matrix No. 1: Oligopolistic Inequality - ENTERPRISES 1969

Ranking II	Variable	Ranking I	1	2	3	4	5	6	7	8	9	10
		Variable	08	07	10	06	01	03	09	02	04	05
		Ln*h LS	.953	.826	.824	.788	.785	.693	.574	.543	0.542	0.512
1	08	.790	2									
2	10	.568			5							
3	06	.515				7						
4	01	.509					9					
5	03	.459						11				
6	07	.445		8								
7	09	.419							14			
8	02	.418								16		
9	04	.388									18	
10	05	.377										20

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE

Matrix No. 1: Oligopolistic Inequality - ENTERPRISE 1970

Ranking II	Variable	Ranking I	1	2	3	4	5	6	7	8	9	10
		Variable	08	10	07	09	04	05	03	06	01	02
		Ln*h LS	1.301	.995	.879	.875	.859	.781	.694	.669	.626	.522
1	09	.530				5						
2	04	.517					9					
3	05	.482						9				
4	08	.469										
5	07	.458			8							
6	03	.455							13			
7	01	.449	8								16	
8	02	.427										18
9	06	.419								15		
10	10	.411		12								

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
Matrix No. 1: Oligopolistic Inequality - ENTERPRISES 1971

Ranking II	Variable	Ranking I	1	2	3	4	5	6	7	8	9	10
		Variable	08	04	10	09	05	07	01	03	06	02
		Ln* LS	1.262	1.203	1.088	1.068	1.040	.948	.919	.648	.546	.507
1	08	1.064	2									
2	01	.551						9				
3	07	.507						9				
4	03	.456								12		
5	02	.449										15
6	10	.424			9							
7	09	.411				11						
8	04	.394		10								
9	06	.383									18	
10	05	.381						15				

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
Matrix No. 1: Oligopolistic Inequality - ENTERPRISES 1972

Ranking II	Variable	Ranking I	1	2	3	4	5	6	7	8	9	10
		Variable	08	10	07	04	09	05	02	01	06	03
		Ln*h LS	1.698	1.144	1.063	1.052	1.032	.943	.649	.573	.561	.525
1	08	1.386	2									
2	07	.503			5							
3	01	.472							11			
4	03	.441										14
5	10	.436		7								
6	02	.409							13			
7	06	.369										16
8	09	.359						13				
9	04	.321					13					
10	05	.314										16

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE

Matrix No. 1: Oligopolistic Inequality - ENTERPRISES 1973

Ranking II	Variable	Ranking I	1	2	3	4	5	6	7	8	9	10
		'Variable	08	07	10	09	04	06	05	02	01	03
		LS Ln*h	1.807	1.156	1.084	.913	.847	.786	.785	.650	0.597	0.506
1	09	.693				5						
2	07	.656		4								
3	08	.561	4									
4	01	.507									13	
5	03	.425										15
6	10	.415			9							
7	06	.396										
8	04	.319										
9	05	.317										
10	02	.265										

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE

Matrix No. 1: Oligopolistic Inequality - ENTERPRISES 1974

Ranking II	Variable	Ranking I	1	2	3	4	5	6	7	8	9	10
		Variable	08	07	04	10	09	05	02	06	01	03
		Ln*h LS	2.002	1.426	1.205	1.055	1.044	.976	.704	.582	.571	.501
1	10	.654				5						
2	08	.582	3									
3	09	.564					8					
4	07	.529		6								
5	01	.498									14	
6	04	.491			9							
7	03	.437										17
8	05	.433						14				
9	06	.366								17		
10	02	.276							17			

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE

Matrix No. 1: Oligopolistic Inequality - ENTERPRISES 1975

Variable 06 omitted.

Ranking II	Variable	Ranking I	1	2	3	4	5	6	7	8	9	10
		Variable	09	07	10	08	05	04	01	02	03	
		Ln*h LS	1.520	1.139	1.082	1.076	.980	.929	.556	.548	.537	
1	09	.680	2									
2	10	.606			5							
3	08	.541				7						
4	07	.504										
5	05	.495					10					
6	01	.488							13			
7	03	.477									16	
8	04	.329								14		
9	02	.268									17	
10												

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
Matrix No. 2: Comparative Performance - ENTERPRISES 1968

			1r													
			Rank 1	1	2	3	4	5	6	7	8	9	10	11	12	13
2r			Firm	16	56	46	53	49	22	33	48	5	50	34	7	38
			1r	31.9	28.8	23.0	23.0	22.8	20.7	20.4	19.3	18.8	18.8	17.5	17.4	16.6
Rank 2	Firm	2r	1x 7x	7	30	29	14	25	33	28	10	15	2	8	19	20
1	38	47.2	29													14
2	33	42.7	31							9						
3	49	35.6	23					8								
4	4	33.4	22													(22)
5	53	32.7	11				9									
6	44	32.5	40													(33)
7	56	32.1	19		9											
8	16	30.1	5	9												
9	34	30.0	9										20			
10	55	26.7	34													(42)
11	7	26.4	16											23		
12	22	25.8	26						18							
13	1	25.5	27													(41)
						(23)					(39)	(36)	(36)			

(See page 24 for explanation)



MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
 Matrix No. 2: Comparative Performance - ENTERPRISES 1973<sup>1</sup>

1r			Rank 1	1	2	3	4	5	6	7	8	9	10	11	12	13		
			Firm	56	49	16	17	53	13	46	33	57	37	50	54	34		
2r			1r	34.0	28.1	25.4	24.5	23.7	23.6	23.3	20.6	19.6	17.7	16.2	16.2	16.1		
Rank 2	Firm	2r	1x	7x	35	25	13	30	8	38	33	28	36	14	2	10	12	
1	27	134.1	5															(16)
2	13	85.4	37						8									
5	37	85.3	26										13					
4	41	72.4	38															(40)
5	44	68.3	42															(35)
6	30	58.8	46															(49)
7	32	53.8	39															(23)
8	49	52.9	21		10													
9	38	46.8	28															(29)
10	17	42.4	22				14											
11	12	41.8	41															(40)
12	33	39.0	27								20							
13	1	36.8	25															(45)
				(15)		(34)		(30)		(25)		(35)		(45)	(42)	(32)		

<sup>1</sup> Chosen because 1974 and 1975 were exceptional years.

(See page 24 for explanation)

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
MATRIX NO. 3 - COMPARATIVE GROWTH RATES 1968-9

(see page 16 for definitions)

ECONOMIC ACTIVITY UNITS

4c			ECONOMIC ACTIVITY UNITS													
			Rank	1	2	3	4	5	6	7	8	9	10	11	12	
			Company	53	66	2	30	11	51	9	52	40	39	48	62	
1c			1.05	0.43	0.37	0.27	0.22	0.22	0.19	0.10	0.10	0.08	0.07	0.05		
Rank	Company	4c	1x 4x	1.38	0.82	7.20	0.33	0.00	0.67	1.73	11.50	3.66	0.31	1.38	0.10	
1	53	0.17	0.28	2												
2	40	0.10	0.44									11				
3	6	0.03	0.03													(57)
4	51	0.03	0.05						10							
5	3	0.02	0.03													(34)
6	27	0.02	0.00													(26)
7	30	0.02	0.02				11									
8	38	0.02	0.11													(24)
9	54	0.02	0.25													(36)
10	1	0.01	0.07													(30)
11	2	0.01	0.26			14										
12	39	0.01	0.01										22			
					(63)			(20)		(52)	(68)			(56)	(27)	

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
MATRIX NO. 3 - COMPARATIVE GROWTH RATES 1969-70

(see page 16 for definitions)

ECONOMIC ACTIVITY UNITS

4c			ECONOMIC ACTIVITY UNITS													
			Rank	1	2	3	4	5	6	7	8	9	10	11	12	
			Company	50	40	30	9	26	39	27	48	51	7	6	4	
4c			1c	1.19	1.15	0.40	0.17	0.16	0.14	0.07	0.06	0.05	0.05	0.04	0.03	
			Rank	Company	4c	4x	5.46	3.76	0.60	1.92	1.64	0.39	0.33	1.45	0.89	0.60
1	4	0.11	0.05													13
2	66	0.09	0.01													(59)
3	40	0.05	0.53			5										
4	39	0.03	0.02						10							
5	50	0.03	0.30	6												
6	17	0.02	0.06													
7	19	0.02	0.01													(4?)
8	27	0.01	0.02							15						
9	44	0.01	0.03													(21)
10	48	0.01	0.16								18					
11	51	0.01	0.07									20				
12	61	0.01	0.01													(40)
							(55)	(58)	(25)				(21)	(22)		

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
MATRIX NO. 3 - COMPARATIVE GROWTH RATES 1970-71  
 (see page 16 for definitions)

ECONOMIC ACTIVITY UNITS

4c			ECONOMIC ACTIVITY UNITS													
			Rank	1	2	3	4	5	6	7	8	9	10	11	12	
			Company	37	50	15	40	39	54	49	30	26	6	28	18	
1c			0.92	0.64	0.41	0.26	0.24	0.19	0.17	0.15	0.15	0.14	0.11	0.08		
Rank	Company	4c	1x 4x	0.00	6.65	3.65	4.91	0.53	1.85	0.58	0.99	1.79	0.68	0.61	0.58	
1	47	0.55	0.80													(58)
2	37	0.24	0.00	3												
3	15	0.19	0.00			6										
4	14	0.15	0.31													(73)
5	50	0.14	0.34		7											
6	5	0.07	0.06													(43)
7	28	0.05	0.02												19	
8	54	0.05	0.25						14							
9	26	0.04	0.00									18				
10	45	0.04	0.00													(65)
11	33	0.03	0.08													(29)
12	51	0.03	0.08													(25)
							(20)	(31)		(23)	(24)		(68)		(26)	

ECONOMIC ACTIVITY UNITS

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
 MATRIX NO. 3 - COMPARATIVE GROWTH RATES 1971-72  
 (see page 16 for definitions)

1c			Rank	1	2	3	4	5	6	7	8	9	10	11	12	
			Company	37	39	41	50	15	40	18	34	6	26	38	53	
4c			1c	0.66	0.61	0.39	0.31	0.19	0.19	0.14	0.12	0.11	0.11	0.11	0.09	
			Rank	Company	4c	1x	0.92	0.78	0.60	7.29	4.06	5.18	0.66	1.12	0.82	1.94
1	50	0.30	0.48				5									
2	52	0.27	0.72													(60)
3	2	0.25	0.10													(56)
4	26	0.25	0.04										14			
5	40	0.21	0.60						11							
6	37	0.15	0.24	7												
7	39	0.15	0.05		9											
8	15	0.13	0.19					13								
9	14	0.12	0.46													(58)
10	53	0.12	0.36												22	
11	9	0.06	0.00													(71)
12	46	0.06	0.07													(34)
						(18)				(21)	(31)	(24)		(29)		

ECONOMIC ACTIVITY UNITS

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
MATRIX NO. 3 - COMPARATIVE GROWTH RATES 1972-73  
 (see page 16 for definitions)

4c			1c		Rank	1	2	3	4	5	6	7	8	9	10	11	12
			Company		9	52	48	53	50	27	5	37	54	13	51	32	
			1c		0.67	0.54	0.30	0.20	0.17	0.14	0.11	0.10	0.09	0.08	0.08	0.07	
Rank	Company	4c	4x	1x	0.84	10.00	1.53	2.43	7.60	0.55	1.20	1.58	2.12	0.35	0.97	0.32	
1	52	0.25	0.99			3											
2	49	0.09	0.11														(24)
3	53	0.09	0.49					7									
4	50	0.05	0.78						9								
5	13	0.04	0.05											15			
6	35	0.04	0.03														(63)
7	17	0.03	0.11														(24)
8	32	0.03	0.02													20	
9	1	0.02	0.10														(46)
10	9	0.02	0.06		11												
11	27	0.02	0.07							17							
12	39	0.02	0.20														(53)
							(31)				(63)	(64)	(38)		(26)		

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
MATRIX NO. 3 - COMPARATIVE GROWTH RATES 1973-74  
 (see page 16 for definitions)

ECONOMIC ACTIVITY UNITS

4c			ECONOMIC ACTIVITY UNITS													
			Rank	1	2	3	4	5	6	7	8	9	10	11	12	
			Company	54	9	50	48	16	14	40	35	32	29	65	27	
1c			0.71	0.60	0.24	0.22	0.14	0.13	0.13	0.12	0.11	0.08	0.07	0.06		
Rank	Company	4c	4x	2.21	1.51	7.77	1.83	1.86	6.32	5.43	1.11	0.39	0.60	0.17	0.68	
1	5	0.15	0.02													(21)
2	9	0.11	0.08		4											
3	22	0.03	0.03													(25)
4	52	0.03	1.24													(53)
5	4	0.01	0.05													(22)
6	11	0.01	0.01													(19)
7	24	0.01	0.01													(22)
8	25	0.01	0.03													(28)
9	31	0.01	0.00													(45)
10	35	0.01	0.07								18					
11	59	0.01	0.01													(29)
12	65	0.01	0.03											23		
				(50)		(63)	(27)	(57)	(64)	(68)		(49)	(22)		(24)	

MATRICES OF OLIGOPOLISTIC INTERDEPENDENCE  
MATRIX NO. 3 - COMPARATIVE GROWTH RATES 1974-75  
 (see page 16 for definitions)

			ECONOMIC ACTIVITY UNITS													
4c			Rank	1	2	3	4	5	6	7	8	9	10	11	12	
			Company	50	41	52	40	9	35	54	44	16	1	45	28	
			1c	1.13	0.70	0.47	0.31	0.29	0.26	0.19	0.11	0.06	0.05	0.05	0.04	
Rank	Company	4c	1x 4x	8.01	0.01	10.51	5.56	2.12	1.23	2.92	0.47	2.00	0.54	1.31	0.80	
1	50	0.72	0.57	2												
2	40	0.38	0.29				6									
3	47	0.30	0.48													(63)
4	15	0.23	0.00													(60)
5	16	0.21	0.18									14				
6	2	0.15	0.00													(65)
7	34	0.09	0.11													(57)
8	41	0.05	0.01		10											
9	54	0.05	0.25							16						
10	45	0.03	0.03											22		
11	66	0.03	0.00													(45)
12	25	0.02	0.04													(25)
						(64)		(47)	(49)		(39)		(53)		(26)	



SECTION II

EVOLUTION OF CONCENTRATION IN THE NEWSPAPER AND PERIODICALS INDUSTRY IN THE UNITED KINGDOM 1968-1975

Definitions :

Newspapers :- national daily and Sunday newspapers and local newspapers appearing at least once per week.

Periodicals :- national publications issued at regular intervals exceeding 24 hours.

These definitions, which are used both within the industry and by government and other statistical services, are based on practical considerations. Local weekly publications are generally of newspaper dimensions (broadsheet or tabloid) and their production is similar to that of national dailies. National periodicals are of widely different sizes, paper qualities and methods of printing and production.

A. GENERAL SURVEY OF TRENDS IN THE U.K. PRESS

1. Total Revenue Table II-1 shows total revenue derived from sales of newspapers and periodicals by companies with 25 or more employees from 1968 to 1975, in terms of current prices and in the form of an index at 1968 purchasing power.

	<u>Table II-1</u>	<u>Press - Total Revenue 1968-75</u>		
	<u>Sales of copy</u>	<u>Advertising</u>	<u>Total</u>	<u>Index of total 1968-100</u>
	£m	£m	£m	(inflation adjusted)
1968	227	255	482	100
1970	272	320	592	110
1973	362	496	858	124
1974	430	521	951	118
1975	531	547	1078	108

Sources : Census of Production, Business Monitor

Table II-1 shows the importance of advertising as a source of revenue varying from a peak for the five years shown of 57.8 per cent in 1973 to a low of 50.8 per cent in 1975. The dependence upon advertising varies considerably between different kinds of publications :-

Table II-2 Analysis of Revenue by Kind of Publication (1975)

Newspaper category	Total turnover (£m)	% advertising	Total turnover (£m)	% advertising
National Sundays	106.8	43.8	87.1	52.0
National dailies	252.0	36.4	187.9	48.9
Local weeklies	119.4	81.5	97.8	84.0
Other regional papers	279.2	60.4	229.9	66.8
All newspapers	757.4	53.3	602.7	61.9
Periodicals : specialist	116.6	59.9	93.2	64.0
other	203.6	36.0	162.1	39.4
TOTAL	1077.6	50.8	858.0	57.8

Source : Business Monitor

Note that "specialist" periodicals are more accurately described by the Business Statistics Office as trade, technical and professional periodicals.

## 2. More Detailed Analysis of Advertising

Advertising is usually divided into two categories - display and classified, although the distinction is sometimes arbitrary.

Table II-1 shows an analysis of advertising over the survey period. The forms described as "other" include (i) advertising in trade and technical journals (as opposed to general periodicals) and (ii) company reports and accompanying publicity material.

Table II-3 Total Advertising by Type 1968-75 (£m)

	1968	1972	1973	1974	1975
<u>Display Advertising</u>					
Press	193	270	322	328	360
Television	129	176	210	203	236
Other Media*	27	34	40	48	53
Total display	349	480	572	579	649
Classified	98	150	213	228	218
Other	46	61	73	80	86
Total advertising	503	708	874	900	967

Source : Advertising Quarterly (Advertising Association),  
Summer 1976 Table 5

\*posters, public transport, cinema and commercial radio .

Display advertising is not dominated by any individual industry or group of industries. About 63 per cent in 1973 and 60 per cent in 1975 was accounted for by manufacturers' and suppliers' consumer advertising the rest being by government bodies, charities, financial institutions and retailers.

The press share of display advertising has remained between 55 and 60 per cent since 1963, television ownership having reached saturation level by that date. Commercial radio first became legal only in 1973 and its impact on local press advertising may not yet be apparent<sup>1</sup>.

Display advertising has proved very sensitive to changes in economic conditions. In real terms it has varied as follows over the survey period :-

	<u>Total display advertising at 1970 purchasing power</u> (£m)	<u>Total display advertising as % of Gross Domestic Production</u>
1968	391	0.94
1969	395	0.93
1970	373	0.85
1971	374	0.83
1972	410	0.87
1973	451	0.89
1974	394	0.78
1975	355	0.70

Source : Advertising Association (figures in column 1 deflated by Index of Retail Prices)

The volatility of display advertising in relation to Gross Domestic Product may be demonstrated by a regression equation which relates the year-by-year growth of display advertising to the year-by-year growth of GDP over the years 1961-75 :-

$$\Delta \text{Log}_e (\text{Display advertising}) = 2.61 (\Delta \text{Log}_e \text{GDP}) - 0.064$$

(t=3.90)      R<sup>2</sup> = 0.54  
D.W. = 1.88

This equation suggests that a zero increase in GDP would lead to a 6.2% decline in display advertising ; a 5% increase in GDP would lead to a 6.5% increase in expenditure on display advertising.

Classified advertising is especially important for some categories of newspaper (described below). Three topics dominate classified advertising - recruitment, property sales and motor-cars (especially second-hand). Recruitment advertising is very sensitive to changes in the labour market and expenditure fell (even without adjustment for inflation) between 1973 and 1975. In the first of these years, recruitment advertising of £105 millions accounted for 57 per cent of all classified advertising ; in 1975 only £75 millions was

<sup>1</sup> Commercial broadcasts from Radio Luxembourg and from "pirate" off-shore transmitters have been in operation for many years.

spent, representing only 41 per cent of total classified advertising. <sup>1</sup>

A multiple regression equation again based on year-by-year changes was found to explain 70 per cent of variations in classified advertising over the period 1961-1975 :-

$$\Delta \text{Log}_e C = 4.12 \Delta \text{Log}_e \text{GDP} - 0.238 \Delta \text{Log}_e U - 0.042$$

(2.54)                      (1.93)

$R^2 = 0.70$       D.W. = 1.75

t values are shown in parenthesis

U = % rate of unemployment

C = expenditure on classified advertising

(Collinearity between the independent variables ( $r = 0.64$ ) reduces slightly the predictive reliability of this equation ; it also explains the rather high standard error for the second independent variable.)

The volatility of advertising in relation to economic changes is a continuing element in the newspaper environment. The decline in the real value of advertising expenditure between 1973 and 1975 is undoubtedly a major cause of the sharp decline in the real value of newspaper and general publishing profits between these two years. With a recovery in the economy, both display and classified advertising would probably rise sharply.

The prices charged for advertising ("media rates") are also sensitive to economic conditions, so that variations in advertising expenditure are not fully reflected in the volume of advertisements. Published indices for the Press do not take into account any privately negotiated discounts but it is clear from evidence presented by the Royal Commission that competition to sell advertising space, between newspapers and also between the Press and other media depressed media rates in 1974 and 1975. The Commission estimated that in 1975 some newspapers were selling advertising space at a loss, in cost. This calculation takes into account the need for publishers to maintain a balance between advertising and editorial material - the sale of more advertising space may mean the need for more editorial matter, with additional costs of paper and printing.

### 3. Trends in Circulation

#### (a) Newspapers

There is much more information available in collated form about the circulation of newspapers than about that periodicals. Table II-4 shows the total for each category of average circulation per issue in January to June of each year listed :

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<sup>1</sup> Royal Commission on the Press : Final Report 1977, paragraphs 5-28 and 5-29.

Table II-4      Newspaper Circulation 1968-75 (000's)

	<u>1968</u>	<u>1970</u>	<u>1973</u>	<u>1975</u>
National dailies	15,263	14,868	14,549	14,322
Regional dailies	10,511	10,318	9,954	9,770
National Sundays	24,177	23,691	22,017	20,772
Regional Sundays <sup>1</sup>	3,262	3,171	3,123	3,041
Local weeklies	13,337	12,994	12,730	12,276

Source : Press Council annual reports.

Table II-4 shows a decline in circulation in all five categories. In percentage terms the decrease over the entire period for each category was as follows :-

National dailies	6.1
Regional dailies	7.0
National Sundays	14.1
Regional Sundays	6.8 (approximation only)
Local weeklies	8.0

The total population of the United Kingdom increased by 1.6 per cent over the seven year period and the decreases represent reduced purchases per person and per household. A number of factors have contributed to this decline :-

(i) An increase in the prices of newspapers in relation to the general level of living costs. Whereas the general cost of living at the first quarter of 1976 was 2.51 times that of ten years earlier, for national daily newspapers the corresponding ratio was 4.37 and the price increases for other newspapers were fairly similar. The increased prices of newspapers reflected substantial increases in the costs of newsprint and ink (the largest cost components), aggravated by currency depreciation. This is probably the most important factor.

(ii) Changes in working hours and in the hours of television transmission which have enabled people to see television news programmes in the early evening. This has affected evening papers most severely but there has also been some effect on morning papers.

(iii) Greater use of motor vehicles for travelling and especially commuting.

(iv) Increasing competition from local radio, operated by the BBC from 1962 and by commercial radio companies from 1973.

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<sup>1</sup> An estimate has been made of the circulation of the Sunday Post(Glasgow) by reference to the National Readership Survey. The owners do not publish the circulation.(see overleaf) We extended the analysis to specialist periodicals. Among trade, technical distinguished

(b) Periodicals

Circulation data for consumer magazines have been partly collected by Reed International Ltd (IPC) and have been published by the Royal Commission<sup>1</sup> Total sales appear to be very sensitive to economic conditions :-

(millions)	<u>1965</u>	<u>1970</u>	<u>1973</u>	<u>1975</u>
General interest	985	935	975	871
Adult women's	560	493	487	457
Young women's	47	77	74	65
Teenage	87	84	178	80
Children's	482	518	446	329
	<u>2160</u>	<u>2108</u>	<u>2160</u>	<u>1802</u>

A further sharp decline in sales of general interest magazines appears to have occurred in 1976.<sup>2</sup>

Circulation of some of the major journals of opinion (the Listener, Spectator, New Statesman, etc.) has also fallen sharply in recent years and some large specialist magazines, concerned with motor cars, household maintenance and hobbies have also shown a decline.

Periodical publishing is a very competitive activity with a high rate of "births and deaths" (launches and closures). In the consumer magazine sector no fewer than 830 new titles were launched in the years 1968 to 1974 and there were 700 closures. The total number of titles at the end of 1974 was about 1,200.

We extended the analysis to specialist periodicals. Among trade, technical and professional publications there are equally remarkable birth and death rates. The total number of titles at the end of 1974 was 3,283 ; over the previous seven years 1,107 titles had been born and 859 had died. The 1961-2 Royal Commission on the Press commented that periodicals were "much more ephemeral than newspapers. They cater for constantly changing fashions and habits and they come and go with frequency which, if it were found in the newspaper press would indicate an alarming instability."<sup>(1)</sup>

As will be demonstrated in sub-section H below, the publishing of periodicals as a whole is more highly concentrated than most other sections of the Press. Most of the titles included in the figures of births and deaths were produced by smaller companies, some of them perhaps aiming to take advantage of a market which they recognised as ephemeral.

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<sup>2</sup> See Royal Commission on the Press : Research Series 6 - Periodicals and the Alternative Press Cmnd. 6810-6 (HMSO)

(1) Royal Commission on the Press 1961/2 Report, Cmnd 1811, 1962, paragraph 13.

B. MORE DETAILED ANALYSIS OF NEWSPAPERS BY CATEGORY

1. National Dailies

The following newspapers were included in this category in 1968 and 1975 :-

Table II-6 National Daily Newspapers 1968 and 1975

		Average circulation per issue (1000's) *		1975 circulation as % of 1968
		1968	1975	
Daily Express	(P)	3853	2894	75
Daily Mail	(P)	2095	1730	83
Daily Mirror	(P)	5034	4018	80
Daily Sketch	(P)	915	closed	-
Daily Telegraph	(Q)	1407	1353	96
Financial Times	(Q)	156	186	119
Guardian	(Q)	281	336	119
Morning Star		55	43	78
Sun	(P)	1066	3435	322
Times	(Q)	401	327	82
		<u>15263</u>	<u>14322</u>	<u>94</u>

\* Circulation figures are based on the first half of each year and are obtained from Press Council annual reports.

The Royal Commission on the Press sub-divided the national daily newspapers into two groups- the popular dailies (marked P in Table II-6) and the quality dailies (marked Q)<sup>1</sup>.

The differences between these two categories in terms of intellectual appeal or education and social class of readers are by no means clear-cut. For example, of people whose education finished at the age of 19 or over (mostly university graduates) 19 per cent read the Daily Express regularly and 15 per cent read the Daily Mirror, while the Guardian and the Times were read regularly by 16 and 13 per cent respectively. On the other hand, under 5 per cent of those whose education ended at 15 or less read any of the four quality dailies.<sup>2</sup>

Besides their smaller circulation and more limited appeal, three other features distinguished the "quality" from the "popular" dailies (i) the relative importance of advertising and sales of copy as a source of revenue (ii) their higher prices and (iii) their greater size.

(i) In 1973, at the peak of the advertising boom, 70 per cent of the revenue of the four quality dailies was derived from advertising, mainly classified ; for the four popular dailies then published the proportion was 36 per cent. In 1975 the two corresponding proportions were 58 and 27 per cent. The quality newspapers have occasionally emphasised their role as advertising media in publicity aimed at potential readers.

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<sup>1</sup> The Morning Star, the official organ of the British Communist party cannot easily be assigned to either category.

<sup>2</sup> Source : National Readership Survey 1974-5 (JICNARS)

(ii) Partly because of their smaller circulations and consequently higher unit costs, partly because of their greater size, the quality newspapers are more expensive. At the end of 1975 cover prices were as follows :-

Daily Express	6 pence	Daily Telegraph	7 pence
Daily Mail	6 pence	Financial Times	10 pence
Daily Mirror	5 pence	Guardian	10 pence
Sun	5 pence	Times	10 pence

(iii) The average number of standard pages<sup>1</sup> in each newspaper in 1974 was as follows :-

Daily Express	16.8	Daily Telegraph	30.9
Daily Mail	17.2	Guardian	23.2
Daily Mirror	13.1	Financial Times	33.7
Sun	13.5	Times	30.0

Source : Royal Commission ; Interim Report Cmd. 6433, 1976

Over the survey period the total circulation of the quality newspapers declined from 2.245 millions in 1968 to 2.202 millions in 1975 ; that of the popular newspapers declined from 13.018 millions to 12.120 millions between the same years.

In 1968, the Daily Mail and General Trust Ltd., owned two popular dailies - the Daily Mail and the Daily Sketch. The Sketch closed in 1970. The other company with two national dailies was the International Publishing Corporation Ltd., which owned the Daily Mirror and the Sun. The latter of which had earlier been the Daily Herald was threatened with closure in 1969 when the title was acquired by the Australian-controlled company, News of the World Organisation Ltd., (now News International Ltd.). The International Publishing Corporation merged later in 1969 with Reed Ltd., to form Reed International Ltd. After the demise of the Sketch and the re-emergence of the Sun under new ownership, each of the national dailies is now separately owned with no significant financial links between owners.

The redesigned Sun newspaper is much more competitive with the Daily Mirror than its predecessor. A tabloid, with emphasis on "light" material and photographs, the circulation of the Sun trebled over the first three years of its redesign. The battle for sales with the Daily Mirror is a major feature of competition in the newspaper industry.

The term "national" is here used to describe newspapers with circulation throughout the United Kingdom. In Scotland and Northern Ireland sales of U.K. papers are smaller than those of newspapers published in those two parts of the U.K. Scotland may indeed be

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<sup>1</sup> A standard page contains 2540 cm<sup>2</sup> and is roughly equivalent to one broadsheet page or two tabloid pages.



regarded as having its own national newspaper market. IPC (now Reed International), the Thomson Organisation (owners of the Times) and, until 1975, Beaverbrook Newspapers Ltd., all published separate newspapers in Scotland which were similar to their English counterparts.<sup>1</sup>

## 2. National Sundays

For the same reasons and on the same criteria as with the national daily newspapers, the national Sundays are classified into "popular" and "quality" categories. Table II-7 lists the titles, shows the categorisation (P or Q) of the Royal Commission and also circulation in 1968 and 1975.

Table II-7 National Sunday Newspapers 1968 and 1975

Average circulation per issue (000's)

		<u>1968</u>	<u>1975</u>	<u>1975 as % of 1968</u>
News of the World	(P)	6919	5560	80
Observer	(Q)	903	761	84
People/Sunday People <sup>+</sup>	(P)	5533	4219	76
Sunday Express	(P)	4238	3786	89
Sunday Mirror	(P)	5138	4284	83
Sunday Telegraph	(Q)	713	757	106
Sunday Times	(Q)	1461	1396	99

\* Circulation figures are the average per issue in the first half of each year and are taken from Press Council annual reports.

<sup>+</sup> Change of title only

The three "quality" papers are distinguished from the other national Sunday newspapers by their more limited appeal - fewer than 5% of those whose education ended at 15 (who themselves represent 67 per cent of the total adult population) read any one of the three. They also derive a much higher proportion of their total revenue from advertising (74 per cent compared with 38 per cent for popular Sundays in 1973 ; 66 compared with 31 per cent in 1975). They are dearer to buy and they are much bigger, although much of the extra space is taken up by advertising, for which the largest paper (the Sunday Times) is bought by many of its readers.

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<sup>1</sup> Circulation of the Scottish Daily Express has been included with that of the Daily Express throughout this section.

The decline in sales of Sunday newspapers may be partly due to a sharp increase in cover prices during the period 1970-6 when the prices of some papers more than trebled. On the other hand, the comparative changes in circulation do not reflect comparative changes in prices. It is possible that changing social habits and the greater coverage of news on television have also contributed to the decline of the reading of newspapers on Sundays.

Of the titles listed, Reed International (via the subsidiary International Publishing Corporation) own the Sunday People and the Sunday Mirror ; News International Limited own the News of the World ; Beaverbrook Newspapers Ltd., own the Sunday Express and the Thomson Organisation, the Sunday times. The Sunday Telegraph was introduced in the early sixties to complement the Daily Telegraph. The Observer is the only Sunday newspaper without an associated national daily.

### Note on the Regional Coverage of National Newspapers

Before going on to describe the regional press, it is important to emphasise that regional variations are included in the content of national newspapers. All of the popular dailies except the Sun are published in Manchester as well as London as also is the Guardian. All Sunday newspapers except the Observer are published in the two cities. The northern editions vary, sometimes considerable, from the London editions in terms of coverage of regional news. Even in different editions from the same printing works, local variations are included. The writer has read widely different accounts of the same football match by buying two copies of the same newspaper issue, in the home town of each of the two opposing sides !

### 3. Regional (or Provincial) Dailies

These include morning and evening newspapers. The distinction is important because morning regional newspapers tend to cover larger areas than their evening counterparts, which tend to be confined to specific large or medium-size towns and their suburbs. The regional morning press also tends to resemble the "quality" rather than the "popular" national dailies, in its appeal and format. Another interesting difference is that a higher proportion of copies of morning papers are delivered to homes.

Examples of the difference in areas covered are provided (i) by the morning Liverpool Daily Post, which sells throughout West Lancashire, Cheshire, the Isle of Man and North and mid-Wales (60% of sales are in Wales), compared with its sister evening paper the Liverpool Echo which sells mainly in Liverpool and the Merseyside conurbation ; (ii) by the Yorkshire Post which sells throughout northern England and the sister Yorkshire Evening Post which is essentially an evening paper for the Leeds area.

London evening papers are sometimes classed as part of the national press because both were regarded as sister papers to national dailies :- the Evening Standard was, until mid-1977, 'produced by Beaverbrook Newspapers at the same premises as the Daily Express ; the Evening News is produced by the Daily Mail group. This classification does not reflect the newspapers' geographical coverage, which is becoming increasingly confined to Greater London.

Table II-8 shows changes in the circulation of regional morning and evening papers over the period 1968-75, with separate details for major regions.

Table II-8 Combined Circulation of Regional Dailies 1968 and 1975 (000)

<u>Morning</u>	<u>1968</u>	<u>1975</u>	<u>1975 as % of 1968</u>
England and Wales	1004 (13)	905 (12)	90
Scotland	910 (5)	1059 (5)	116
Northern Ireland	115 (2)	122 (2)	106
<b>Total U.K.</b>	<b>2029 (20)</b>	<b>2086 (19)</b>	<b>103</b>
London	2026 (2)	1133 (2)	56
Rest of England	5642 (62)	5519 (68)	98
Wales	282 (3)	267 (4)	95
Scotland	722 (7)	551 (6)	76
Northern Ireland	214 (1)	178 (1)	83
Channel Islands	33 (2)	36 (2)	109
	<b>8899 (97)</b>	<b>7684 (102)</b>	<b>86</b>

Source : Press Council annual reports - circulation data are average per issue in first half of each year.

Notes : Estimated circulations of the Nottingham morning and evening papers have been included.

The numbers of titles are shown in parenthesis

The most dramatic feature of Table II-8 is the decline of the two London evening papers. Among reasons for this are the decrease in the number of people living and working in the central London area ; the launching of new titles in some towns on the fringe of London, such as Watford, Luton, Guildford and Southend ; the early development in London of local radio from the BBC and since 1973 from two commercial radio stations ; the introduction of earlier closing times for offices enabling people to get home to see television news. Similar trends have affected evening newspapers in other conurbations.

The relative importance of regional and national newspapers in different parts of the United Kingdom is discussed in Sub-Section G below.

#### 4. Regional Sundays

These are important mainly in Scotland where two newspapers the Sunday Mail, published by the Reed group with a Jan-June 1975 average circulation of 752,000 and the Sunday Post whose owners (D.C. Thompson Ltd.) state only that its circulation is over one million - we estimate it, on the basis of the National Readership Survey to have been about 1.7 millions in 1975. Other, more local Sunday newspapers, are published in Birmingham, Plymouth, Newcastle-upon-Tyne, and Belfast. A Sunday newspaper launched in the Channel Islands in 1970 did not survive a year and a similar venture on the Isle of Man in 1973 survived only a few months longer.

#### 5. Local weeklies

It is difficult to trace the number of titles or to describe the areas covered because within any area of, for example 400 km<sup>2</sup> there may be an apparently large number of competitive newspapers which are in fact local variations of one basic version, with a good deal of common material.

Local weekly newspapers are essentially vehicles of advertising, which provides over 80 per cent of their sales revenue. Competition from "Free-sheets" which are not included in the circulation data in Table II-4 and from local radio has affected circulation but the general conclusion of the Royal Commission on the Press is that this sector of the Press is likely to show expansion with the recovery of the recruitment, property and automotive markets expected to follow from general economic recovery in the United Kingdom over the next few years.

The growing importance of national chains in the publishing of local weekly newspapers is described in Sub-Section D below

### C THE DISTRIBUTION OF NEWSPAPERS AND PERIODICALS

In the United Kingdom very few copies of newspapers are distributed by post ; this method (combined with regular subscription) is largely confined to specialist periodicals and learned journals. Most purchasers of newspapers obtain them from retailers, who arrange delivery to homes and/or sell in shops or in streets.

#### 1. Distribution of National Newspapers and Periodicals

About three quarters of all quality papers and over half of the populars are delivered to homes early in the morning.<sup>1</sup> The proportion varies considerably among titles : for example, about 45 per cent of sales of the Daily Mirror are delivered to homes whereas for the Sun the percentage is only around 31.

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<sup>1</sup> Source : The British Newspaper Industry (Jordan Dataquest Ltd., 1976)

The publishers arrange and cover the cost of transport from the two publishing centres, London and Manchester, to warehouses of wholesalers. The wholesalers handle all but a very small percentage of national newspapers. Distribution is mainly by rail and some sorting of newspapers by wholesalers takes place on trains as well as at depots closer to destination retailers. The number of wholesalers' depots is indicated by the fact that the Mirror Group supplies its daily newspaper to 660 such depots<sup>1</sup>.

Three firms dominate the wholesaling of national daily newspapers and consumer periodicals - W.H. Smith (Holdings) Ltd., John Menzies Ltd., and Surridge Dawson Ltd., with 36, 24 and 8 per cent of the total market.<sup>2</sup> These three firms own over half of the wholesale depots and all three have extensive retail interests. All three have increased their shares of wholesaling through recent acquisitions. John Menzies has a monopoly of newspaper wholesaling in Scotland and is the sole wholesaler in 32 English towns ; W.H. Smith and Surridge-Dawson are the sole wholesalers in 22 and 23 towns (respectively) in England and Wales.

The wholesaling of national Sunday newspapers is handled by a largely separate system with some direct supply to small retail agents. The retail outlets of the big three wholesalers are, for the most part, closed on Sundays and their involvement in the distribution of Sunday newspapers is much less. There may be as many as 5,000 independent wholesalers or wholesalers/retailers of Sunday newspapers.

## 2. Distribution of Provincial Newspapers

The pattern of distribution of provincial newspapers was estimated by the recent Royal Commission as follows :-

Table II-9 Distribution of Provincial Newspapers 1975-6

	<u>Morning dailies</u>	<u>Evening dailies</u>	<u>Weeklies</u>
<u>Average percentaged delivered via</u>			
Wholesalers and retailers	62	1	25
Retailers direct	38	91	72
Newsvendors (street)	negligible	4	1
Direct delivery	"	4	2

<sup>1</sup> Royal Commission on the Press, 1974-77, Appendix F, paragraph 8.

<sup>2</sup> Ibid., para. 9.

The table shows the difference between the evening newspaper, where fast delivery is important in ensuring the attractiveness of the product, and the morning newspaper where there are a few hours to spare. Another reason for the greater proportion of direct delivery of evening newspapers is that the area covered is smaller<sup>1</sup> and the quantity supplied to any individual retailer is greater.

Weekly newspapers normally have a high penetration in a limited area with a high proportion of delivered copies.

The proportion of copies of provincial evening newspapers delivered to homes is surprisingly high. Evidence given to us by two major publishers of evening newspapers in widely separated parts of the country showed the percentage to be 60 per cent in one case and 70 per cent in the other.

### 3. Newspaper Retailers

In 1971 there were 32,566 shops in the United Kingdom selling newspapers and periodicals<sup>1</sup>. Of these about 85 per cent are owned and run by one family<sup>2</sup> but national and regional chains of newsagents have extended in recent years and the three large wholesalers have also increased the numbers of their retail outlets.

Some publishers of provincial newspapers have acquired newsagent shops, some of them not identified by name with the publisher. Individual companies have pioneered this development. Discussions regarding the reasons for this forward intergration suggest that, while it may have been partly motivated by the desire to guarantee security of outlet, this is no longer a prime consideration. Retail newsagents normally sell confectionery, tobacco, stationery and a range of other goods. By developing this range newspaper companies may be able to promote the casual sales of their papers and by promoting newspapers may be able to increase casual sales of other products. Newsagents' shops offset the volatility of advertising revenue.

The newspaper companies with whom we discussed the matter said that management of the shops was kept distinct from that of newspapers and that competitors' publications were supplied on the same basis as the company's own. One company with no shops reported that ownership of outlets by its competitors did give them trading advantages over it in dealings with other retailers. Such competitors were better able to restrict suppliers to such retailers and could use this as a threat to secure promotion of their publications.

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<sup>1</sup> Census of Distribution 1971 quoted in *ibid.*, paragraph 13

<sup>2</sup> National Federation of Retail Newsagents

#### 4. Distribution Margins

Although resale price maintenance is illegal in the United Kingdom, and no exemption has been made by the Restrictive Practices Court with respect to newspapers and periodicals, newspapers are almost without exception sold to the final customer at the publishers' recommended prices. One reason for the absence of discounts by retailers is the practical impossibility of a small percentage cut in the retail margin, on a newspaper. For example, on a newspaper with a cover price of 6p the retail margin would be 1.68p - to reduce the price to 5p would imply a reduction of nearly 60 per cent of the margin.

However, discussions in the industry suggested to us that de facto collective agreements exist between national associations of publishers (the Newspaper Publishers Association and the Periodical Publishers Association) and those of retailers and wholesalers. Retail margins of national newspapers are uniformly 28% - an attempt by the Mirror Group to reduce the margin by 1 per cent in 1968 led to boycotting by newsagents. The Restrictive Practices Court declared this boycott to be illegal but the Mirror Group ultimately was forced to restore the former margin.

Wholesale margins average about 8 per cent of final price with some variation according to the amount of sorting undertaken by the wholesaler and the publisher.

For the provincial press average wholesale margins are 8 per cent of cover price and those of retailers around 29 per cent. Variation is slightly greater for weekly papers than for dailies.

#### D. THE STRUCTURE OF THE NEWSPAPER AND PERIODICAL PUBLISHING INDUSTRY

##### 1. Selection of Sample

The Census of Production 1968 listed 715 enterprises in the United Kingdom as engaged in this industry. This total included 548 firms with fewer than 100 employees and obviously producing only one or two titles with limited circulation. At the other extreme, 32 companies accounted for 76 per cent of employment and 83 per cent of value added in the industry.

For the purposes of this study we have included all the 35 publishers of newspapers and periodicals who were included in the EAU analysis for total publishing, described in Section I<sup>1</sup>. These accounted for 94.2 per cent of the annual circulation of newspapers in the United Kingdom in 1975 compared with 91.8 per cent in 1968. For periodicals

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<sup>1</sup> See page 16 above.

the coverage is lower, at about 70 per cent, partly because of the large number of small independent periodicals but partly also because of periodicals published by non-commercial organisations, such as the British Broadcasting Corporation. The accounts of these organisations are not published in sufficient detail to facilitate calculation of turnover and profits derived from publications.

The total value of sales turnover from printing and publishing of newspapers and periodicals of the firms within our sample was £ 1009.7 millions in 1975, equal to 93.7 per cent of the estimate by the Business Statistics Office of Press Turnover from firms with at least 25 employees. (presented in Table II-1 above). For 1968 the coverage was 91.6 per cent. The concentration indices presented below relate to the sample of firms not to the total population.

Table II-10 presents a list of the firms in the sample and shows the U.K. circulation of their newspapers in each of the following categories :- national dailies, national and regional Sundays, regional dailies and local weeklies.<sup>1</sup>

Table II-10 also shows our own calculation of the retail value of their sales of periodicals during 1975. For any one periodical, annual retail sales value is calculated as follows :- (the average circulation per issue) times (the average retail price per issue) times (the number of issues in the year). For the enterprise with more than one periodical the total figure is simply the sum of the annual retail sales values of individual titles. The use of annual retail sales value instead of circulation overcomes the problem of comparison of periodicals costing as much as 75p with those costing as little as 10 p.

The final column in Table II-10 is the value of turnover obtained from the printing and publishing of newspapers and periodicals, including advertising revenue. In most cases this has been derived directly from the published accounts of the company concerned ; in the case of three smaller companies whose 1975 accounts had not yet been filed with the Registrar of Companies we were forced to estimate turnover on the basis of 1974 figures and subsequent changes in circulation.

## 2. Approach to Analysis of Concentration

From Table II-10 the different emphasis of individual large companies can be observed.

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1

Circulation data obtained from the following sources :-

Press Council Annual Report 1975  
Royal Commission 1974-77 Final Report Appendix A  
Newspaper Press Directory 1975

The circulation of the (Glasgow-based) Sunday Post is estimated as explained on page 66.



TABLE II-10

## List of Firms in the Press Sample (page 1)

Name of ultimate holding company	Combined circulation per issue of newspapers 1975				£000's	
	National dailies	Nat. & Regional Sundays	Regional dailies	Local weeklies	1975 Retail Value of Periodicals	Total turnover from Press 1975
Beaverbrook Newspapers Ltd.	2,894	3,786	485	22	-	80,565
Benn Bros. Ltd.	-	-	-	-	2,075	5,643
BPM Holdings Ltd.	-	231	606	238	-	15,929
Bristol Evening Post Ltd.	-	-	221	96	-	8,304
British Electric Traction Ltd.	-	-	-	221	3,970	12,300
Conde Nast Publications Ltd.	-	-	-	-	1,600	4,269
County Newspapers Ltd.	-	-	-	263	-	4,631
Daily Mail & General Trust Ltd	1,730	-	1,641	488	8,360	83,428
Daily Telegraph Ltd	1,353	757	-	-	*	46,443
D.C. Thomson & Co. Ltd.	-	1700	188	-	13,230	28,172
Eastern Counties Newspapers	-	-	237	125	-	8,677
East Midlands & Allied Press	-	-	76	207	3,498	10,440
Economist Newspapers Ltd	-	-	-	-	3,458	5,821
Forman Hardy Holdings Ltd	-	-	147	-	-	6,155
Guardian & Manchester Evening News Limited	336	-	386	-	(small)	25,270
Haymarket Review Ltd.	-	-	-	-	4,282	10,070
Ind. Television Pubs. Ltd.	-	-	-	-	16,723	14,624
Kent Messenger Ltd.	-	-	42	(small)	-	6,813

TABLE II-10

List of Firms in the Press Sample (page 2)

Name of ultimate holding company	Combined circulation per issue of newspapers 1975				£000's	
	National dailies	Nat.& Regional Sundays	Regional dailies	Local weeklies	1975 Retail Value of Periodicals	Total turnover from Press 1975
Link House Holdings Ltd.	-	-	-	-	4,000	8,680
Liverpool Daily Post & Echo Ltd.	-	-	413	172	-	14,017
Macmillan Ltd.	-	-	-	-	1,200	2,016
Midland News Assocn. Ltd.	-	-	332	90	-	10,899
Morgan Grampian Ltd.	-	-	-	-	6,824	11,097
News International Ltd.	3,435	5,560	37	294	162	26,685
Observer Holdings Ltd.	-	761	-	-	*	9,647
Portsmouth & Sunderland Nprs.Ltd.	-	-	223	71	-	5,910
Reed International Ltd.	4,018	9,324	627	45	74,000	232,631
Scottish & Univ. Investments Ltd	-	-	351	343	-	19,683
Southern Newspapers Ltd.	-	-	187	73	-	8,255
S. Pearson & Son Ltd.	186	-	686	1,272	385	71,385
Thomson Organisation Ltd.	327	1,592	1,495	393	5,448(*)	115,000
United Newspapers Ltd.	-	-	784	297	1,702	31,649
Yattendon Investment Trust Ltd.	(included with BPM Holdings - see text)					
<u>Not included in Enterprise Tables of Section I</u>						
F. Johnston & Co. Ltd.	-	-	-	223	-	2,400
St. Regis Newspapers Ltd.	-	-	79	84	-	2,860

\* = not including supplement to Sunday newspaper

The Reed International is by far the largest company with widespread interests. It is important in newspapers, mainly through large-circulation popular papers like the Daily Mirror (its national daily) ; the Sunday People, the Sunday Mirror, the Glasgow-based Sunday Record and the smaller Plymouth Independent which together enable it to predominate in Sunday newspapers. Its only "regional" daily is the (Scottish) Daily Record, by far the most popular daily paper in Scotland. Its only involvement in local weekly newspapers is in the rural areas of South Devon. The Reed subsidiary, International Publishing Corporation<sup>1</sup> accounted for exactly half of the periodicals published by our sample companies and, since this sample accounted for about 70 per cent of the total periodicals market this means that its share of the total was around 35 per cent.<sup>2</sup> This estimated share is consistent with the Royal Commission's own assessment,<sup>2</sup> which was made simultaneously with, but completely independently of our own research. In terms of total turnover from newspapers and periodicals, Reed International obtained a 23.0 per cent share of the market in 1975, compared with 29.8 per cent in 1968.

Although Reed is a leading company in most sections of the Press (except local weeklies) this is not true of the other companies and it is more meaningful to discuss competition in the context of product markets.

For national daily and for Sunday newspapers the competitive situation has already been described on pages 61/63 above.

From Table II-10 it is possible to identify the companies with the greatest involvement in regional daily newspapers. In regional dailies these are the Daily Mail group, the London Evening News and thirteen evening papers in the East Midlands, S. Wales and the West Country, in addition to the Thomson Organisation (strongly represented in Scotland, Northern Ireland, S. Wales and in certain distinct areas of England).

The other leading companies are also strongly concentrated in a number of separate parts of the United Kingdom and it is more fruitful to discuss concentration by region, which we do in Sub-Section F below, where concentration indices are applied to each of six regions.

The publishing of local weekly newspapers remains the most atomistic section of the industry although some enterprises, especially Westminster Press (subsidiary of S. Pearson), News International, Scottish and Universal Investments have extended their ownership substantially

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<sup>1</sup> See "Periodicals and the Alternative Press" Research Series 6 Cmnd. 6810-6 (1977) paragraphs 42 to 47.

<sup>2</sup> During 1977 the name of this subsidiary has been changed to the Reed Publishing Group Ltd.

in recent years and this has been the subject of investigation by the Monopolies and Mergers Commission. This market segment is analysed in greater detail in Section G.

We have already pointed to the dominant position of Reed in the supply of periodicals. This is analysed further in Section H, where concentration indices are applied to the penultimate column of Table II-10.

### 3. Links between Companies in the Sample and Interests in Small Press Companies

Although not more than 50 per cent of the equity of any of the 35 companies in our sample is owned by any other company within or outside the sample, there are several financial ties between the 35 firms.

First, a majority of the equity capital of two of the companies, BPM Holdings Ltd. (the holding company for The Birmingham Post and Mail Ltd., and three weekly newspaper subsidiaries) and Yattendon Industrial Trust Limited (which through its subsidiary Coventry Newspapers Ltd., publishes evening newspapers in Coventry and Cambridge and weeklies in Cambridgeshire) is owned by one family, that of Lord Iliffe. Members of the family are on the boards of both companies and there is another common director. Outside our sample, BPM Holdings hold 25% of the equity of North Wales Newspapers Ltd., a publisher of one evening paper and nine weekly newspapers in Wales. One director of BPM Holdings Ltd., also sits on the board of North Wales Newspapers Ltd.

S. Pearson and Son Ltd., through its subsidiary Westminster Press Ltd., held 28.3 per cent of the BPM Holdings Ltd. Two of the directors of Westminster Press were on the board (of seven) directors of BPM Holdings Limited, one of them the Chairman of Westminster Press. This holding and representation existed throughout the period 1968-75. S. Pearson and Son also owned, through its subsidiary the Financial Times Ltd., 49.9 per cent of the Economist Newspaper Ltd., another firm in the sample ; and shared with Reed International the equity of Throgmorton Publications Ltd., publisher of the three weekly journals for investors. Through its Westminster Press subsidiary it also has a 59.8 per cent holding in Catholic Herald Ltd., publisher of a weekly national newspaper for Roman Catholics.

The Daily Mail and General Trust Ltd., controls (by 50.6 per cent equity holding) Associated Newspapers Group Ltd. (to which our sample figures relate) which in turn has a 23.5 per cent holding in Bristol Evening Post Ltd., another firm in our sample.

These and other holdings by companies in the sample in other newspaper or periodical publishers are listed below :-

<u>Name of ultimate parent (A)</u> <u>(included in the sample)</u>	<u>Partly-owned companies (S=another sample co.)</u>	
	<u>Name</u>	<u>% of equity held</u>
British Electric Traction Company Ltd.	United Newspapers Ltd. (S)	5.7
Daily Mail and General Trust Ltd.	Bristol Evening Post Ltd. (S)	23.5
	Reading Newspaper Co. Ltd.	32.5
BPM Holdings Ltd.	North Wales Newspapers Ltd.	25
Liverpool Daily Post and Echo Ltd.	All leading newspaper companies in England	< 1
S. Pearson and Son Ltd.	Economist Newspaper Ltd. (S)	49.9
	BPM Holdings Ltd. (S)	28.5
	Throgmorton Publications Ltd.	50.0
	Catholic Herald Ltd.	49.8
Reed International	Throgmorton Publications Ltd.	50.0
	Several smaller periodical companies	

In the analysis of concentration we have recognised the practice adapted by Companies Acts in the U.K., whereby companies declare in sales turnover in consolidated accounts the total sales of all subsidiaries in which they have a controlling interest (greater than 50% of the vote - entitling equity). Net profits before tax, however, include income from minority holdings. With the terms of reference prescribed by the Commission and with current practice of financial reporting in the U.K., we were unable to avoid the double-counting of those profits made by one company in our sample which were then remitted to another as dividends.

The double-counting is confined to less than 2 per cent of combined profits.

#### 4. Competitive Media and Investment in them by the Press

Another activity may be said to compete with the press in either or both of two respects:-

- (i) as a medium of communication of news, information, opinion or entertainment
- (ii) as a medium for advertisement.

The government radio and television services, compete mainly in respect (i) ; hoardings and transport companies with advertising on vehicles compete only in respect (ii) commercial television and radio are the main media which compete in both respects.

##### (a) Television

By the end of 1975 there were 17.4 million television licences current in the U.K.,<sup>1</sup> which

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<sup>1</sup> A television licence entitles a household to operate at least one television set.

means that 90 per cent of households hold a TV licence. Surveys have shown that average viewing time per head of population exceeds 15 hours per week.<sup>1</sup>

The British Broadcasting Corporation transmits two national networks, one of them BBC2 includes no regional variations and is used for educational broadcasts and more serious programmes ; the other (BBC1) has variations for eleven regions in news and current affairs programmes. In Northern Ireland, Scotland and Wales, variations from the London broadcast are quite extensive, especially in Wales. Only a few remote and mountainous regions are now out of range of BBC television transmitters.

Commercial (or "independent" television was introduced in 1955. It comprises 15 regional programme companies under contract to the Independent Television Authority which allocates transmitters. The ITA has now become the Independent Broadcasting Authority. A public body, it is responsible for surveillance over commercial television and radio. News of regional level is provided by the programme company and coverage of national and international news is provided by Independent Television News Ltd., jointly financed by the programme companies. IBA transmitters have a widespread coverage similar to that of the BBC and, in general, independent television attracts wider average audiences than the public network. Regional news coverage is also similar to that of the BBC.

#### (b) Radio

There are four national radio networks, two of which combine during certain periods of the day. All four are operated by the BBC. BBC Radios 1 and 2 respectively broadcast modern "pop" and light music with regular short hourly bulletins of news and other information (weather reports etc.). Only one of these alternatives is broadcast at any one time by the allocated network of Very High Frequency transmitters and, the AM transmissions are not universally receivable.

BBC Radio 3 carries serious music and other "minority interest" programmes, mainly on VHF but with a medium-wave transmitter in central England and another medium-wave relay in central Scotland.

BBC Radio 4 in England has become a national news and current affairs network, most of its programmes are devoted to news bulletins, discussions and documentaries. Scotland, Wales and Northern Ireland each has its own substitute for Radio 4 (Radio Scotland etc.) which carries many Radio 4 programmes but devotes as much as 50% of time to more local material. The VHF transmitters allocated to Radio 4 and its non-English equivalents are used for regional broadcasts.

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<sup>1</sup> Britain 1974 : An Official Handbook (HMSO), page 21.

The BBC has 20 local radio stations in England ; the first eight were opened in 1967. These broadcast programmes of local interest for as much as 12 hours per day - at other times they broadcast one of the national networks. Most relay the major news bulletins from Radio 4. Those local transmissions usually have a range of 40 miles, on VHF and common AM frequencies.

Local commercial radio began in the United Kingdom in 1973 and by 1975 there were 13 commercial radio stations again broadcasting from low-power transmitters, using VHF and common AM frequencies. They share a national news service (Independent Radio News) and, as well as popular music, broadcast a fairly large volume of local news, information and discussion.

To illustrate the news broadcasts available on television and radio let us take a man in Swansea, South Wales at 1730 hours on a weekday. Within 90 minutes he has the following news programmes available :-

<u>BBC Wales</u> :	National BBC Television News (from London). General and Welsh regional news in Welsh. Welsh Regional news in English.
<u>Independent Television:</u> (regional)	Independent Television News (from London). General and Welsh regional news in Welsh. Welsh regional news in English.
<u>BBC Radio 1</u> :	News summary
<u>BBC Radio 2</u> :	" "
<u>BBC Radio 3</u> :	" "
<u>Swansea Sound</u> :	General news (from IBN in London). Local news in English. Local news in Welsh.

In spite of this abundance of news on radio and television, Swansea's evening newspaper has maintained its circulation over the eight years to 1975.

#### (c) Involvement of the Press in Commercial Television and Radio

The Royal Commission on the Press of 1961-2 regarded control of a television company by a single newspaper company (the Thomson organisation then owned 80% of Scottish Television) as contrary to the public interest, but did not oppose minority holdings.<sup>1</sup> This new was shared by the government appointed Pilkington Committee on Broadcasting which reported in 1960. The Television Act 1964 empowered the Independent Television Act (with the approval of the Home Secretary) to terminate a programme contract if it believed that the public interest was threatened by newspaper shareholdings.

The ITA required Thomson to reduce its holdings in Scottish Television to 25 per cent by 1968 and, although the statutory power as such has never been used, the threat of it is a brake on further press control of television contractors.

The Independent Broadcasting Authority Act of 1973 required (i) that the owners of any newspaper with extensive circulation in an area and/or of which the financial position would be materially worsened must be offered a shareholding by any company proposing to establish local commercial radio in that area.

(ii) that no newspaper company with substantial local circulation should have a controlling interest in a local radio station. (The IBA has interpreted this to mean 12½% for a newspaper with a monopoly of local news but allows bigger percentages for national newspaper groups).

Holdings by newspaper publishers in commercial television and radio stations at 30 June 1975 are listed in Appendix B.<sup>1</sup>

The largest single holding by any major company which publishes newspapers is that of British Electric Traction (via its subsidiary Rediffusion Television Ltd.) in Thames Television Ltd., the London region Monday-Friday contractor. BET's holding is 50 per cent of the equity - 49.99 per cent of voting shares and 50.02 per cent of non-voting. Although its weekly newspapers account for about 10 per cent of the circulation of weekly newspapers in the area served by Thames Television, it has no financial interest in local or national daily papers and is not regarded by the IBA as a newspaper publisher for the purposes of the restrictive legislation.

Other individual press holdings in excess of 20 per cent of the voting equity of commercial television companies are :-

Anglia Television :	Guardian and Manchester Evening News Ltd.(20.9 per cent.)
Associated Television :	Reed subsidiaries (29.6 per cent)
Border Television :	Cumbrian Newspapers (23.8 per cent) (non-sample company)
Scottish Television :	Thomson Organisation (25.0 per cent)
Southern Television :	Daily Mail & General (37.5 per cent) D.C. Thomson (25.0 per cent)

Excluding the BET holding the total holdings by all press companies of the total equity of commercial television contractors in 1975 amounted to 18.0 per cent, of which 17.2 per

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<sup>1</sup> Source : Press Council Annual Report



cent was held by companies in the sample. When British Electric Traction is included, the percentage rises to 25.5.

In commercial radio press holdings mounted to 23.6 per cent of total equity, of which 18.8 per cent was held by companies in the sample. When BET's indirect holdings in Capital Radio are included, the percentage rises again to 25.5.

Loan capital has also been supplied by Press Companies to commercial television and radio, in approximately the same proportions as equity investment.

#### E. ANALYSIS OF NATIONAL CONCENTRATION

In sub-section (1) are presented the analyses of concentration, using the standard indices of the Commission for turnover and profits from the printing and publishing of newspapers and periodicals in 1968, 1973 and 1975. An analysis of the national circulation of newspapers in 1968 and 1975 appears in sub-section (2).

##### 1. Analysis of Turnover and Profits

Table II-11 shows the total value of turnover, profits excluding losses and profits plus losses for the sample of press companies in 1968, 1973 and 1975. The total turnover of the sample is also shown as a percentage of the value of Press turnover published by the Business Statistics Office.

The factors which have influenced sales turnover, especially the drop in advertising since the peak in 1973 were discussed in sub-section A above. The rise in the real value of profits between 1968 and 1973 and the subsequent sharp decline demonstrate the consequences of volatility of sales revenue for companies with a high proportion of fixed costs. A newspaper proprietor can reduce output only to a limited extent : the sharp drop in advertising means an inevitable decrease in sales revenue per issue and per copy sold.

Table II-12 shows the values of the concentration indices for sales turnover and profits in each of the three years.

##### (a) Sales Turnover (01)

In 1968 the Linda analysis shows the existence of an oligopoly group of seven enterprises which together accounted for 76.7 per cent of total turnover. The largest single firm was the International Publishing Corporation (during 1969 this was acquired by Reed International) with 29.8 per cent of total turnover followed by the Thomson organisation with 13.5 per cent. Other members of the oligopoly group were, in order, the Daily Mail group, Beaverbrook Newspapers, Daily Telegraph, S. Pearson and News International.

Table II-11 Total Value of Turnover and Profits - Press Sample

	<u>1968</u>	<u>1973</u>	<u>1975</u>
<u>Variable 01 Sales Turnover</u>			
Number of enterprises	35	35	35
Total value (£ millions)	441.5	757.1	1009.7
Value as % of BSO total	91.6	88.2	93.7
Index at constant purch. power	100	119	110
 <u>Variable 04 Net Profits before Tax (Losses EXCLUDED)</u>			
Number of enterprises	33	34	34
Total Value (£ millions)	50.9	77.3	62.9
Index at constant purch. power	100	106	60
 <u>Net profits and losses before Tax</u>			
Number of enterprises	35	35	35
Total Value (£ millions)	50.8	77.3	60.4
Index at constant purch. power	100	106	57

The last company held 4.8 per cent of the market, while the next largest company in the industry held only 2.8 per cent.

In 1973 sales turnover was much less concentrated than in 1968. This was partly due to the acquisition of the Sun newspaper by News International<sup>1</sup> but also reflected the gains by companies in the regional press through the greater importance of classified advertising. The relative decline of the popular dailies and of certain consumer magazines was also a factor. The concentration ratio for the four largest companies fell from 61.6 to 49.8 per cent and that for eight companies from 79.5 to 71.9 per cent. The decrease in the Linda index  $L_8$ , shows much more equal distribution of turnover among the eight companies. No minimum in the Linda curve occurs until the tenth enterprise, so that the "oligopolistic arena" now contained ten companies, with 77.6 per cent of total turnover. IPC (by then part of Reed International) remained the largest but its market share had fallen to 21.5 per cent. The nine other companies are! Beaverbrook, News International, Daily Mail, S. Pearson, Daily Telegraph, United Newspapers, D.C. Thomson and the Guardian and Manchester Evening News.(2)The three newcomers to the oligopoly group were principally regional newspaper publishers and other enterprises with large regional

<sup>1</sup> See page 62 above

<sup>2</sup> The circulation of the Manchester Evening News was greater than that of the Guardian

Table II-12 Table of Concentration Indices - Press Activities

(EAU-Press)	1968		1973		1975	
	01	04	01	04	01	04
No of firms	35	33	35	34	35	34
Mean value (£000's)	12615	1542	21632	2273	28849	1850
Coeff. of Var.	1.916	1.777	1.485	1.171	1.551	1.320
Gini	0.693	0.671	0.616	0.546	0.624	0.600
Herf. - Hirschman	133.4	126.0	91.6	69.7	97.3	80.7
Entropy	-112.1	-113.6	-123.7	-130.6	-122.1	-125.3
n* = 4 CR	61.6	57.6	49.8	43.9	50.7	49.8
L	0.544	0.689	0.533	0.383	0.533	0.364
n* = 8 CR	79.5	75.3	71.9	64.3	73.4	70.3
L	0.437	0.436	0.319	0.291	0.327	0.281
n*h	2	2	2	2	2	2
Ln*h	1.227	1.074	0.874	0.651	1.011	0.560
CRn*h	41.9	42.4	33.9	26.8	34.4	29.9
n*m	7	21	10	6	7	11
Ln*m	0.429	0.283	0.301	0.276	0.327	0.262
CRn*m	76.7	96.7	77.6	57.6	70.3	79.1
LS	0.672	0.445	0.455	0.426	0.559	0.344

For definitions of the terminology see Appendix A or Reference (1)

Variable 01 = Sales Turnover  
04 = Net profits before tax

newspaper interests - Thomson, News International and S. Pearson had moved towards the top of the list.

By 1975, with the recession in advertising, concentration increased again but remained less than in 1968. The oligopoly group of seven firms indicated by the Linda index comprised the following :- Reed International (still the largest with its market share recovered to 23.0 per cent), the Thomson organisation, Daily Mail, Beaverbrook, News International, S. Pearson and the Daily Telegraph - the same seven as in 1968 but with changed order. Their share of total turnover was 70.3 per cent and the lower Linda index (and LS) shows much greater equality within the oligopoly group.

(b) Net Profits (04)

In 1968 the ranking of profits and turnover was closer than in subsequent years :-

First eight companies in order of -

<u>Sales turnover</u>	<u>Net Profits - before tax</u>
International Publishing Corporation	International Publishing Corporation
Thomson Organisation	Thomson Organisation
Daily Mail	Daily Mail
Beaverbrook	S. Pearson
Daily Telegraph	News International
S. Pearson	D.C. Thomson
News International	Beaverbrook
D.C. Thomson	Liverpool Daily Post and Echo

The three largest companies accounted for 52.2 per cent of sales turnover and 50.7 per cent of profits. For turnover  $L_3$  was 0.778 and for profits  $L_3$  was 0.867, because the third firm (Daily Mail) achieved a lower margin on sales than the first two. Overall, profits were much less concentrated than turnover in 1968 and in each of the other two years.

In 1973 the ranking of profits and turnover differed considerably :-

First eight companies in order of

<u>Turnover</u>	<u>Net profits</u>
Reed International	Thomson Organisation
Thomson Organisation	S. Pearson
Beaverbrook	News International
News International	United Newspapers
Daily Mail & General	Daily Mail & General
S. Pearson	Reed International
Daily Telegraph	Guardian & Manchester Evening News
United Newspapers	Liverpool Daily Post & Echo

The most remarkable aspect of the column on the right is the relatively high profit-ranking of the companies with extensive interests in regional newspapers. This has already been attributed to the high level of demand for classified advertisements. Overall, profits in 1973 were much less concentrated than in 1968. The Linda index shows a distinct size threshold at 6 enterprises which together accounted for 57.6 per cent of total profits. Within the six the distribution of profits was very even - even though it is the average of only five instead of 20 coefficients, the LS index is lower than that for 1968.

In 1975 the concentration of profits had increased again but it is important to emphasise that some of the largest companies were not among those with the largest profits. The Thomson Organisation, the company with the second largest Press turnover made a loss on its Press activities ; Beaverbrook Newspapers came fourth in order of sales turnover but with a margin of only 2.6 per cent on sales, compared with an average for the sample (including losses) of 6.0 per cent, it was ranked in the ninth position. The seven firms identified as within the "oligopoly" group on sales turnover accounted for 70.3 per cent of turnover and 55.5 per cent of profits.<sup>1</sup>

The financial difficulties of some of the largest concerns has led to changes within the industry since 1975. During 1977 the Beaverbrook newspaper, the Evening Standard (London evening paper) was almost closed and Beaverbrook was acquired by another company, Trafalgar House Investments Ltd. Difficulties within the Reed publishing activities are receiving publicity at the time of writing (November 1977). One of the problems facing the largest, London-based, companies has been the attempt to introduce new labour-saving technology into a declining activity with a predominance of highly-paid skilled labour. The industrial relations history of the Press in recent years has been somewhat stormy and disputes have not been confined to large companies. However, it appears that the large Fleet Street printing houses are less able than most of the smaller provincial companies (or subsidiaries) to avoid disputes and to apply new technology.<sup>2</sup>

## 2. Analysis of Circulation (Copies Sold)

The published data on newspaper circulation may be used to examine the concentration of communication via newspapers. How many newspapers does each company sell to the public each week.

We have collected data from a variety of sources<sup>3</sup> to establish average circulation per issue of each of the following categories of newspaper in 1968 and 1975 :-

national daily  
national and regional Sunday  
regional and local weekly  
regional daily

---

<sup>1</sup>The Thomson loss has not been deducted from the total for the other six, i.e., Thomson's profit is taken as zero.

<sup>2</sup>The industrial relations history is fully described by the Royal Commission 1974-7 in its interim (1976) and final (1977) reports.

<sup>3</sup>Press Council Annual Reports, Royal Commission on the Press, Newspaper Press Directory (Benn), direct questionnaires to companies.

Because magazines and other periodicals are so diverse in size and content, their circulation figures are less meaningful than those of newspapers (which are fairly standard) and periodicals are therefore dealt with separately in sub-section H below.

In order to derive average weekly newspaper circulation per company, the data for national and regional daily newspapers were multiplied by six, except where it was known that no Saturday edition was published. Weekly and Sunday circulation figures were included without adjustment<sup>1</sup>.

All of the companies included in Tables II-10 to II-12 which publish newspapers are also included in Table II-13 but those which produce only national periodicals are excluded.

The analysis of circulation shows the existence in 1968 of a distinct oligopoly group of four firms - IPC, Beaverbrook, Daily Mail group and the Thomson organisation, with a combined share of 71.7 per cent of the market. By 1975 the oligopoly, as identified by the first minimum of the Linda index comprised five enterprises - Reed, (having acquired IPC), News International (which took over and developed the Sun newspaper), Beaverbrook, the Daily Mail group and the Thomson organisation. These five firms combined share of the market was also 71.7 per cent. Much of the apparent decline in concentration is due to the changed position of IPC/Reed, whose share of total circulation fell from 29.4 per cent in 1975 to 22.0 per cent in 1968.

Table II-14 summarises the interests of the companies in the oligopoly groupings in each of the main categories.

Table II-14 Newspaper Circulation of "Oligopolists"		(000)				
	<u>National dailies</u>	<u>Regional dailies</u>	<u>All Sundays</u>	<u>Local weeklies</u>	<u>Weighted Total</u>	
<b>(a) 1968</b>						
IPC	6,100	527	11,479	40	51,281	
Beaverbrook	3,853	848	4,238	0	32,444	
Daily Mail & Gen.	3,010	2171	0	480	31,566	
Thomson Organisation	401	1462	1,711	323	13,212	
News International <sup>1</sup>	0	41	6,191	245	6,682	
<b>(b) 1975</b>						
Reed International	4,018	627	9,324	45	37,239	
News International	3,435	37	5,560	294	26,686	
Beaverbrook	2,894	485 <sup>2</sup>	3,786	22	23,597	
Daily Mail & Gen.	1,730	1641	0	488	20,714	
Thomson	327	1495	1592	393	12,917	

<sup>1</sup>Not in oligopoly in 1968.

<sup>2</sup>London Evening Standard, Mon-Fri only in 1975.

Table II-13 Table of Concentration - Aggregate for each company of average weekly circulation of newspapers

	<u>1968</u>	<u>1975</u>
Sum total for sample (000's)	179,317	168,909
% of total for all companies	91.8	93.8
Number of companies	26	28
Sample mean	6897	6032
Coefficient of variation	1.77304	1.55
Gini coeff.	0.71795	0.691
Herfindahl-Hirschman	159.3716	121.5
Entropy	-98.0929	-106.3
 n* = 4		
CR	71.7	64.1
L	0.565	0.364
 n*=8		
CR	85.9	83.8
L	0.559	0.395
 n*h	2	2
Ln*h	0.732	0.698
CRn*h	46.69	37.84
 n*m	4	5
Ln*m	0.565	0.364
CRn*m	71.7	71.7
LS	0.696	0.476

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Comparison between Tables II-13 and II-12 shows the much greater concentration of newspaper circulation than of press turnover. There are two reasons for this :- (a) most of the lower-circulation newspapers and periodicals are more expensive than the most popular newspapers and (b) the popular press relies on advertising for a much lower proportion of its revenue. Both these aspects were described in sub-sections A and B above.<sup>1</sup>

In spite of the apparent variety of publications, the involvement of the largest press companies in both national and regional newspapers means that about 67 per cent<sup>2</sup> of all newspapers (national, regional or local) in the United Kingdom are published by only five enterprises. Two of the five (news International and the Thomson Organisation) are owned by overseas parent companies.

#### F. REGIONAL MARKETS

The analysis of regional markets takes two forms. First, the variable "aggregate weekly circulation for each company" has been calculated for each of six parts of the United Kingdom and the standard concentration indices of the Commission applied to it. Secondly, in order to complement corresponding studies in other member countries of the Community, we have calculated concentration ratios for individual titles of newspapers in each of the six regions.

In seeking to measure "aggregate weekly circulation for each company" we were obliged to find some way of allocating the circulation of national newspapers between regions. For this purpose, the National Readership Survey 1975<sup>3</sup> was used. This shows the distribution of readers of each title by each of six survey regions listed below :-

	<u>Total population aged 15+ ( 1975 )</u>
London and South-East	14.5 millions
South-West England & Wales	5.4 "
Midlands	6.7 "
North-West	5.0 "
North-East and North	6.1 "
Scotland	3.8 "

The boundaries of these regions are shown on a map which appears as Appendix C to this report.<sup>4</sup>

Data on Northern Ireland are not available. The Royal Commission suggests that the circulation of U.K. newspapers in Ulster is less than that of the provincial daily papers,<sup>5</sup> of which the combined circulation in 1975 was 300,000. If this is true, then less than 2 per cent of the U.K. circulation of national newspapers is in Northern Ireland.

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<sup>1</sup> Pages 62 and 56.

<sup>2</sup> Takes into account 93.8 per cent coverage of sample.

<sup>3</sup> Published by the Joint Industry Committee.

<sup>4</sup> On page 111 below.

<sup>5</sup> Royal Commission 1974-77, Final Report para 3-18



For estimation of the circulation of national newspapers in the six parts of Great Britain, listed above, Northern Ireland sales have been ignored and the U.K. circulation has been allocated between the six "regions" in proportion to the results of the Readership Survey.

Table II-15 shows the estimated circulation of newspapers of each of the four categories in each of the six geographical areas and in Northern Ireland. Sales of newspapers published for one region are assumed to be confined to that region except that allowance is made for sale of the Scottish Sunday Post in North-East and North-West England. Discrepancies between the combined circulation figures in Tables II-15 and LL-8 are explained by differences in sources.<sup>1</sup>

Table II-15 Circulation of U.K. and Regional Newspapers 1975

<u>Region</u>	<u>National dailies</u>	<u>Regional dailies</u>	<u>Sundays</u>	<u>Local weeklies</u>
London & S.E.	5811	2257	7882	4235
S.W. & Wales	1835	937	2928	1370
Midlands	2337	1731	3656	1301
North-West	1767	1219	2764	1313
North & N.E.	1869	1640	2964	1063
Scotland	703	1610	3043	1217
N. Ireland	neg.	300	93 )	
Other islands	neg.	36	neg. )	463
Total U.K.	<u>14322</u>	<u>9730</u>	<u>23330</u>	<u>10962</u>

Some distortion arises because some regional newspapers circulate in adjacent areas of other regions, e.g., the Liverpool Daily Post, included here in North-West England, circulates extensively in North Wales and in the Isle of Man. These adjacent areas are, however, thinly populated and this mitigates the distortion.

Table II-16 requires careful interpretation because of the varying coverage by our sample companies of each regional market. The true concentration ratio  $CR_4$  can be obtained by multiplication of the ratio shown in the table by the percentage of total newspaper circulation covered by the sample. The resulting figures (the proportion of all newspapers which were published by the four largest companies) follow on page 89.

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<sup>1</sup> The discrepancy for local weeklies between Royal Commission estimates and those of the Press Council are discussed by the Royal Commission in Research Paper 5 (Cmd. 6810-6) 1977.

Table II-16 shows the standard concentration indices of the Commission applied to aggregate average circulation per company in each territorial division.

Table II-16 Table of Concentration - Estimated aggregate circulation of newspapers by region 1975

	London & S.E.	Wales & S.W.	Midlands	North West	N. & N.-East	Scotland
Sample total (000's)	52587	19961	28423	18962	23090	16895
No of firms	16	11	14	13	11	12
Mean	3287	1814	2030	1459	2099	1408
Coeff. of Variation	1.26	0.84	1.00	0.87	0.74	1.08
Gini	0.627	0.470	0.540	0.469	0.417	0.566
Herf.-Hirschman	161.7	155.0	143.1	134.6	141.1	181.0
Entropy	-89.3	-87.4	-92.6	-95.1	-90.6	-81.9
n* = 4 CR	77.5	73.0	69.7	67.0	65.2	75.9
L	0.319	0.348	0.332	0.343	0.368	0.412
n* = 8 CR	94.1	97.6	94.0	90.7	95.7	98.2
L	0.524	0.518	0.379	0.329	0.330	0.682
n* h	2	2	2	2	2	2
CRn*h	43.0	41.5	39.3	38.1	38.5	47.1
Ln*h	0.593	0.616	0.378	0.729	0.698	0.954
n* m	4	7	5	4	5	6
CR n*m	77.5	94.6	79.9	67.0	76.6	95.3
Ln*m	0.319	0.333	0.308	0.343	0.304	0.336
LS	0.436	0.396	0.389	0.510	0.460	0.527
Sample total as % of grand total	87.0	95.4	96.8	86.8	91.7	90.6

<u>Region</u>	<u>Conc. Rates (4 firms)</u>	<u>Names of Firms and % share</u>
London & S.E.	67.4	Reed (20.3) Beaverbrook (17.1) News Int. (16.1) Daily Mail (13.9)
Wales & S.W.	69.7	Reed (21.9) Daily Mail (17.8) News Int. (17.2) Beaverbrook (12.8)
Midlands	67.5	Reed (19.7) News Int. (18.4) Daily Mail (16.7) Iliffe family(12.7)
North-West	58.2	Reed (19.6) Beaverbrook (13.5) News Int. (13.0) Lvrpl.D.P. (12.1)
North & N.E.	59.8	Reed (20.6) News Int. (14.7) United News (13.1) Thomson (11.4)
Scotland	68.6	Reed (27.4) Thomson (14.4) Beaverbrook (13.9) Scot.& Univ.(13.1)

This list together with the information in Table II-16 shows considerable concentration in each region but, apart from the market leadership of Reed in all six areas, there is considerable difference in the ranking of companies in different regions.

Table II-17 is a table designed by the European Commission to show the evolution of competition among leading newspaper titles in each region. It shows that the Daily Mirror continued to lead in daily newspapers in 1975 (though it was not profitable - the Mirror Group section of Reed International made a loss in that year) ; the share of the Mirror was considerably reduced in all areas, mainly because of the advance of the Sun.

In Scotland, the Daily Express was published from Glasgow as the Scottish Daily Express until 1974. Since then, a Scottish edition has been published from Manchester. As a result the Glasgow-published Daily Record, owned by the Reed Group and a sister paper to the Daily Mirror has taken over the position of leadership in the Scottish market. We estimate that newspapers published in Scotland accounted for nearly 70 per cent of Scottish daily newspaper circulation in 1975 ; these include the evening papers of the large cities. The Glasgow Evening Citizen, published by Beaverbrook, closed in 1973, despite a circulation of 167,000 in 1972. This has resulted in increased sales for the rival Evening Times.

#### Further observations on regional concentration

The Royal Commission has published a Research Paper on regional concentration.<sup>1</sup> This does not aim to provide global statistical measurement but examines a number of specific topics. Among these are the decline in competition at local level, i.e., evening newspapers serving restricted areas and among local weeklies. The decline of freesheets as advertising itself declined from 1973 is another aspect of this. Between 1961 and 1974 eleven newspapers were launched and nine were closed. The launches were mainly in

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<sup>1</sup>Royal Commission on the Press (1974-7) : Concentration of Ownership in the Provincial Press.

TABLE II-17 REGIONAL CONCENTRATION OF DAILY NEWSPAPER TITLES IN THE UNITED KINGDOM

R E G I O N	YEAR	Total (000) circulation daily newspapers	I n d e x			4 l e a d i n g t i t l e s			
			C4	4L	C1	I	II	III	IV
London & S.E.	1968	8897	61.0	1.792	23.8	Mirror	Express	Telegraph	Mail
	1970	8661	57.3	1.752	22.4	"	"	"	"
	1972	8338	56.9	1.584	21.1	"	"	Sun	Telegraph
	1975	8044	57.2	1.596	19.1	"	Sun	Express	"
S.W. & Wales	1968	2777	52.8	2.464	23.8	Mirror	Express	Mail	Bristol Ev.Post
	1970	2698	50.6	2.316	22.6	"	"	"	Sun
	1972	2733	50.7	1.840	19.2	"	"	Sun	Mail
	1975	2745	57.8	1.712	19.7	"	Sun	Express	"
Midlands	1968	4046	54.4	2.044	23.6	Mirror	Express	Birm.Evg.Mail	Mail
	1970	3931	50.3	2.032	21.1	"	"	"	Sun
	1972	3779	54.0	1.608	19.9	"	Sun	Express	Birm.Evg.Mail
	1975	4084	52.4	1.612	17.3	"	"	"	"
North- West	1968	3442	58.5	1.292	16.7	Mirror	Express	Manch.Evg.Nws.	Liverpool Echo
	1970	3298	58.4	1.356	17.5	"	"	"	"
	1972	3222	57.3	1.356	17.2	"	"	"	"
	1975	2981	56.3	1.304	17.9	"	"	"	Sun
North & N.E.	1968	3837	44.2	1.992	17.9	Mirror	Express	Mail	Yorks.Evg.Post
	1970	3771	44.1	2.116	18.7	"	"	"	Sun
	1972	3492	48.1	1.972	18.7	"	Sun	Express	Yorks Evg.Post
	1975	3543	47.8	2.104	18.2	"	"	"	"
Scotland	1968	2471	62.6	2.488	25.7	Express	Record	Evg.Tms.	Evg. Citizen
	1970	2403	63.2	2.488	25.3	"	"	"	"
	1972	2409	62.7	2.704	25.8	"	"	"	"
	1975	2311	61.4	2.364	27.1	Record	Express	"	Sun

C4 = Concentration Ratio for 4 leading titles  
 C1 = Concentration Ratio for 1 leading title  
 4L = Linda Index for n\* = 4

expanding commuter towns or were redesigned versions of established papers. All of the closures resulted in cities or towns like Birmingham, Leeds, Nottingham, Bristol, Manchester, Edinburgh and Glasgow having only one evening paper. In most cases, the newspaper was owned at the time of closure by the same company as the surviving rival though in some cases it had been acquired only a few years earlier.

Local monopoly in provincial daily and weekly newspapers means a monopoly of local advertising. To check whether this affected advertising rates the Royal Commission undertook a detailed survey and while they were able to find factors which significantly influenced advertisement prices, the existence of competition was not among these factors.

#### G ANTI-MONOPOLY LEGISLATION AND LOCAL NEWSPAPERS

The 1965 Monopolies and Mergers Act introduced and the 1973 Fair Trading Act continued specific provisions with respect to the Press. Transfers of controlling interest (25% or more) in individual titles require the consent of the Secretary of State for Prices and Protection who must (except in certain circumstances) refer the proposed transfer to the Monopolies and Mergers Commission. The Secretary of State may give consent without reference to the Commission when he is satisfied that the title to be acquired is not economic as a separate newspaper and must give consent if he is satisfied that such an uneconomic newspaper will no longer be produced as a separate title. (This means that the legislation has not prevented two owners of evening newspapers from acquiring rival titles which were making a loss and closing them - in Coventry in 1965 and Glasgow in 1974). Reference to the Monopolies and Mergers may also be waived when the circulation of the affected title is less than 25,000 or if the case is one of urgency, so that delay might threaten the survival of the paper.

The transfer of the Sun from IPC to News International (then the News of the World organisation) was not referred to the Monopolies and Mergers Commission, on grounds of urgency. The take-over by the Thomson Organisation of the Times in 1966 is the only case involving national newspapers considered by the Monopolies Commission. Five cases involving local weekly newspapers were considered during the period covered by our study. The acquiring companies were all national chains :- Thomson, S. Pearson (Westminster Press), News International (Berrows), Daily Mail and General (Associated Newspapers) and Scottish and Universal, Investments (G. Outram).

Concentration in the local weekly press has increased substantially since 1961 but most of the changes took place before 1968. Our own estimates of changes between 1968 and 1975 are shown in Table II-18.

Table II-18 Ownership of Local Weekly Newspapers 1968-75

(Companies with aggregate circulation in 1975 of over 200,000 are listed)

	<u>% of national circulation</u>	
	<u>1968</u>	<u>1975</u>
BPM Holdings and other Iliffe interests	1.7	2.2
British Electric Traction	1.4	2.0
County Newspapers	2.4	2.4
Daily Mail and General	4.6	4.5
East Midland Allied Press	1.9	1.9
News International	2.3	2.7
Scottish and Universal	1.9	3.1
S. Pearson	7.0	11.6
Thomson Organisation	3.1	3.6
United Newspapers	2.1	2.7
F. Johnston	1.9	2.0

The Concentration ratio for the four largest firms in 1968 was 17 per cent ; by 1975 it had increased to nearly 23 per cent.

Although the tendency for the ownership of local newspapers to be concentrated in national chains may give rise for concern, the current level of concentration is still very low.

This national product-group approach is inappropriate in our view. In any one town the regional daily and local weekly newspapers may be owned by one single company which in many cases is also a publisher of a national daily. Many people buying each of these newspapers may be unaware of their common ownership - they may unknowingly be relying upon one single company for all their news and Press opinion. In practice the large chains are committed to the principle of editorial independence ; nevertheless, the potential danger that Press monopoly could be abused remains for the future.

#### H. CONCENTRATION OF PERIODICAL SALES

It has already been pointed out that the publishing of periodicals is organised on a much more atomistic basis than that of newspapers. For this reason and also because the BBC, whose Radio Times has a circulation of over 3 millions per week, could not be included in our sample of companies, this sample covers only about 70-75 per cent of the total sales value of periodicals in the U.K.

The variable used for analysis of concentration is the total value of annual retail sales of periodicals for each firm. This is the sum of the products for each periodical of its cover price, its average circulation per issue and the frequency of issue in 1975. The process of data-searching and manipulation was a lengthy one and the research was confined to 1975. The results, summarised in Table II-19 are rather surprising :-

Table II-19 Table of Concentration - Annual Retail Value of Periodical Sales 1975

Sum total of sample : £152.6 millions  
 Number of firms : 19  
 Mean value : £7.03 millions

Coefficient of variation : 2.007      Gini coefficient : 0.677  
 Herfindahl-Hirschman : 264.5      Entropy - -85.14

N*	$\frac{4}{73.6}$	$\frac{8}{87.0}$	N*h = $\frac{2}{59.4}$	N*m = $\frac{12}{95.6}$
CR	1.178	0.742	2.212	0.551

$$LS = 0.964$$

The surprising finding is the dominant position of Reed with 48.5 per cent of the market followed by Independent Television Publications (publishers of TV Times) with 11.1 per cent. Since our sample covers 70/75% of the total market, the Reed share of that total is about 34-35 per cent.

The Royal Commission estimated the Reed share of consumers' expenditure on consumer magazines to have 35 per cent in 1975 and pointed out that this represented a decrease of about 10 per cent since 1965.<sup>1</sup> Reed's share of sales of trade, professional and scientific journals is almost certainly less than 35 per cent but a precise estimate cannot be derived. Reed had 120 consumer magazine titles and 90 specialist periodicals in 1975.

The other companies important in the periodicals, according to our own survey results are D.C. Thomson, with consumer magazines and accounting for 8.7 per cent of the sample total; Daily Mail and General Trust with only three weekly magazines but with 5.5 per cent of the sample ; and Morgan-Grampian with four consumer titles and 33 specialist periodicals and with 4.5 per cent of the sample.

The periodicals market is very volatile and intensely competitive, in the sense that market shares within individual segments have changed rapidly.

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<sup>1</sup> Royal Commission 1974-7 Periodicals and the Alternative Press, paras. 42-47

SECTION III - SURVEY OF CONCENTRATION IN THE PUBLISHING OF SCHOOL TEXTBOOKS

A. INTRODUCTION

In 1975 school textbooks accounted for 16.6 per cent of the total value of books sold by U.K. publishers. We were asked by the Commission of the European Communities to include in this report a survey of concentration in the supply of compulsory and recommended books (i.e. textbooks).

Before the description of the survey and its results, it is necessary to point out that the system whereby textbooks are supplied to pupils in the United Kingdom. In the case of schools administered by public local educational authorities (LEA) where 96 per cent of the total school population is educated, books are invariably supplied by the school on a loan basis to pupils; they remain the property of the school. This reduces the size of the total market for school textbooks. Having purchased books for all members of an age-group which is studying a particular subject (in a large school and in the case of a common subject like English this might mean 200 books), the school is under economic pressure not to change the textbook used in a subsequent year. Under a system where pupils purchase their own books, perhaps with the assistance of grants and with the support of a second-hand book market, the school is more free to adopt new texts.

In independent schools (4 per cent of the school population) the system varies from one similar to that in the LEA sector to one where pupils are invited to purchase books on a list supplied to them by the school, which might specify "compulsory" and "other recommended" texts. Some independent schools operate a mixture of the two systems.

In the further and higher education sectors (mainly for students aged 18 and over) the requirement that students buy their own books is fairly general and this is one reason why the sales of "technical and scientific" exceed those of school textbooks by about 17 per cent, despite the relatively small number of students.

B. DESCRIPTION OF SURVEY

Schools were divided into eight categories reflecting the varying structures of education in different local education authority areas:

		<u>Age range</u>
Category reference	1 LEA Primary	5 - 9
	2 LEA Middle	9 - 13
	3 LEA Secondary Comprehensive	11 or 13 - 18
	4 LEA Secondary non-selected	11 or 13 - 16
	5 LEA Secondary selected	11 or 13 - 18
	6 Independent Pre-preparatory	4 - 8
	7 Independent Preparatory	8 - 13
	8 Independent Upper	13 - 18



Note: comprehensive = covering all ability range, no academic selection  
 selected = with pupils who have been selected by examination or other criteria  
 non-selected = with pupils who, as a result of examination or other criteria, have not been selected for other schools.

When the age-range spanned by the school was greater than that in the category (e.g. some independent schools covered the 8 - 18 age-range; some LEA primaries took children from 5 to 11; some LEA schools in transition covered 9 to 18), the school was asked to confine its response to the specified age-range for the category.

Table III-1 shows the subjects for which schools in each category were invited to complete questionnaires relating to stocks of textbooks in use in the academic year 1976-7 and purchases for use during that year. Textbooks which independent schools listed for obligatory purchase by their pupils were also listed and included as purchases. The number of schools in the sample following this practice for most of required books was very small.

Table III-1 Coverage of Subject by Category

x = questionnaires relating to subject sent to schools in category at head of column

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
English		x	x	x	x		x	x
Mathematics		x	x	x	x		x	x
Economics/Comm.			x	x	x			x
History		x	x	x	x		x	x
Geography		x	x	x	x			x
French		x	x		x		x	x
Other mod. languages			x		x			x
Latin					x		x	x
Physics			x	x	x			x
Chemistry			x	x	x			x
Biology			x	x	x			x
Music		x	x	x	x		x	x
Religion		x	x	x	x			x
Reading	x					x		
Arithmetic	x					x		

"Science" was included in some questionnaires for categories 2 and 7 but, since it became evident that, in the age groups concerned textbooks were not a major means of teaching, this was subsequently abandoned.

For Reading and Arithmetic, 100 questionnaires were sent to LEA primary schools and 54 to independent pre-preparatory schools. The intention had been to use progressive random sampling until statistically significant results were derived for each of these two subjects.

The response rate was low and, for these subjects, as with elementary Science, the definition of a textbook created problems both for the teachers completing the questionnaires and for the Cranfield staff administering the survey. Other teaching devices - visual aids, constructional and mechanical devices are also used; series of reading books are used in rotation with the same class and it is difficult to distinguish between occasionally used books and "textbooks".

For other subjects, questionnaires were sent to 40 schools within each of the categories of school indicated by x in Table III-1. For example, for History 240 questionnaires were sent out, to schools in each of six categories.

After a pilot survey, questionnaires were designed and sent to each of 140 local education authorities in England, Scotland and Wales with a request for permission to distribute them to schools in their areas. Of these, only six refused permission and two others suggested amendments to the questionnaires to make them more appropriate to schools administered by them (these amendments secured a good response from these schools).

Schools were finally selected from alphabetical lists<sup>1</sup> on a systematic sample basis (every n<sup>th</sup> school). Each individual school was requested to complete questionnaires for two subjects, so that the total number of schools approached within each category (40 times the number of subjects included in the survey for that category) divided by 2.

Table III-2 shows the total number of schools approached in each category and the number which returned questionnaires at least partly completed.

Table III-2    Numbers of Schools Approached and Responding in Survey

	<u>Numbers of schools</u>		
	Approached	Returning with questionnaires at least partly completed	%
1 LEA Primary	100	13	13
2 LEA Middle	160	32	20
3 LEA Secondary Comprehensive	240	76	31.7
4 LEA Secondary non-selected	200	55	27.5
5 LEA Secondary selected	260	116	44.6
6 Independent Pre-prep.	54	7	(13)
7 Independent preparatory	176	32	18.2
8 Independent upper	<u>260</u>	<u>59</u>	22.7
	<u>1450</u>	<u>390</u>	

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<sup>1</sup> LEA middle and secondary schools from the Education Authorities Directory; independent schools from the Dept. of Education & Science's list of approved independent schools; LEA primary schools from local telephone directories.

The total number of pupils in responding schools were LEA schools : 198,770; Independent schools : 33,490. While this represented a very small proportion ( 2 per cent ) of the total school population of Great Britain, the sample would have been sufficiently large and cross-sectional to permit conclusions to be drawn if certain statistical limitations had not become obvious. These are described in sub-section C.

Coverage by Subject

Individual schools were unable to complete questionnaires for particular subjects, for example when the subject was not included in the standard curricula. This meant that the total number of subject-questionnaires received was substantially less than twice the number of schools which responded. The number of complete and usable questionnaires for each subject is shown in Table III-3:-

Table III-3 Numbers of Schools Included in the Analysis of Textbooks for Each Subject

<u>Subjects</u>	<u>State School</u>	<u>Independent</u>	<u>Total</u>
History	48	15	63
Maths	47	12	59
Geography	42	12	56
French	39	15	54
Physics	37	9	46
Religion	34	11	45
English	33	11	44
Biology	34	9	43
Chemistry	34	9	43
Music	35	4	39
Latin	19	13	32
Economics	20	4	24
Reading	16	6	22
Arithmetic	7	6	13
German	26	7	33
Spanish	12	2	14

C. STATISTICAL SIGNIFICANCE

Table III-3 shows that for some of the subjects questionnaires were returned by very few schools. One of the problems to be faced in analysis of results from this kind of survey is the establishment of sample error. What from this survey is the reliability of the results?

The sample size lies between two alternative estimations. First one could regard each

purchasing decision as a sample unit: this would increase the sample size to a very respectable level. It would however be invalid since purchasing decisions are not independent: there are complementary and consecutive textbooks which appear as individual titles. In addition, teachers at one school may have a preference for one particular approach to a subject which may mean interdependancies between purchasing decisions, not obvious to the recipient of a completed questionnaire. Existing stocks will inevitably influence the decisions.

Secondly the sample size might be viewed as the number of schools completing questionnaires for each subject but this would be too stringent for estimation of sampling error since it assumes that all purchases of textbooks for each subject at a school are completely interdependent.

No precise answer can be given to this problem but it is reasonable that the sample size for estimation of standard errors of estimates derived from the sample data could be at least 1.5 times the number of completed questionnaires for each subject.

#### D. ANALYSIS OF RESULTS - TOTAL MARKET

From details of purchases by each school and by using catalogues and other guides,<sup>1</sup> we were able to calculate for each subject the retail value of sales by each of 92 publishers to schools in our sample. The total value of these sales (at retail prices and therefore including distributors' margins) was £141,400.

In the estimation of market shares, simple proportions of this total are not acceptable because the sum for all subjects of the retail sales of each company reflects the composition of our sample, which was not weighted in accordance with the importance of the subjects. It would also include no correction for uneven response rates.

The weighting of subjects in proportion to the number of pupils taking examinations was also considered but rejected, because the textbook requirements of scientific subjects at the school level of study are lower than those of more literary subjects. On the other hand subjects which are developing (like the sciences) or subjects which are being taught in new ways (like mathematics and even Latin) may also require more textbook expenditure.

It was decided to weight the percentages achieved by each company of retail sales value for each subject by an estimate of the retail value of purchases per member of the school population. The number of pupils included in this ratio was the total number in the relevant age-group, not the number studying the subject. When a school reported that it did not provide courses in the subject concerned but it fell within a category appropriate to the subject the total number of children in the relevant age-group (normally the total in the school) was taken into account. The final weight was calculated as follows:-

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<sup>1</sup> "Books in Print" (UK edition) was very valuable for this purpose

$$\frac{\text{Expenditure on subject}}{\text{Total no. in schools (or age-division)}} \times \text{Proportion of total school population in age-group concerned}$$

Pupils in independent schools accounted for 14 per cent of all pupils in sample schools, compared with a national independent to total ratio of around 5 per cent. Following an initial computation which used weights uncorrected for this different composition, it was decided to test whether a correction would be worthwhile. This would have taken the form, for subject i

$$W_i = 0.04W_i (\text{independent}) + 0.96W_i (\text{LEA})$$

The weights were virtually unaffected and, in view of the small sample of independent schools for some subjects, no correction was subsequently made.

The only weight which did require correction was that for Latin; since only independent and state secondary selective schools were invited to reply for this subject its importance for the total school population would have been overstated without further correction. The weight for Latin was derived by multiplying the weight derived on the basis of independent and selective schools by a factor of 0.25.

The resulting final weights are shown in percentage terms in Table III-4.

Table III-4 Subject Weights for Combination of Retail Value of Textbook Sales 1976-7

		<u>%</u>		
Mathematics	16.0		Biology	4.9
Reading	13.5		Religion	3.7
Arithmetic	13.5		Chemistry	2.0
Geography	11.5		German	2.0
History	9.2		Music	1.6
French	7.8		Economics	1.4
English	6.5		Latin	1.0
Physics	5.1		Spanish	0.3

These weights ( $W_i$ ) clearly give a high weighting to primary school books. This result is not unexpected because all schoolchildren learn Arithmetic and Reading and these are two areas in which innovation has been considerable in recent years. Physical wear of books in primary schools may also be greater.

Developments in the teaching of mathematics, especially the more widespread adoption of modern mathematics, explain the high weight given to mathematics. On the other hand, while English is essentially a literary subject purchases of major literary works are likely to be confined to wear-and-tear replacements.

The market share of each company j, with percentage share  $S_{ij}$  of the sales value of subject i was defined as

$$S_j = \frac{\sum W_i S_{ij}}{\sum W_i} \quad \begin{array}{l} \text{for } i = 1 \text{ to } 16 \text{ subjects} \\ \text{and } j = 1 \text{ to } 92 \text{ companies} \end{array}$$

The standard indices of concentration were applied to  $S_j$  and are summarised in Table III-5

Table III-5 Table of Concentration - Adjusted Share of Value of Purchases by Companies 1976-7

Number of enterprises	:	92				
Mean value	:	1.038	(% of total)			
Coeff of variation	:	2.515				
Gini	:	0.816				
Herfindahl-Hirschman		76.32				
Entropy		- 135.2				
n*	4	8	10	n*m =	19	n*h = 2
CR	45.8	63.3	69.3	CRn*m =	88.1	CRn*h = 31.5
L	0.555	0.342	0.294	Ln*m =	0.189	Ln*h = 0.724
				LS =	0.337	

Names of four leading companies and % share

Subsidiaries of S. Pearson (Longman, Ladybird, Penguin, Oliver & Boyd)	18.6
Schofield & Sims	12.8
Addison-Wesley	8.7
Heinemann (subsidiary of Thomas Tilling)	5.6

The interests of two of the four companies - Schofield and Sims and Addison-Wesley are almost entirely confined to books for primary schools. The S. Pearson subsidiaries cover the entire range, though (mainly through the Ladybird series) they accounted for 38 per cent of the value of purchases of reading books by the 22 schools in the sample which reported on reading.

The concentration ratios demonstrate the fragmented structure of the market for textbooks. The absence of any minimum of the Linda index until the nineteenth firm shows that there is no effective "oligopolistic arena". The atomistic structure of book publishing, already described in Section I is reflected in the pattern of supply of school textbooks.

E. ANALYSIS OF RESULTS BY SUBJECT

Table III-6 shows the four firm concentration ratios for each of the 16 subjects, (a) for retail value of sales revenue and (b) for stocks of textbooks in current use. The stocks figures summarise cumulative purchases over a period of years and may also indicate the

likelihood of replacement purchases in the future.

Table III-6 Analysis of Concentration by Subject (CR for 4 Firms)

<u>Subject (Weight)</u>	<u>%</u>	<u>CR4</u>	<u>Names of TWO Leading Companies</u>
Arithmetic	(a) Sales	96.8	Addison-Wesley (64), Schofield & Sims (26)
	(b) Stocks	88.4	Addison-Wesley (43), Schofield & Sims (43)
Biology	(a) Sales	78.0	John Murray (30), Pearson (23)
	(b) Stocks	73.8	Pearson (31), John Murray (23)
Chemistry	(a) Sales	58.5	Oxford (16), Heinemann (11)
	(b) Stocks	62.4	Pearson (34), Heinemann (13)
Economics	(a) Sales	63.3	Macmillan (22), Pearson (14)
	(b) Stocks	51.7	Macmillan (16), McGraw-Hill (13)
English	(a) Sales	57.6	Schofield & Sims (20), S. Pearson (17)
	(b) Stocks	47.5	Pearson (18), Schofield & Sims (11)
French	(a) Sales	70.7	Pearson (30), Hodder & Stoughton (18) (inc. affiliates)
	(b) Stocks	77.1	Pearson (36), Hodder & Stoughton (22)
Geography	(a) Sales	46.2	Pearson (16), Oxford (14)
	(b) Stocks	50.9	Macdonald (15), Pearson (13)
German	(a) Sales	83.8	Oxford (33), Hodder & Stoughton (28)
	(b) Stocks	61.5	Oxford (27), E.J. Arnold (20)
History	(a) Sales	52.1	Pearson (32), Scottish & Univ. (9)
	(b) Stocks	55.4	Pearson (35), A & C Black (8)
Latin	(a) Sales	86.4	Cambridge Univ. Press (67), Pearson (7)
	(b) Stocks	72.0	Cambridge Univ. Press (29), Pearson (28)
Mathematics	(a) Sales	47.9	Cambridge Univ. (16), Blackie (13)
	(b) Stocks	58.5	Cambridge Univ. (23), Pearson (18)
Music	(a) Sales	59.0	Oxford (33), Eulenburg-Schott (12)
	(b) Stocks	71.7	Oxford (37), Pearson (16)
Physics	(a) Sales	79.6	John Murray (30), Pearson (17)
	(b) Stocks	87.2	Pearson (36), Heinemann (23)
Reading	(a) Sales	98.7	Schofield & Sims (54), Pearson (38)
	(b) Stocks	77.9	Pearson (37), Schofield & Sims (18)
Religion	(a) Sales	44.9	Hulton Educ. (14), Pearson (14)
	(b) Stocks	38.6	Hulton Educ. (12), Pergamon (10)
Spanish	(a) Sales	100	Harrap (58), Pearson (18)
	(b) Stocks	96.2	Harrap (71), Hodder & Stoughton (28)

Table III-6 shows that the market for textbooks for certain individual subjects is led by companies other than the large general publishers. Of the leading two companies in each subject area, only S. Pearson, Heinemann (subsidiary of Thomas Tilling), Macmillan, Hodder and Stoughton and Scottish and Universal Investments are included in the general publishing sample. John Murray, Harrap, Schofield and Sims, Addison-Wesley, Hulton Educational and Macdonald all had sales turnover of under £3 millions in 1975 but, by specialisation in one or two specific subject areas they were able to gain the predominant share of the market in those areas.

The Oxford and Cambridge University Press organisation were not included in our financial analysis because they do not publish accounts. McGraw-Hill is the only American company in the list of leading publishers in each area - if the analysis had been extended to higher education, this position would have changed substantially.

Table III-6 also shows that the supply of textbooks for individual subjects is more concentrated, in every subject except religious education, than the educational market as a whole. This again reflects specialisation. In some cases a distinct oligopoly may be said to exist - in the sale of books for Arithmetic, Reading, Biology, Physics, French, German, Latin and Spanish four firms accounted for over 70 per cent of books sold to schools in our sample.

The survey of educational publishing provides a view of concentration only at a single point in time. It would be interesting to analyse data over a longer period to see how market shares changed with fashions, product innovations, advertising and prices. The analysis of stocks provides some guide as to cumulative purchases and the study has been of value in providing a benchmark for future assessment of concentration, but major conclusions cannot be drawn from a single survey of fairly limited size.



Appendix A Definitions and Basic Properties of Concentration Indices

In this explanation of the main indices specified by the Commission and used in this analysis the following notation is used :

N total number of firms in the industry ;

$x_i$  the value of a variable for Firm  $i$ , when firms are ranked in descending order with respect to that variable ;

X the aggregate of the variable for the whole industry, that is,

$$\sum_{i=1}^N x_i$$

$P_i$  the proportion of the aggregate accounted for by Firm  $i$ , that is,

$$\frac{x_i}{X}$$

$\mu$  the arithmetic mean value of the variable, that is,  $\frac{X}{N}$

(a) Concentration Ratio

The concentration ratio for R firms within an industry is the fraction of the total value of the variable accounted for by the R largest firms ranked in descending order of that variable :-

$$CR (\%) = \frac{100}{X} \sum_{i=1}^R x_i$$

Concentration ratios give only limited information about the structure of an industry. With different distributions of the variable, comparison of degrees of concentration between different sectors may depend on the number of firms chosen. In industry A the top five firms may account for 40 per cent of sales and the next five 30 per cent (giving a ten-firm CR of 70 per cent). In industry B the five largest firms may account for 50 per cent of sales and the next five 18 per cent (giving a ten-firm CR of 68 per cent).

(b) Coefficient of Variation

This is the standard deviation of the distribution of values of the variable as a proportion of the mean

$$V = \frac{1}{\mu} \sqrt{\frac{\sum (X_i - \mu)^2}{N-1}}$$

(c) The Gini Coefficient

This coefficient ranges from 0 (all firms equal in size) to 1 (all output in the hands of a single firm). The following formula provides a method of calculation when the values of the variable are ranked in ascending order  $x_j, x_{j+1}, \dots, x_N$

$$\frac{I}{N\bar{X}} = \frac{N}{j-1} \left[ (j-1)F_j - jF_{j-1} - 1 \right]$$

$$F_j = \frac{\sum_{k=N-j+1}^N x_k}{\sum_{k=1}^N x_k}$$

(d) Herfindahl-Hirschmann Index

This was suggested by Herfindahl and is defined as the sum of the squares of the market shares, i.e.

$$\text{Herfindahl-Hirschmann Index} = \sum_{i=1}^N P_i^2$$

The index lies between  $\frac{1}{N}$  and 1. Some authors prefer to define it as :

$$H-H = 1000 \sum_{i=1}^N P_i^2$$

i.e. to inflate its value by a multiple of 1000. This convention has been adopted by the Commission and is followed in this report.

The index is related to the coefficient of variation and in other publications by the Commission in this series has been defined accordingly :-

$$H-H = \frac{1000(V^2 + 1)}{N}$$

(e) Entropy

This is defined as :-

$$\text{Entropy Index, } E = - \sum_{i=1}^N P_i \log P_i$$

If one share is 1 and all others are 0, then E=0 and the degree of concentration is maximum. If all shares are equal ( $=\frac{1}{N}$ ) then E =  $-\log \frac{1}{N}$  and the degree of concentration is minimum for that value of N.

The entropy index, explained at some length in the Cranfield report on the paper industry, has the advantage over other measures of concentration that absolute changes in its value may be compared. For example if the Gini coefficient moves from 0.3 to 0.5 in one industry and from 0.7 to 0.9 in another, it cannot be concluded that concentration has increased to the same degree. With the entropy index, such a conclusion could be drawn. (10)

(f) Linda Index

Another measure of industrial concentration is given by Linda.

$$Q_i = \frac{K - i}{i} \cdot \frac{A_i}{1 - A_i}$$

where  $A_i = \frac{1}{X} \cdot \sum_{j=1}^i x_j$  and values of  $x$  are in descending order.

K may be any number of firms from 2 to N. (Thus  $Q_i$  is the average share of the market held by the top  $i$  firms divided by the average share of the market held by the other  $(K-i)$  firms included in the sample).

The Linda Index is defined as :

$$\frac{1}{K(K-1)} = \frac{K-1}{\sum_1^K Q_i}$$

(i.e. the Linda Index is  $\frac{1}{K}$  times average of the  $Q_i$ 's).

The Linda index is designed to measure the degree of inequality between the values of the variable included in a sub-sample of K units.

The Linda Index may also be used to define the boundary between oligopolists within an industry and the other firms. This boundary occurs when the value of  $\frac{x_k}{\bar{x}_{k+1}}$  is so large in relation to previous ratios that, in

spite of averaging, the Linda index rises. If the value of the Linda index (L) is greater for (k+1) than for (k) then an "oligopolistic arena" of k firms may be identified.

Mathematically this critical point ( $k_m$ ) may be defined as where

$$\frac{dL}{dk} = 0 \quad \text{and} \quad \frac{d^2L}{dk^2} > 0$$

A measure of "synthesis" (LS) is included in the Tables of Concentration. This represents the mean value of the Linda indices from  $k=2$  to  $k=k_m$ . LS is used in further statistical development of the analysis of concentration now being undertaken by the Commission.

The definition of  $k_m$  ( $N_m^*$  in the Tables of Concentration) on this basis differs from that used in earlier reports published by the Commission. This re-definition follows further analysis of the concepts underlying the Linda approach.

In certain of the concentration tables and matrices, reference is made to  $L_{n^*h}$ , which is the maximum of the Linda index within the entire sample. Usually this maximum occurs at  $n^*=2$ , in which case  $L_{n^*h}$  is simply the ratio of the largest to the second-largest value of each variable.

APPENDIX B

HOLDINGS BY NEWSPAPER COMPANIES IN COMMERCIAL TELEVISION AND RADIO  
30th JUNE 1975

1. TELEVISION

<u>Name of TV contractor and</u> <u>issued equity in £'s (voting/non-voting)</u>	<u>Press holdings of issued equity</u> <u>(% of voting/non-voting)</u>
Anglia Television (77,000      1,023,000)	East Midland Allied Press      (2.0/0.6) Eastern Counties Newspapers      (9.4/6.4) Guardian & Man.Evg. News      (20.9/3.7) Non-sample companies      (0.5/0.3)
Associated Television Corporation (150,000      10,307,528)	Reed International      (29.6/21.2) Beaverbrook      ( 8.0/ 5.5) BPM Holdings      (5.0 / 0.9)
Border Television (12,000      517,500)	Scottish & Univ.      (13.9/19.1) Non-sample companies      (29.3/25.2)
Channel Television (146,979      0 )	Non-sample companies      (28.8/ - )
Grampian Television (18,000      282,000)	Non-sample companies      ( 2 .0/2.0 )
Granada Television (700,000      270,000)	Nil
HTV Group (52,000      2,526,181)	Bristol Evening Post      (2.6 / 0.9) Non-sample company      (1.9 / 2.6)
London Weekend Television (15,000      2,005,000)	News International      (9.6 / 38.2) Daily Telegraph      (8.9 / 6.9 ) Observer      (8.9 / 5.2) Economist      (3.8/ 2.2) Non-sample companies      (2.3 / 0.5)
Scottish Television (28,000      517,500)	Thomson Organisation      (25.0/24.2)
Southern Television (100,00      - )	Daily Mail and General      (37.5/ - ) D.C. Thomson      (25.0/ - )
Thames Television Ltd. (500,000      3,500,000)	British Electric Traction      (49.9/50.0) (see note at end of TV list)
Trident Television Ltd. (153,106      3,340,364)	United Newspapers      (8.2/ 5.3) Non-sample cps.      (1.2/ 0.7)
Ulster Television Ltd. ( 88,750      511,250)	Non-sample cos      (6.2 / 1.6)
Westward Television Ltd. ( 20,000      964,933)	Beaverbrook      (0.05/0.04) Bristol Evg. Post      (0.05/0.04) Reed International      (0.02/0.02)

NOTE The BET holdings in Thames Television are not listed by the IBA as press holdings in television because BET is not primarily a newspaper company. Nevertheless, the company does supply around 10% of local weekly newspapers in the area covered by Thames Television.

Share of total equity owned by sample companies  
(excluding BET) = 17.2 per cent  
Share of all Press companies (excluding BET) = 18.0 per cent  
Share including BET = 25.5 per cent

## 2. RADIO

<u>Name of Radio Company and Equity in</u> <u>£'s (voting/non-voting)</u>	<u>Press holdings of issued equity</u> <u>(% of voting/non-voting)</u>
London Broadcasting Company (1,249,125 nil)	Daily Mail & Gen. (15.9/ - ) County Newspapers ( 3.7/ - ) Non-sample co. (0.1 / - )
Capital Radio ( 429,356 nil)	Beaverbrook ( 5.2/ - ) Observer ( 5.2/ - ) B.E.T. (17.0/ - ) Non-sample co. (11.4/ - )
Radio Clyde ( 600 300,000 )	Beaverbrook (10.0/15.0 ) Scot. & Univ. (12.0/12.0 ) Reed International ( 6.5/ 6.5 ) Non-sample cos. ( 3.5 /3.5 )
Birmingham Broadcasting ( 50,000 300,000 )	BPM Holdings (10.0/15.0 ) News International ( 2.0/ 2.5 ) Midland News Assoc. ( 1.0/ 2.0 ) Non-sample cos. ( 8.0/ 6.7 )
Greater Manchester Ind. Radio (130,000 130,000 )	Daily Mail & Gen. ( 2.5/ 2.5 ) St. Regis (11.1/11.1 ) Guardian & Man.Ev.N (10.1/10.1 ) Non-sample cos. (12.2/ 9.7 )
Metropolitan Broadcasting (Tyne/West) (330,000 nil)	Thomson Org. (15.4/ - ) S. Pearson ( 2.3/ - ) Prtsmth & Sund. ( 2.3/ - )
Swansea Sound ( 15,000 nil)	Daily Mail & Gen. (12.44/ - )
Radio Hallam (220,000 nil)	United Newspapers (13.0/ - ) Non-sample cos. ( 9.0/ - )
Radio City (Merseyside) (100,000 200,000)	Liverpool Post & Echo (11.0/15.0) Thomson Organisation ( 2.0/ 2.5 ) Non-sample cos. (11.0/16.0)

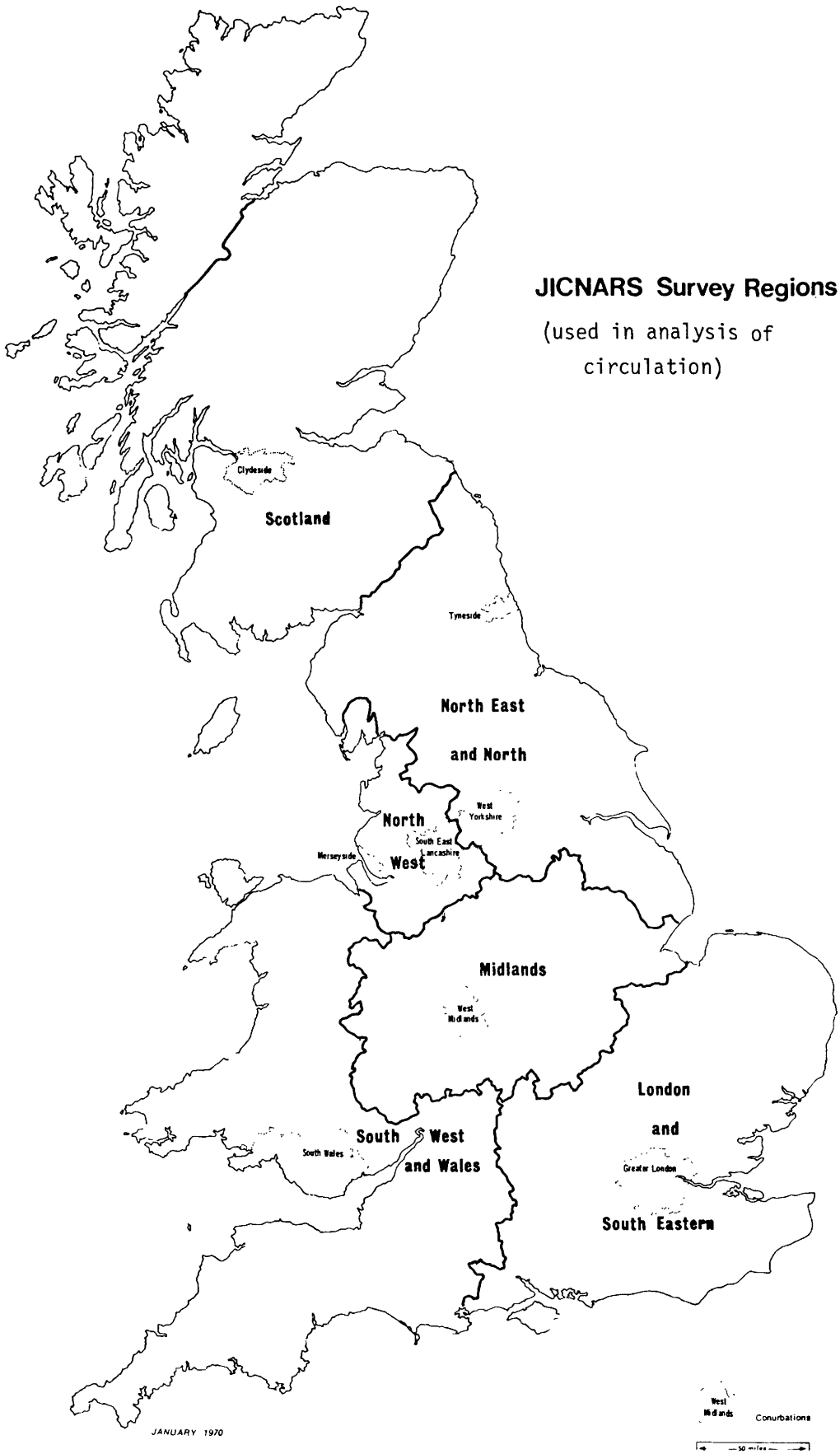
Radio Forth Ltd. (135,000 - )	Thomson Organisation (6.8/ - ) D.C. Thomson (6.4/ - ) Non-sample cos. (4.5/ - )
Plymouth Sound Ltd. (1000,000 - )	Bristol Evening Post (14.0/ - ) Reed International (10.0/ - )
Sound Broadcasting (Teeside) (25,000 100,000 )	Thomson Org. (12.0/ 12 ) Portsmouth & Sund. ( 8.0/ 8.0 )

Total press involvement in equity

Sample companies only (exc. BET)	18.8 per cent
Sample & non-sample cos. (exc. BET)	23.6 " "
Total including BET	25.5 " "



APPENDIX C.



APPENDIX D

PROFILES OF MAJOR COMPANIES

In 1975 six companies formed an "oligopolistic arena" as defined by the Linda curve. These were Reed International, the Thomson Organisation, S. Pearson and Son, Associated Newspapers (Daily Mail and General Trust), News International and Beaverbrook Newspapers.

Apart from Reed International, these companies had at the end of 1975 an unusual common feature - a controlling (or a very large minority) interest was in the hands of one family:-

Thomson Organisation Ltd., a wholly owned subsidiary of the Thomson Equitable Corporation Ltd. of Canada. The Thomson family trusts owned a majority of the equity of the Canadian parent.

S. Pearson and Son Ltd., which owned 63.6 per cent of the publishing firm Pearson Longman Ltd., is largely owned by the family of Viscount Cowdray. The Cowdray family's proportion of issued voting shares appears to fall short of a majority ( it is around 45 per cent ) but this gives effective control.

The Daily Mail and General Trust Ltd., which owns 51 per cent of the publishing firm Associated Newspapers Ltd., is jointly controlled by Viscount Rothermere and his son, the Hon. Vere Harmsworth, who hold 56 per cent of the voting capital.

News International Ltd., is effectively controlled by Mr. Rupert Murdoch and his family, whose company News Ltd. of Australia holds 48.3 per cent of the voting capital.

Beaverbrook Newspapers Ltd., was until the 1977 takeover by Trafalgar House Investments controlled by the Beaverbrook Foundation and the family of Lord Beaverbrook, the Aitken family with about 75 per cent of equity.

The activities of the three largest of those companies - Reed, Thomson and S. Pearson (combined turnover 39 per cent of the industry) are discussed further in this Appendix. The other three members of the oligopoly grouping are essentially newspaper publishing companies: their activities have been extensively analysed in Section II of the main report.

1. REED INTERNATIONAL

This company was formed in 1969 when the Reed group acquired the International Publishing Corporation. Total turnover and net profits before tax in 1975 amounted to £1063.6 millions and £37.4 millions respectively. Printing and publishing accounted for 24.1 per cent of turnover and 19.9 per cent of profits. Other activities include paper and paper products, decorative products and building materials.

The company's share of combined sample turnover declined from IPC's 26.3 per cent in 1968

to 18.9 per cent in 1975. This was due to a number of factors including the sale of the Sun newspaper to News International in 1969 and the emergence of the Sun as a major competitor for the Daily Mirror; the decline of some of IPC's general consumer magazines and a decline in the circulation of popular newspapers in general.

Attempts by the Mirror Group to reorganise production have met with resistance and Reed's publishing activities have never since recovered their 1968 level of profitability.

Net profits per cent of Turnover IPC/Reed publishing activities

1968	:	7.1	1972	:	4.5
1969	:	4.8	1973	:	2.6
1970	:	1.8	1974	:	2.2
1971	:	5.0	1975	:	4.0

Of the total publishing turnover of £292.6 millions in the year ended March 1976, newspapers accounted for £106.2 millions, consumer magazines for £81.5 millions, business periodicals for £44.6 millions and books for £26.6 millions.

2. THE THOMSON ORGANISATION

This company expanded its holdings of U.K. newspapers in the 1960's, though some of the titles then acquired were subsequently closed as uneconomic. The group's activities in publishing include the Times and Sunday Times newspapers (17.6 per cent of company turnover but making a loss in 1975), Scottish and regional newspapers (22.6 per cent of turnover but also recording a loss in 1975) and other publishing (magazines, books and classified telephone directories - "yellow pages"), which made a profit of 7.7 per cent on sales.

The Thomson Organisation's losses on its publishing activities reflect the decline of classified advertising, which is the principal source of revenue both for "quality" national newspapers and for the regional press.

Over the eight years covered by the study, the Thomson Organisation's return on sales of published matter varied as follows. These variations reflect the prosperity of regional newspapers until the recent recession.

Net profits per cent of Turnover of The Thomson Organisation's publishing activities

1968	:	11.7	1972	:	11.0
1969	:	9.5	1973	:	12.9
1970	:	10.0	1974	:	10.6
1971	:	7.7	1975	:	-2.2

The company's share of sample turnover in 1975 was 11.0 per cent, compared with 11.5 per cent in 1968.

Thomson's non-publishing activities, which account for 40.1 per cent of turnover, include a large travel organisation with a wholly owned airline, Britannia Airways.

### 3. S. PEARSON AND SON LTD.

Pearson Longman Ltd. the publishing subsidiary has interests in all categories of newspapers and in books. Our study has shown that its leadership in the local weekly press, which it has furthered by acquisitions during the study period. We have also indicated on the evidence of the purchases of 390 schools, that the company is the market leader in the supply of educational books.

The paperback subsidiary, Penguin Ltd., developed a wide range of economical paperbacks many concerned with scientific and technical subjects.

A breakdown of the total turnover of S. Pearson and Son in 1975 (£184.6 millions) shows publishing activities accounting for 59 per cent, of which provincial newspapers accounted for over half. Book publishing produced 11 per cent of total turnover.

Other Pearson activities include merchant banking and the administration of investment trusts.

Mainly because of its provincial newspaper acquisitions, Pearson's share of total turnover in publishing (from our sample) rose from 6.5 per cent in 1968 to 9.1 per cent in 1975. Profits of publishing activities as percentages of sales varied as follows:-

#### Net profits per cent of sales turnover - Pearson publishing activities

1968	:	6.3	1972	:	11.3
1969	:	6.0	1973	:	11.7
1970	:	5.4	1974	:	7.7
1971	:	7.1	1975	:	5.5

As with the corresponding figures for Thomson newspapers, the boom and subsequent recession in classified advertising revenue are reflected in these results.

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