

Broadcasting Sub-Committee

BSC(3)-04-09 : Paper 1 : 19 March 2009

Evidence gathering on the current state of the Welsh newspaper Industry

Trinity Mirror North West & Wales

- Trinity Mirror has extensive media interests across the whole of Wales. These are made up of two distinct business divisions that are part of Trinity Mirror's North West and Wales region: Media Wales and Trinity Mirror North Wales.
- The two businesses are operated as distinct entities, recognising the different nature and requirements of each market - but are now part of one overall business structure which helps us provide scale and fresh opportunities to both.
- In 2003 we invested £18m in a state-of-the-art new printing facility at Cardiff Bay. In addition to printing our Media Wales titles, this facility also prints a range of external contracts, bringing additional work into Wales.
- Our commitment to quality journalism on and offline was further underlined by last year's major investment into a cutting-edge multimedia news gathering operation for Media Wales. This development, which included investment into high-end video/tv and studio equipment and wide-ranging staff retraining, has equipped Media Wales for a multimedia future. This model has now been used to assist other Trinity Mirror centres in determining their future editorial model. As a result, earlier this year we completed a similar change programme to reposition the news operation of the Daily Post and our North Wales weeklies portfolio.

Trinity Mirror's Welsh Portfolio And Businesses – The Facts

- Overall we employ 623 people (109 Trinity Mirror North Wales, 466 Media Wales, 48 TM Printing) directly in Wales at office bases in Cardiff, Merthyr, Pontypridd, Bridgend, Llandudno, Caernarfon, Holyhead and Mold.
- Within this number our editorial staffing levels based in Wales total 238 giving us one of the most extensive network of content generators and producers in any single Welsh media organisation.
- We publish 21 newspaper titles in Wales with an unduplicated weekly audience of more than 1.3 million, reaching up to 55% per cent of Wales' adult (15+) population¹.

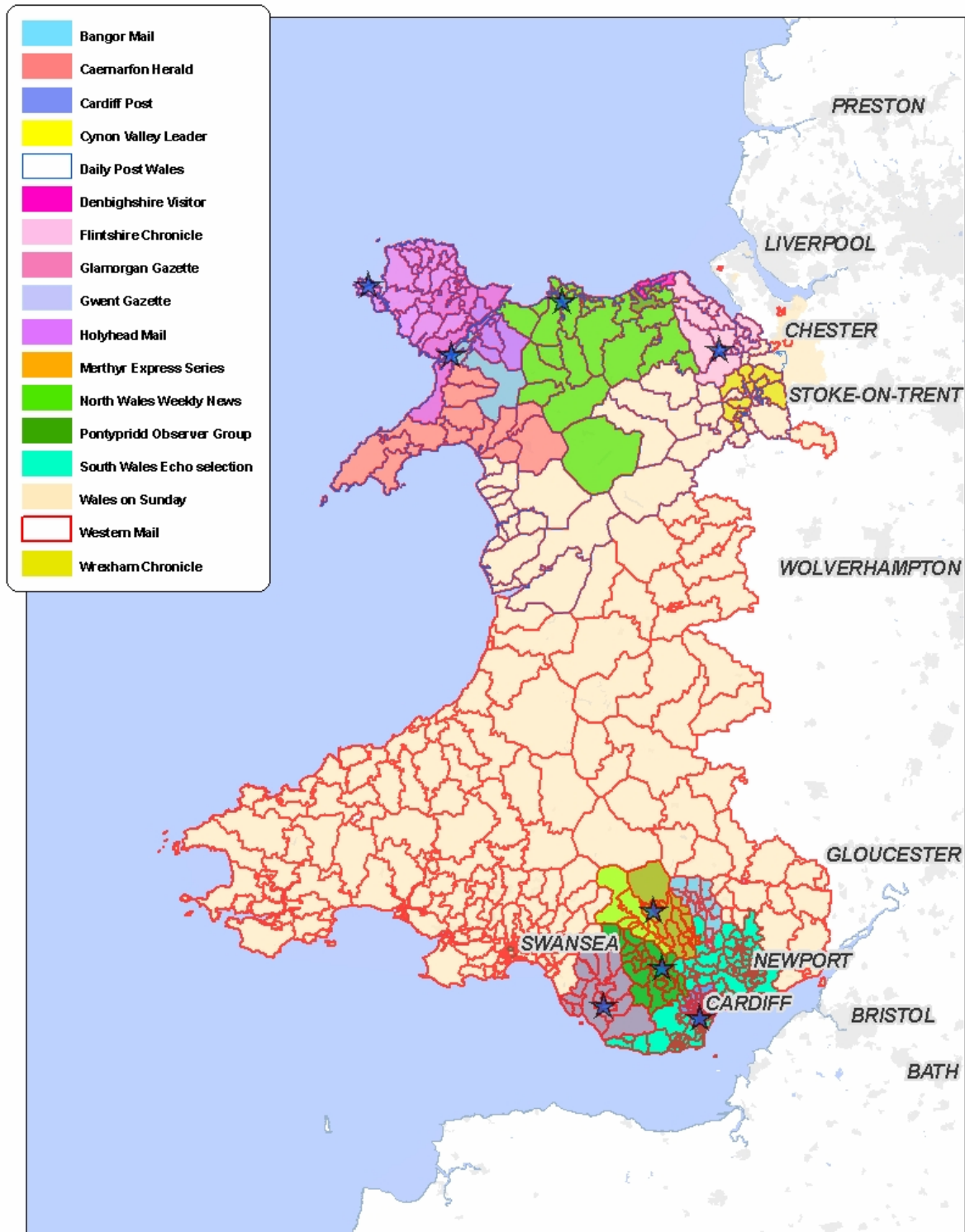
- We have 11 web sites including WalesOnline.co.uk, Dailypost.co.uk, Jobswales.co.uk, the tourism and leisure site Northwales.co.uk and the Welsh language current affairs site dailypostcymraeg.co.uk delivering an unduplicated online audience in Wales of more than 300,000 per month². This audience is growing rapidly, providing additional penetration into the local Welsh communities we serve.
- Of the 241,000 adults in South Wales who read or speak Welsh moderately/fluently, 34% read one or more of our titles. In North Wales, this figure reaches 80%¹.

Sources:

1 GfK NOP Readership Survey 2008. Base: Total Wales.

2 AARON 2008 Digital Currency Research 2008 weighted with Omniture January 2008

TRINITY MIRROR'S WELSH PORTFOLIO AND OFFICE LOCATIONS



| TRINITY MIRROR NORTH WALES PORTFOLIO | | |
|---|------------------------------------|---------------------------------|
| PRINT TITLE | TYPE | AVERAGE ISSUE READERSHIP |
| Daily Post | Daily morning paid-for | 112,000 |
| North Wales Weekly News | Weekly paid-for | 48,000 |
| Caernarfon Herald | Weekly paid-for | 45,000 |
| Holyhead & Anglesey Mail | Weekly paid-for | 41,000 |
| Flintshire Chronicle | Weekly paid-for | 26,000 |
| Bangor & Anglesey Mail | Weekly free | 22,000 |
| Denbighshire Visitor | Weekly free | 38,000* |
| Wrexham Chronicle | Weekly free | 33,000* |
| WEBSITE | TYPE | MONTHLY UNIQUE USERS |
| Dailypost.co.uk | News companion site | 168,313 |
| Northwalesweeklynews.co.uk | News companion site | 11,022 |
| Caernarfonherald.co.uk | News companion site | 7,155 |
| Theonlinemail.co.uk | News companion site | 6,610 |
| Flintshirechronicle.co.uk | News companion site | 8,347 |
| Wrexhamchronicle.co.uk | News companion site | 3,677 |
| Denbighshirevisitor.com | News companion site | 4,918 |
| Dailypostcymraeg.co.uk | Welsh language news companion site | 1,237 |
| Northwales.co.uk | Tourism and leisure site | 16,541 |

Source for all print titles except * GfK NOP Readership Survey 2008. Source for * modelled using publisher's statement multiplied by JICREG average readers per copy for free weeklies. Source for websites Omniture Jan 2008.

| MEDIA WALES PRINT PORTFOLIO | | |
|------------------------------------|------------------------|---------------------------------|
| TITLE | TYPE | AVERAGE ISSUE READERSHIP |
| Western Mail | Daily morning paid-for | 141,000 |
| South Wales Echo | Daily morning paid-for | 175,000 |
| Wales on Sunday | Weekly paid-for | 149,000 |
| Cynon Valley Leader | Weekly paid | 36,000 |
| Glamorgan Gazette | Weekly paid | 74,000 |
| Gwent Gazette | Weekly paid | 43,000 |
| Merthyr Express | Weekly paid | 41,000 |
| Rhymney Valley Express | Weekly paid | 20,000 |
| Neath Guardian | Weekly paid | 10,000 |
| Port Talbot Guardian | Weekly paid | 13,000 |
| Pontypridd & Llantrisant Observer | Weekly paid | 35,000 |
| Rhondda Leader | Weekly paid | 54,000 |
| Cardiff Post | Weekly free | 121,000 |
| WEBSITE | TYPE | MONTHLY UNIQUE |

| | | USERS |
|-------------------|---------------------------------|--------------|
| Walesonline.co.uk | News companion portal site | 823,292 |
| Jobswales.co.uk | Job vacancies / employers' site | 100,202 |

Source GfK NOP Readership Survey 2008. Source for websites Omniture Jan 2008.

The Challenges We Face

Like all media owners at present we are experiencing one of the most challenging periods in our long history. The economic downturn has had a devastating impact on our advertising revenue levels which has led to a sharp drop in our profits. Overall revenues fell last year by 10% as a result of severe reductions in advertising expenditure. This coupled with increases in the cost of newsprint led to a 30% fall in operating profits across our welsh businesses. This year will see further reductions in both turnover and profits as the full force of the recession bites further into consumer confidence and advertiser expenditure.

There is cold comfort in the fact that we are not alone in experiencing this level of rapid decline, print based media companies here and abroad are being impact by falling revenues and increasing newsprint costs leading to many an alarming headline about the future of our industry. Early results from a range of UK regional newspaper companies show quarter one advertising revenues in 2009 anywhere between 30-40% down year on year which is going to place significant challenge on the on-going business model for many regional newspaper publishers.

Not all publishing businesses will survive this recession and those that do will be managing a very different portfolio of products in the future to those they published just 12 months ago. There will continue to be a reduction in the number of UK titles, some predict up to 50% of regional titles and/or editions will disappear in the next 2-3 years. Newsprint costs which have already increased sharply during this downturn are forecast to increase by a further 15% next year and that will pose a further significant challenge for free newspapers in particular. Indeed last week saw the Midlands based Observer Standard Group (one of the UK's larger independent publishing groups) publisher of 20 mostly free newspapers go into administration.

And it is true that profits are not only reducing threatened by the recession but also continue to be challenged by the nature of the structural changes taking place in media with advertisers switching to more cost effective on-line media and consumers wanting to access content via a variety of media channels. Estate agents in particular stand out a customer group who have massively reduced their print spend during this downturn and replaced it instead with online advertising at a fraction of the cost.

So should we be concerned for the future of print media? Well yes we should.

However we should also believe in the strength of our newspaper brands to help us navigate a way through the recession and into forward growth once again.

So what does this mean for trinity mirror wales? [media wales and trinity mirror north wales]

We believe passionately in the long term future for our media in Wales. As long as we take the correct business action we will not only survive the ravages of the recession but can also build a sustainable business model for ourselves as a strong Welsh multi media company.

But in a media market that is changing rapidly this means re-defining our portfolio of products to reflect the market changes, it means becoming highly skilled at serving multi platform media to our customers and it means changing how we do things as a company. Increasingly moving away from the big structures and big overheads of a much larger newspaper company to a far more streamlined, smaller and more flexible infrastructure aligned to a multi media business.

There has been much speculation over the past few months as to what recent changes in our structure mean for Media Wales.

In a commercial climate where reassurances are thin on the ground let me give you one you can be sure of – any change we make will be designed to strengthen our overall market position in South Wales now and for our future, in the face of unprecedented challenge.

On the ground in both Cardiff and Llandudno we continue to have strong local management teams, led by passionate and empowered Publishing Directors, Alan Edmunds – Publishing Director - Media Wales and Rob Irvine – Publishing Director Trinity Mirror Wales.

As Regional Managing Director my role is to work closely with both Publishing Directors and their teams to ensure we drive forward our business strategy with the vigour needed in such challenging times.

This is a different business structure to the one previously in place but it remains a structure focussed on local markets and local brands yet now also able to reap the benefits of scale from being part of a wider business division. And scale is increasingly important to our ability to act given the inevitable pressure on resources.

There has been talk of the merger of titles such as the Western Mail and the Welsh Daily Post. Such talk is nonsense.

Clearly these are two distinct brands, serving two very different audiences and there is no rationale to merge any them or indeed to merge other parts of our Welsh portfolio. The respective Publishing Directors will look

to see whether there are opportunities from collaborating on any 'pan' Wales's initiatives and will pursue such ideas if they believe them to be appropriate. That is one of the benefits of bringing these two distinct businesses together under one wider business umbrella; artificial structural barriers no longer exist.

There has also been speculation that in the context of Media Wales this change of structure spells a step down in our engagement in Wales and/or particularly in South Wales.

Our actions will speak louder than words and I am confident that you will continue to see a highly engaged stakeholder in the wider business community and a strong advocate of the on-going economic regeneration and social development of Wales because that is in our interests also.

What support can the welsh assembly provide?

Our primary need right now is to get on with the running of our business. Navigating our way through the downturn and taking the right action to secure our future. However, there are a number of ways in which the Assembly can support this vital regional and local media sector.

- Support for the relaxation of media ownership regulations.

If the long term future of our regional media is to be secure then we need a relaxation of the current legislation surrounding media ownership.

As a regional media company we need the ability to partner, merge and acquire appropriate business interests that would supply greater scale and reach to our regional franchises and/or enable diversification into complimentary media channels.

Current legislation is restrictive and will limit the ability of regional publishers to compete effectively in the future – and ultimately will lead to avoidable job losses and title closures.

The Welsh Assembly members lobbying central government on this matter would be of immense value to our business.

- Restrictions on public sector publishing, internet and broadcasting initiatives.

In parts of the UK publishers are facing additional challenge from local authorities launching their own newspapers, web sites and in some instances TV stations. The use of public money to create such

competition could have a highly damaging effect on the strength and viability of local newspapers already struggling with an array of competitive pressures. We find this use of public money to be at total odds with the desire for strong local media and democracy.

Continued use of regional and local media for the placement of public sector advertising including statutory notices.

This is an important revenue stream for many publishers, including ourselves. A reduction in recruitment and public notice advertising expenditure in local newspapers will have a significant negative impact in an already tough market environment and would result in job losses and title closures for some.

- A curb on the BBC's local activities.

The future for regional publishers such as ourselves depends upon our ability to transition from a print to a multi-platform media business. This is not an easy journey to make during and economic downturn. The BBC's investment in local web publishing represents a wholly inappropriate an unfair competitive advantage for the corporation. Their ability to leverage vast sums of tax payer's money on the provision of local content portals completely undermines the market for commercial operators, creating an impossible barrier to entry to this critical market. If not kept in control the scale of potential investment that could get leveraged will wipe out future local on-line business models in this area.

Lastly I would also highlight that there is room for more collaboration between ourselves and the Assembly. That given the challenges that face both ourselves as a media business as well as the wider Welsh economy we should consider whether there are other areas of potential synergy of strategy or action for us to collectively explore. For example:

- Support for funding of Welsh language journalism and training.
- Support for funding of web literacy training programmes for key sectors of the Welsh business community and key community groups.
- Development of a commercially sustainable Welsh language web site, based on the dailypostcymraeg model or similar.
- Development of joint venture publishing opportunities.