

Trinity Mirror plc

PJ

16th August 2010

The Right Honourable Vince Cable MP
Secretary of State for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

Dear Secretary of State

Re: News Corporation – BSkyB

You will, of course, be aware of the announced intention of News Corporation to acquire the 60.9% of shares in BSkyB that it does not already own.

I am writing on behalf of Trinity Mirror Plc - the parent company of the group which publishes five national newspapers, including the Daily Mirror and 160 local and regional newspapers - to express our very grave concern at the likely threat to plurality of media ownership and news provision in the UK should this acquisition be allowed to proceed.

We are concerned that there is already a growing assumption that, as News Corporation holds a 39.1% of the shares in BSkyB and has three nominated directors on its Board, it already effectively controls BSkyB and thus there would be no material change should it move to outright ownership.

We believe this school of thought simply ignores the influence on the management and running of BSkyB of the presence of independent non-executive directors who among other things ensure that BSkyB is run in the commercial interests of all its shareholders and that long-term commercial decisions are not taken solely in the interests of News Corporation. Such constraints would, of course, disappear if BSkyB were to become merely a subsidiary of News Corporation.

You will be aware of many of the titles that we publish. The Daily Mirror and Sunday Mirror were the only national newspapers that took a pro-labour standpoint at the last general election.

You will also be aware that local and regional newspapers adopt a neutral stance in party politics but are often the only media outlets that report on the work of individual members of parliament and allow them to speak directly to their constituents (indeed, we are very pleased that you are a regular contributor to one of our titles, The Richmond Informer).

The purpose of this letter is to urge you, at the appropriate time, to issue on public interest grounds either an Intervention Notice or a European Intervention Notice so as to ensure that proper consideration is given to plurality of media ownership in the UK.

Sly Bailey
Chief Executive

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Although News International, the UK subsidiary of News Corporation, has always denied either occupying or abusing a dominant market position, there is no doubt that it is aggressively protective of its market share. Starting with the so called newspaper price wars of the early 1990's through to the present day, News International have shown that it is prepared to sustain either very heavy losses or long-term reductions in profit through cover price discounting to increase or maintain market share for The Times and The Sun.

Our concern is that, without the restraining impact of the need to look to the interests of non-News Corporation shareholders in BSKyB, decisions that make no commercial sense in the short term could be taken in the perceived greater long-term good of News Corporation.

Possible steps could include:

1. The removal of any advertising or promotional spend in Trinity Mirror titles – The Daily Mirror being viewed as the principal competitor to the News International title The Sun. BSKyB currently spends in the regional of £3 million per annum on promotion and advertising in Trinity Mirror titles. It is clear that such a step would deny BSKyB itself access to Mirror readers and would not make commercial sense from BSKyB's point of view but would be very damaging to the health of Trinity Mirror's titles and therefore advantageous to News International.
2. Products currently sold separately could be bundled together into subscription packages. It is easy to see bundles that would combine the Sky TV channels with home delivered copies of The Times or The Sun. This concept is even more likely if News Corporation further develops its paywall plans for the internet based versions of their newspapers. A Sky TV premium bundle, including iPad friendly access to a paywall protected Times is entirely feasible. Such a proposition would be entirely unmatched by stand-alone newspaper publishers.
3. A fully integrated News Corporation/BSkyB would see each limb having access to the almost unmatched promotional capabilities of the other. Whether this is done through straight "house ads" or through cross fertilisation of star columnists, presenters and flattering TV reviews and features is immaterial.
4. As you will know, conditional selling – the refusal to take advertising in one title (normally the stronger) unless space is also bought in a weaker product – is prohibited. We are concerned that whilst there may be no illegality, the ability to create "packages" for advertisers unmatched by other media outlets would give a combined News Corporation and BSKyB an unfair advantage.
5. You will also be aware of the practice by which media organisations encourage advertisers to enter into "solus" arrangements under which all their advertising is based with a single outlet. If a solus deal cannot be achieved then share deals are negotiated under which an agreement is made for a percentage of all advertising to be placed with one organisation. Again, the share size of a combined News Corporation/BSkyB and its reach within the UK would give it a significant advantage in negotiating solus or share deals.

6. The sheer financial scale of the combined entity would enable the continued cross subsidy of deep cover price discounting on News International titles to the long-term detriment of their competitors.

It is the ability within an integrated News Corporation/BSkyB to use a combination of all or some of the above to protect its position to the detriment of others which concerns us.

We are concerned that the long-term impact of a combination of all or some of the above will have a detrimental impact on the commercial viability of our existing portfolio of products.

As mentioned above, the Mirror titles are the only national newspapers to adopt a consistent left of centre political position and are a vital part of the democratic system in the United Kingdom. Similarly, our numerous regional titles play a very significant role in local communities and are the only outlets that report the workings of the lower courts and council meetings. Their future viability will be placed in further jeopardy should the finances of Trinity Mirror as a whole be weakened by a combined News Corporation/BSkyB.

We believe that given the potential impact of a combined News Corporation/BSkyB a proper airing of all concerns should be allowed and urge you to issue an Intervention Notice.

Yours sincerely,

Sly Bailey

A handwritten signature in black ink, appearing to read 'Sly Bailey', written over the typed name.