

WITNESS STATEMENT OF AIDAN S. BARCLAY,
Chairman, Telegraph Media Group

1. I make this statement in my capacity as Chairman of Telegraph Media Group Limited (TMG) in response to a Section 21 notice from the Inquiry dated 19th March 2012.

2. I have been Chairman of TMG since July 2004 when Press Acquisitions Limited (a company incorporated for the purpose of the transaction) acquired The Telegraph Group Limited from Hollinger UK Holdings Limited.

Historical Account of Commercial Interests

3. The commercial interests of my family fall into five main categories: hotels and leisure; retailing; newspapers and magazines; delivery and logistic operations; and property. We employ in excess of 20,000 people in the UK. I will deal with each of these categories below, with notes about the role of government decision-making and the regulatory environment in which they operate. I will not single out in each case the role of the Office of Fair Trading (OFT) which obviously has significant responsibility in scrutinising and clearing mergers and acquisitions, and with which I have had a number of dealings over the years, but I set out in Appendix A a chronological list of transactions concerning the family interest that have been notified to the OFT or Competition Commission for approval since 2004. I would note that neither Sir David nor Sir Frederick Barclay has operational involvement with any of the businesses.

4. Hotels and leisure. Our interests in this sector are The Ritz Hotel, which we acquired from Trafalgar House in 1995, and The Cavendish Hotel, which we have owned since December 2006. Following the purchase of The Ritz Hotel, we

obtained a gaming licence to operate The Ritz Casino. Between 2007 and 2009 we built up a 10% stake in IHG plc (InterContinental Hotels Group), which we sold in July 2010. We currently have approximately a 64% interest in Coroin Limited, the parent company of Maybourne Hotel Group, which owns Claridge's, The Connaught and The Berkeley hotels.

5. The regulatory environment for The Ritz Casino is monitored and supervised by The Gambling Commission.
6. Retailing. In this sector we own Shop Direct Group, the former Littlewoods home shopping business which we purchased from the Moores family in November 2002 and then merged with the Great Universal Stores home shopping business, which was acquired in May 2003. Shop Direct Group is one of the UK's largest on-line and home shopping retail businesses, supported by its own financial services group. The Littlewoods stores were subsequently sold to Associated British Foods in July 2005.
7. The Government department which is mainly responsible for this sector is the Department for Business, Innovation and Skills (DBIS).
8. Newspapers and magazines. As stated above, we own TMG, which publishes The Daily Telegraph, The Sunday Telegraph, The Weekly Telegraph and *telegraph.co.uk*. We also own The Spectator and Apollo magazines. We owned The Scotsman, Edinburgh Evening News and Scotland on Sunday newspapers from 1995 until we sold them to Johnston Press plc in December 2005. We also owned The Business magazine (formerly Sunday Business), which was closed in 2008.

9. The general regulatory environment for the editorial operations of newspapers and magazines is established by the Press Complaints Commission. Occasionally issues arise which relate to OFCOM or to ATVOD. The Government departments which cover this area include the Department for Culture, Media and Sport and DBIS.

10. Deliveries and logistics. We own the Yodel delivery business (formerly known as the Home Delivery Network), which is a parcels business and includes the DHL domestic home delivery service that we purchased in March 2010.

11. The Government department mainly responsible for this area is DBIS.

12. Property and real estate. We have been involved in property for more than 35 years. This business is run through our Group property management company Trenport Investments Limited. Trenport owns its own portfolio of development properties and also manages the property interests within our Group of companies.

13. The main regulatory framework within which Trenport operates is laid down by local planning authorities. The main Government department responsible for this area is the Department for Communities and Local Government.

Business Model

14. Philosophy, governance and leadership. My family's business interests are relatively diverse, but one central philosophy has underpinned our approach to acquisition and growth. As a family we believe in stewardship - it is something I am passionate about - and over the last few years we have acquired assets or

institutions that were unloved, underinvested and in decline, and sought to resuscitate and renew them to face the intense challenges of the 21st century and global competition. I have always made clear that – with great, iconic companies such as The Telegraph and The Ritz – we wanted to reinvigorate them and ensure their continued success well into the future.

15. The Telegraph is certainly a good example of that philosophy. When we bought it, it was a business seemingly in long term decline. It had been starved of investment. Its culture was defeatist: there was no will to win and to be the best. There was no focus on customers, and the company was riven with organisational barriers that made it impossible to do so. There had been no attempt to embrace the digital revolution that was already beginning to transform the newspaper industry. And both the editorial and commercial sides of the business had no understanding of each other's needs and priorities, or how they could work effectively to enhance all our products. This was a business that was neglected.

16. As new owners, there were four priorities for us. Firstly, to ensure that we operated as one business, not a group of competing vested interests. Second, that the business concentrated with sharp focus on customers, both readers and commercial partners. Third, that we realised that the old world of print was declining and that in order to survive we needed to renew ourselves as an integrated multi-media business that offered customers first class news and comment on whatever platform they wished to read or view it on. And finally, that we needed to create a winning culture, in which all those working for us believed that they were capable of performing at the highest possible level.

17. Those were demanding objectives for a company that was – as I noted above – unloved and underinvested, and required first and foremost significant cultural and technological change, and that’s what we set about doing.

18. In complex businesses such as the publishing industry, that level of change requires the best people to run the management and to push through fundamental reform of the commercial structures. Our approach to the Telegraph, as it has been with every other business we own, is to put the best available teams in, and to encourage and empower them to drive change. In the case of TMG, I appointed Murdoch MacLennan, who was then Group Managing Director of Associated Newspapers and from whom the Inquiry has already heard, to head the business. I gave him the four key objectives I set out above, and he then set about putting together a new management team with the best possible expertise in all the areas we needed to tackle. I am very proud of everything that they have achieved to date in reshaping the business and turning it into a commercially successful organisation, although there is further to go on our journey and there will be many challenges in the future. At the end of March 2012, the Group reported pre tax profits of £55.7 million for the 2011 financial year, even in extremely tough economic conditions and despite having made significant investment in the digital technology we need to embrace in order to survive.

19. I also made clear to Mr MacLennan, as I always make clear to all the other CEOs, that I expect the highest standards of governance and of ethical behaviour, as would be required in a public company. It is one of my roles to ensure that those disciplines are working, and I will set out below in paragraph 22 how I seek to do that.

20. Once Mr MacLennan and his team were in place, I devolved operational responsibility to them. Of course, I took – and continue to take – a great deal of personal interest in the development and success of all the businesses and the people involved in them, as well as in issues of governance: but it is not my philosophy or practice to seek to micro-manage them. It is up to the CEOs to run them. That is an approach I take across all our operations. This impacts in some areas that the Inquiry is covering, such as relationships with politicians, and I will deal with that later in paragraph 39.

21. I very much see my role in the businesses – aside from setting the governance frameworks – as helping my teams to create value and improve performance. I firmly believe that in any successful enterprise, change is a constant: it's not something to be feared, but embraced. I encourage the CEOs and senior teams to be radical in their thinking, and to back their instincts. Enterprising businesses need constantly to be pushing forward. If a business is static, it is in effect - in a fast changing world - going backwards. For me, inculcating this philosophy into senior management is what leadership is about.

22. I seek to structure my involvement in two ways. First of all, I have established very clear and consistent lines of reporting. I am based at the office of Ellerman Investments Limited, which is the Group Head Office for each of the businesses. At Ellerman, I have a senior colleague who is in effect the "point man" for each of the CEOs, whose principle function is to maintain regular contact with them. In the case of TMG this is Rigel Mowatt, an experienced executive. The flow of information from the businesses to their point man, and through them to me, is extremely regular. It keeps me in touch, it makes sure I am aware of problems, and it helps to highlight opportunities. I like also to maintain regular personal contact. So, for instance, there are weekly video conferences with most of the businesses, as well as often a call on a Friday

afternoon for a round-up of the week. And I also make myself available by phone, or through a meeting, at any time that a CEO has a specific issue with which they wish to deal or to discuss. This combination of structured, regular reporting through to the centre, and my more informal discussions, works well to ensure both that the businesses are accountable and that in turn I am able to contribute where I can to their growth and development. It is an effective two-way relationship.

23. As far as the risk management and governance structures at TMG are concerned, these have been covered in a number of previous witness statements. I refer in particular to Murdoch MacLennan's witness statement, paragraphs 7-9, Finbarr Ronayne's, paragraphs 7-17, Tony Gallagher's, paragraphs 5 and 41, and Ian MacGregor's, paragraph 9.

24. Press freedom and public interest. A free press is fundamental to the proper functioning of a democratic society. It is the role of newspapers, and their associated websites, to scrutinise those in positions of influence and power and to report in the public interest. I also believe it to be the role of newspapers to campaign on issues which are of importance to their readers.

25. Over the last few years, the Telegraph has established its credentials as an investigative and campaigning newspaper. The award-winning expose of the scandal of MPs' expenses in 2009 – about which the Inquiry has heard from a number of witnesses – was probably the most important piece of investigative journalism across the British press in the last two decades. It is a brilliant example of what a free press is about: holding politicians to account, especially when it involves the abuse of taxpayers' money. That scandal would not have come to light without the ability of a quality newspaper and its website to assimilate, verify and publish a huge amount of information. Other important

investigations in recent months include the scandals over Exam Boards and over abortion clinics: they underline what a vital role a vibrant newspaper industry plays in public debate and scrutiny.

26. Campaigning is also an important function of newspapers and their websites. In recent years Telegraph titles have campaigned on a broad range of political and social issues. The best examples include the Daily Telegraph's campaign regarding the reform of the planning laws and the Sunday Telegraph's campaign against the forestry sell off, as well as its "Lest We Forget" initiative to protect crumbling war memorials.

27. As far as a potential conflict between our commercial interests and the public interest in free and independent reporting are concerned, as I set out below I do not interfere in the editorial content of the newspapers or magazines we own. Moreover, there are very clear dividing lines between the Telegraph and our other business interests and the two do not collide. I insist that where there is any form of relationship - for instance, one of the businesses booking a venue at a hotel, or ad space in a newspaper - that it is arms length, transparent and paid for. Normal contractual and commercial obligations always apply and I regard this as maintaining good financial discipline. I believe it is important in the public interest no such conflict could occur at TMG.

28. Editorial governance and independence. I am a passionate believer in the vital importance of editorial independence. Editors working for the Telegraph have the freedom to edit their newspapers as they think fit and make all editorial decisions. They are required, of course, to operate within the terms of the law and of the PCC Code (as all staff are), and these are in fact contractual responsibilities, but what appears in their paper or on the website is their responsibility; and, indeed, their key accountability is to their readers.

29. The appointment of the editors of the newspapers – along with all senior management – is a matter for the CEO, as senior appointments would be in all the businesses. I made clear above that I do not seek to micro-manage the businesses, and that includes the hiring and dismissal of key staff. Murdoch MacLennan is therefore responsible for this area. He is free to ask me for my opinion and has sometimes asked me to meet people he is intending to appoint for my view. If asked, I am happy to do so, and to provide what is in effect a second opinion. But the decision is his. I regard that as an important aspect of the editorial and commercial independence of the newspapers.

30. Once they are appointed, I like to have a relationship with an editor - as I would with a senior executive in any of the businesses - but I always make clear to them that I regard this relationship and any expression of views as being those of an avid reader. I do not issue instructions to editors, interfere in their editorial judgement or do anything to compromise their position. Will Lewis, in his evidence to the House of Lords Communications Committee, underlined this point (and I attach that exchange as Appendix B for ease of reference); as did Tony Gallagher when he gave evidence to the Inquiry.

31. I speak to the editors on average once every couple of weeks, and very much on an *ad hoc* basis. It may sometimes be more often, but it is as likely that a fortnight or more can go by before we talk. We discuss a range of issues about the paper, but also about current affairs and what is happening in different parts of the world. These conversations take place with the clear understanding on both sides that editorial decisions rest with the editors.

32. In terms of our support for particular political parties, including in General Elections, I think it is fair to say that the Telegraph has been a

conservative newspaper – most importantly with a little “c” but also with a big “C” – for many years now, reflecting its readership. It was when my family bought it and we have not sought to change that. Successful newspapers must understand and take account of their audience. We operate under an overarching principle that customers come first. That does not mean the papers do not criticise Conservative Governments and politicians: they regularly do.

33. Decisions on how to cover General Elections and when and how actively to support a Party with an endorsement I leave to the editors (as indeed was the case when we owned newspapers in Scotland). If my memory serves, at the time of the 2005 and 2010 General Elections, successive editors have sent me a copy of the leading articles on the paper’s choice the night before they appeared as a matter of information. However, I was not asked to comment. The same goes for the papers’ comments on individual Ministers as issues arise from time to time.

34. Quality newspapers like the Telegraph titles depend on conveying news accurately and fully: that requires dialogue across the political divide, and I think that, thanks to the efforts of successive editors and political editors, we have now achieved that.

35. I noted the comments Dominic Lawson made about me during a House of Lords Select Committee investigation in reference to the Sunday Telegraph’s coverage of David Blunkett in 2008. The Inquiry will be aware that these comments were rebutted soon after by William Lewis (then Telegraph editor) in evidence given to the same Committee. However, in case it’s helpful, I attach his evidence as Appendix C.

36. My memory of my conversation with Mr Lawson is very different from his. As I noted above, I speak perhaps every few weeks to editors to discuss

topics of general interest. I recall Mr Lawson telling me in one such call that he was planning to run another full page story – I think it was the fourth in successive weeks – about Mr Blunkett. I questioned, as a result of my own personal observation, whether the story had run its course and the readers might be beginning to tire of this long drawn out saga. It was an observation as a reader myself, as I alluded to above, and certainly not any form of instruction. Indeed, the story ran anyway. I should make clear I barely knew Mr Blunkett and he had not asked me to intervene in any way, which I would not have done even had he made such a request.

Personal relationships with politicians

37. I do not regard building or fostering relationships with politicians for the sake of it as a particular part of the job of a newspaper proprietor. I do, however, believe that all businessmen need to be aware of the political environment and to pass on concerns and encouragement to those who make laws and regulations in order to protect their businesses and those whose livelihoods depend on them - in the case of our businesses some 20,000 families do so. We operate within economic and regulatory frameworks established by politicians, and we have to understand them. That is the value of relationships with politicians, and all of them that I have had over the years with individuals of all parties have arisen as a result of that belief.

38. No Prime Minister or Opposition Leader has ever asked me for a favour. And I have never asked for one. Nor have I, or any of the family businesses, donated money to a political party at least in the last twenty five years.¹

¹ Recent reports (27th March) suggesting that the Telegraph had donated money to the Conservative Party were incorrect. The figures quoted – amounting to £23,000 – related only to payment for exhibition fees at the Conservative Conferences in 2010 and 2011, and were not donations.

39. As I made clear above, I do not seek to micro-manage any of the businesses. I expect the CEOs to maintain relationships that are important and appropriate to them – for instance with relevant constituency MPs – as part of their job, and to brief me on any political developments that relate to the business. I do not therefore allocate specific time myself to building political relationships: I talk to or meet people either to keep in touch or where there is a specific reason.

40. A list of the meetings that I have had with Prime Ministers, serving Cabinet members and Leaders of the Opposition since I became Chairman of the Telegraph is attached as Appendix D. This Appendix has been prepared based on what is recorded in my diaries. I believe it to be comprehensive, although it is always possible over such a period of time that one or two meetings may not have been recorded. I have not kept notes of the origins of these meetings, or what was discussed because it is not my practice to do so. As I recall, discussions were largely of a general political and economic nature. Of course matters relating to the media and the changing economic environment in which we operate have arisen. Politicians are rightly fascinated by changes in the media industry and particularly the impact of digital. And they are inevitably interested in the state of the advertising market because of what it says about economic growth; in turn, I am always keen – as any businessman would be – to explain the environment in which we operate. On some occasions, I might raise an issue relating to one of the non-newspaper businesses: I recall discussing visa controls from the Far East with the Chancellor at one point because it is a relevant issue to many British businesses, particularly tourism.

41. I have known each of the last three Prime Ministers. My relationships with each of them have been cordial and sporadic: I would not describe them as particularly close. I saw Tony Blair on a number of occasions, and if my memory

serves on almost every occasion (other than dinner) Jonathan Powell was in attendance. As is widely recorded, Mr Blair's approach to such meetings was relaxed and social. He was interested in the press but I do not recall him ever raising specific editorial matters with me, or suggesting that the Telegraph titles might adopt a different political stance. On a few occasions - including once at Chequers - I would also see Mrs Blair and we sometimes spoke about the CLIC Sargent charity with which she was involved.

42. I had a number of meetings with Gordon Brown when he was Prime Minister. He was, as is well known, interested in the granular detail of economic policy and we spoke often about economic theories and the state of British business. I saw him more than other Prime Ministers because of the extraordinary times we were living through following the collapse of Northern Rock and then of Lehman Brothers. Mr Brown was keen to get my views on the impact on business, and I would sometimes send him articles and books I thought he should see. He was also Prime Minister when the scandal of MPs' expenses broke, and he must have raised this with me in general terms; but as with Mr Blair I do not recall him ever asking me to intervene in editorial matters as he was aware of my own views on editorial independence.

43. I first met Mr Cameron when he was a candidate to become Leader of the Conservative Party, and I have had meetings with him on a handful of occasions since. The Prime Minister has a background in the media and I have always found him to be knowledgeable about, and interested in, the way the newspaper industry works and is developing. Like his predecessors, he has also always been interested in general economic and business discussion. Again, I do not recall that he has ever asked me to interfere in matters of editorial policy.

44. Each of the three Prime Ministers I have had dealings with have obviously understood from the outset the broad political approach of the newspaper. None has asked me to change that approach.

45. As regards Opposition Leaders, I noted above that I met Mr Cameron when he was seeking to become Leader of the Conservative Party (and saw him, as the Appendix makes clear, a number of other times between 2005 and 2010). I also met two of the other candidates in that leadership contest in 2005, David Davis and Dr Liam Fox, at their request. These meetings were general political discussions and as far as I recall there was nothing particular on the agenda.

46. I met Michael Howard when he was Leader of the Opposition in September 2004, and I also had a meeting with Sir Menzies Campbell. I have not met Ed Miliband or Nick Clegg.

47. In terms of other senior politicians, I meet other Cabinet Ministers, and very occasionally Shadow Cabinet Ministers, if they are involved in areas of policy which are relevant to our businesses and where there may be specific issues we have in common. These have included Gordon Brown and George Osborne as Chancellors of the Exchequer, Tessa Jowell when she was Secretary of State for Culture, Media and Sport (including responsibility for the Olympics), and Andy Burnham as her successor (during a visit to the Telegraph's offices).

48. I would expect the editors and senior staff at the Telegraph to have an active involvement with politicians where it is either relevant to the business of TMG or important for editorial purposes. Newspapers and websites are there to produce news, and that requires interaction with politicians. Similarly, Mr MacLennan and his colleagues are responsible for a company which employs over 1,000 people in a highly fluid regulatory and legal environment and I would

expect that they would speak to politicians, on the same terms as other such business leaders would, about issues of press and media freedom, media ownership, self regulation or restrictions on advertising.

49. Given the scope of my answers above, I hope it will be clear that I have no problem in principle with greater transparency in the relationships between politicians and those involved in the media business. However, enhanced transparency should not compromise confidential sources of information or, in a commercial context, undermine the normal rules of commercial confidentiality. Publishing companies as businesses should not be subject to any more onerous rules than other businesses where it impinges on their ability to discuss sensitive commercial issues with senior politicians.

The Culture, Practices and Ethics of the Press

50. As a proprietor, I expect adherence to the highest ethical standards by those working in our newspapers. Respect for the law and for the PCC Code are enshrined in the contracts of employment of staff, and - as witness statements already submitted make clear - we seek to uphold those standards to the letter and in the spirit. It is, of course, a matter of great regret and concern to me - as someone who loves newspapers - that not everyone in the industry appears consistently to have held that view.

51. With specific regard to Operation Motorman, the Telegraph Media Group was the only publisher in the British press which had no titles listed in the "League Table" produced by the Information Commissioner in *What Price Privacy Now?* in 2006. Nonetheless, Murdoch MacLennan and his team took seriously the concerns that the Information Commissioner had expressed to the industry, and were in fact responsible for leading industry efforts to produce an unprecedented

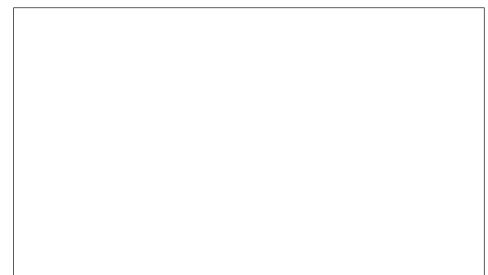
campaign of information and education among journalists. Finbarr Ronayne's witness statement to the Inquiry - in paragraphs 30-37 - also outlines the internal steps we subsequently took to confirm that no journalists at the Telegraph had been involved in making payments for information to private detectives. For me that underlines how the governance structures that are in place at the Telegraph are working effectively.

52. I first became aware of the convictions of Clive Goodman and Glen Mulcaire from news reports at the time. Witness statements already submitted deal with the issue of phone hacking and make clear that the Telegraph titles have not been involved in any way in this practice. I deplore any breaches of the criminal law which could have no conceivable public interest.

53. These issues have clearly sparked a wide debate within the industry about the future of self regulation, and the Inquiry concentrated on these issues in Module 1. I have met Lord Hunt of Wirral to discuss with him plans for changes to self regulation which will produce a tougher system of regulation. I am supportive of his direction of travel, and through the Telegraph's role in the Newspaper Publishers Association and the Press Standards Board of Finance (PressBof) we are seeking to assist the process of change. The Telegraph has always participated fully in the financing of the PCC through PressBof, and we will continue to fulfill that commitment. As a commercially successful company, that may be easier for us than for some others, and I am anxious about the potential burdens that could be placed on other less successful companies, particularly in the regional sector. I recognise that it is important that the parts of the new regulatory structure that deal with complaints and enforcement are independent of the industry; but at the same time it is crucial in a system of self regulation that the industry maintains a role.

54. One of the biggest dangers that the press faces - in a backlash against the actions of a small minority of journalists - is that it becomes over-regulated. Newspapers and their websites already operate under a burdensome body of law and indeed are competing with other media organisations in the digital arena that do not seem to be subject to UK domestic law. It would be very damaging to the public interest if the burdens became so great that it was impossible to expose or report on matters which go to the very heart of our democracy. That is why we must get the balance right, and ensure not just that the public is protected from the excesses of some parts of the press, but crucially that the public interest is also protected at the same time. I believe strongly that all those interested in freedom of expression need to recognise that newspapers are fighting for their lives. If we fail to reinvent ourselves for a new age, win new markets, and invest in the future, then democracy will be all the weaker. That is the most profound issue that faces us all.

55. I believe the facts set out in this Witness Statement to be true.



Aidan S. Barclay

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