

Competitiveness and Contestability in the Irish Media Sector

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I. The Irish Newspaper Market

There are four main segments of the Irish newspaper market. These are the Sunday, daily morning, daily evening, and local newspapers. Table 1 shows the composition of Sunday and daily markets in 1990, 1995 and 1999. The estimated total market for Sunday and daily newspapers in 1999 was 5.7m million copies per week. This is 0.23 newspapers per day per head of population, slightly below the EU average of 0.25 with a range from 0.46 in Finland to 0.06 in Portugal (Brunner, 1998). In addition an estimated 747,000 local newspapers are sold weekly giving a total weekly market of 6.5m. This amounts to 5.9 newspaper purchases per week for each of the 1.1 million households in the Ireland.

Table 1 shows that sales of national daily, evening and Sunday papers declined by 416,000 copies weekly between 1990 and 1995 and increased by 410,000 weekly between 1995 and 1999. In 1995 the market exit of the second largest group of titles in Irish newspapers, the Irish Press Group, marked a major crisis in the sector. 1995 marked the low point of the decade for Irish newspapers. Since then they have increased their daily morning sales by 29,000 and their Sunday sales by 70,000 per edition in a period of relatively stable Irish newspaper prices.

The most buoyant market has been for daily morning papers. Since 1990 sales have risen from 529,000 per day to 623,000, an increase of 18%. Sales of Irish titles have increased from 417,000 to 429,000 but their market share has fallen from 79% to 69%. Some 70% of the decline in market share took place between 1990 and 1995. The Irish daily newspapers lost 17,000 daily sales between 1990 and 1995 but increased by 29,000 in the years 1995- 1999. Imports of UK daily newspapers showed a steady increase from 112,000 in 1990 to 153,000 in 1995 and 194,000 in 1999.

The Sunday newspaper market has declined by 4% or 48,000 copies, between 1990 and 1999. This resulted from a loss of 92,000 copies between 1990 and 1995 and a gain of 44,000 copies between 1995 and 1999. The fall in sales of Irish Sunday newspapers was 9% and their market share fell from 69% in 1990 to 65% in 1999. Between 1990 and 1995 Irish Sunday newspapers lost 141,000 sales per week but between 1995 and 1999 sales increased by 70,000. Sales of UK titles over the two time periods show the opposite pattern. They rose by 49,000 between 1990 and 1995 but declined by 26,000 from 1995 to 1999. The market share of UK titles peaked in 1995 at 38% but fell back to 35% in 1999, compared to the 1990 figure of 31%.

The evening newspaper market has shown a marked decline in the 1990s. The 1999 market, at 138,000 copies per day, was 39% lower than the base year of 1990 when sales were 225,000. The fall of 522,000 sales per week in evening papers is 11 times the fall of 48,000 in the weekly sales of Sunday newspapers and contrasts with the gain of 564,000 in sales per week of daily morning papers. Unlike the other categories, sales of evening newspapers were lower in 1999 than in 1995. Of the 87,000 daily reduction in evening newspaper sales between 1990 and 1999, 78,000 took place between 1990 and 1995 and 9,000 between 1995 and 1999.

The sale of evening newspapers of 138,000 in 1999 contrasts with a peak of 330,000 in 1973 (Competition Authority, 1995). Irish newspapers made strong representations to the Competition Authority and the Commission on the Newspaper Industry against alleged predatory pricing by British newspapers but the largest decline in Irish newspaper sales has been in the evening market where there are no competing imports. Curran attributes the decline in the evening newspaper market to the rise of television in the 60s, 70s and early 80s while a former editor of the Evening Herald stated that "the Herald had always

been a working class newspaper. It was difficult to get it out of that groove." (Kenny, 1994)

The 1999 Administration Yearbook data on local newspaper sales show a vibrant sector with sales of 747,000 by 54 titles reporting. The Competition Authority (1992) estimated that sales in this category at the beginning of the decade were about 700,000 per week.

The Commission on the Newspaper Industry (CNI, 1996) chaired by Mr Justice Finlay, was established to review the industry after the market exit of the Irish Press group in May 1995. A survey carried out on behalf of the Commission by Behaviour and Attitudes found a decline of 25% in newspaper reading occasions in the previous ten years. The decline was caused by pressures on time, intrusion by other media and the decline in the number of adults per household. Almost a quarter of those surveyed were primarily readers of English rather than Irish Sunday papers. In the daily newspaper category the survey found that those attracted to English papers were, to an above average extent, male, under 25, working class, less well educated and under economic pressure. Outside the cities eight out of ten people read a local paper regularly. In addition they had an above average readership of the English dailies and many regarded the Irish national newspapers as having a bias towards Dublin.

Market Structure

The dominant firm in the Irish newspaper market is Independent Newspapers. In the daily sector its two titles account for 59% of Irish newspaper sales and 41% of the total market. It has 79% of the evening newspaper market where there is only one other title and no competition from imports. It has three titles in the Sunday newspaper market accounting for 85%

of Irish title sales and 55% of all sales. The group's losses at the Sunday Tribune were £1.5m for 1997/8 and £1.9m for 1996/7. Independent Newspapers also publishes ten local titles with a circulation of 94,000 per week, some 13% of the local newspaper market.

The Commission reported that it was "satisfied that there is in the industry generally a sufficient plurality of ownership and of title to maintain an adequate diversity of editorial viewpoint and of cultural content." However it warned that "any further reduction of titles or increase in concentration or ownership in the indigenous newspaper industry could severely curtail the diversity requisite to maintain a vigorous democracy." (CNI; 30). The Competition Authority (1992) advised against Independent Newspapers increasing its shareholding in the Tribune Group from 29.99% to a possible 53.09%. It also advised in 1995 against the purchase by Independent Newspapers of a 24.9% shareholding in the Irish Press plus a loan of £2m because of the anticompetitive aspects of both the 1992 and 1995 transactions.

The contestability of the Irish newspaper market is illustrated by the successful entry of the Sunday Business Post in 1989 and Ireland on Sunday in 1997 as well as the unsuccessful entry of the Evening News in 1996. The major market exit of the Irish Press Group in 1995 removed a producer with 20.0% of the market in 1990. It then sold 1.144m copies per week in a total market of 5.721m.

By 1999 however total weekly newspaper sales in Ireland were back to their 1990 levels. Irish newspapers other than the Irish Press Group increased their sales from 3.6m a week in 1990 to 4.2m in 1999. Imported newspapers increased their sales from 1 million a week in 1990 to 1.5m in 1999. The rise in sales of the remaining and new entrant Irish titles was 55% of the loss of Irish Press group sales. The rise in the sales of imported titles was 45% of the loss of Irish Press Group sales. The bulk of the Irish Press Group sales were retrieved

by incumbent titles. Sales of the three new market entrants in the years 1990-1999, as shown in Table 3, were 82,000 copies per week. This is 7% of the increase of 1.1m in the sales of non-Irish Press Group papers per week between 1990 and 1999. The leading new market entrant was Ireland on Sunday, which accounted for 65,000 of the 82,000 weekly sales by the three new titles in 1999 compared to the beginning of the decade. Market entry and exit has been a traditional feature of the industry. Oram (1983) estimates that over four hundred newspaper titles were launched in Ireland between 1660, when the first newspapers were launched, and 1983.

The adjustment of the three main newspaper markets to the market exit of the Irish Press Group showed significant variation. In the Sunday market, the remaining Irish papers, new entrant and incumbents, gained six times as many extra sales as imported titles over the 1990s. The market share of the Irish titles increased by 3 points between 1995 and 1999. About a quarter of the sales lost through market exit of the Sunday Press did not transfer to the new and incumbent titles. Sales of the Sunday Press in 1980 were 208,000 and the total market in 1999 was down by 48,000.

Sales of daily newspapers grew by 93,000 between 1990 and 1999 notwithstanding the loss of 60,000 sales by the Irish Press. The remaining Irish titles increased their sales by 72,000 per day and the UK titles increased by 82,000 per day. The total market grew by 55% more than the sales lost through the market exit of the Irish Press.

In the evening sector the market contracted by 91% sales of the Evening Press. As there are no competing imports in this sector the causes and consequences of the decline are entirely related to the Irish producers. The decline in the sales of evening newspapers of 522,000 per week between 1990 and 1999 is about the same as the rise of 513,000 per week in the imports of UK daily and weekly titles.

International Trade and Investment in Newspapers

The import share of the Irish newspaper market increased from 18% to 25% between 1990 and 1995 and increased at a slower rate to 27% in 1999. Further evidence of internationalisation of the market is seen in transnational investments and printing. The dominant Irish newspaper company, Independent Newspapers, has businesses also in Britain, South Africa, Australia, France, Mexico, Portugal and New Zealand. Its title, *The Star*, is a joint 50/50 venture with United Newspapers, the holding company of Express Newspapers of Britain. A British group, Trinity Holdings, acquired the Sunday Business Post in August 1997. It was previously owned 40% by a German publisher, 10% by a French publisher and 50% by its chief executive.

Cross border printing is also a feature of the Irish market. The Sunday Business Post is printed in Northern Ireland. The Examiner group, the third Irish newspaper group in size, prints the Irish editions of both the Sunday Times and the Times. The English edition of the Sunday Independent is printed in England.

The Competitiveness of Irish Newspapers and the Growth of Imports

In the daily newspaper market the import share has increased from 21% to 31% over the years 1990 to 1999. Irish titles increased their sales by a net 12,000 more than the 60,000 lost through the exit of the Irish Press. The increase in imports was 82,000 and 89% of this increase was accounted for by a rise of 73,000 in sales of the Sun. In the popular segment of the market the Irish newspaper industry has been relatively uncompetitive. The Irish produced *Star* costs 60p compared to 25p and 40p for imports, the *Mirror* and *Sun*. In the

broadsheet segment the Irish Times retail price of 85p compares with the Times (45p), the Daily Telegraph (50p) and the Guardian (50p). However none of the seven UK imports competing in this segment of the market has sales in excess of 6,000. This would indicate that most readers of the Irish broadsheets do not see the imported daily broadsheets as significant substitutes.

In the Sunday market the Irish titles have recovered market share since 1995 with increased sales of 70,000 copies compared to a reduction of 26,000 in imports. There is price parity between Irish and English titles in the broadsheet market at £1 per copy with the exception of the Sunday Business Post, which sells at £1.10. In the tabloid segment the Sunday World (Irish) sells for £1 compared to 65p for the imported News of the World. While there are no imported evening papers the Commission on the Newspaper Industry used the Evening Standard as a reference price. It cost 30p compared to 65p for the Evening Herald.

With the exception of a 10p increase in the price of the Sunday Business Post and a 5p increase in the price of the Sunday World Irish newspaper prices have stabilised since 1995 in marked contrast to the earlier period. The Competition Authority (1995) found that "while the cover price of the London Times in January 1995 was 12.5% higher than in 1984 the main Irish newspapers had more than doubled their prices. The rate of increase of Irish newspapers was approximately double that of the Guardian and the Daily Mail", (2.35). The Authority found it "hardly surprising that UK newspaper sales have increased" and added that "what is surprising is that there has not been an even greater shift away from Irish newspapers.", (2.34). The evidence of News International to the Competition Authority in 1995 was that the average price of a national newspaper in the UK was 25% lower in 1995 than in mid-1993 and that lower prices had led to an increase of 170,000 in daily broadsheet sales between the third quarters of 1992 and 1994, (4.53).

The Commission cited evidence that average labour costs per person employed in Ireland was £35,000 compared to £23,000 sterling in Britain (CNI, 93). The Commission was also "provided with analysis and research carried out by one Irish newspaper company which suggested that the average production labour cost of producing one broadsheet page in Ireland is something over four times that of the cost in the UK" (CNI; 94). The Competition Authority attributed the decline in Irish newspaper sales "at least in part to real increases in cover price over a prolonged period of time to the extent that a significant price gap in favour of UK newspapers has emerged. This is more likely to reflect the high cost structure of Irish newspapers than to be the result of predatory pricing by UK newspapers", (8.51).

The period of relative price stability of Irish newspapers since 1995 indicates that consumers respond favourably to improvements in competitiveness as they had previously done in Britain. Further measures to improve competitiveness include the announcement in December 1998 by the Independent Newspapers Group of a £39m redundancy and rationalisation programme over five years (Crowley and Mulcahy, 1999).

New printing technology allows newspapers to be printed in lower cost locations and carrying news items relating to the area of sale rather than the location of the printing works. The abolition of border controls allows newspapers immediate access to other markets. There is an increasing share of imports in the Irish market and investment and ownership have become international. While the pessimism, which followed the market exit of the Irish Press Group in 1995, led to concern about increased competition from imports and possible predatory pricing, it is noteworthy that the major decline in Irish newspaper sales has been in the evening paper sector, which faces no competing imports. The remaining Irish titles have performed well in the period of price stability since 1995.

II. The Structure of the Broadcasting Market in Ireland.

Broadcasting was a legal state monopoly in Ireland from the foundation of RTE in 1926 to the licensing of competition in 1989. Founded as Radio Eireann, RTE was then financed by licence fee but sponsored programmes were later introduced and spot advertising followed. RTE has operated the national television service since 1961. It currently operates two television services, RTE 1 and Network 2 and three radio stations, RTE 1, 2 FM, and Lyric FM, a classical music station launched in May 1999.

In the 1970s and 1980s dissatisfaction among young people with RTE radio led to the growth of "pirate" or unlicensed radio stations specialising in popular music. RTE 2 Radio was founded in 1979 to serve that market.

In 1989 competition in radio broadcasting was introduced when the government established the Independent Radio and Television Commission (IRTC) and twenty-one new radio stations were established. Radio Ireland, a privately owned national radio station, commenced in 1997. It replaced Century Radio, the previous privately owned national station which failed in 1991. The two domestic TV services in competition with RTE are TG4, an Irish language service in public ownership, and TV3, a privately owned service in which Can West has a 45 per cent stake. TV3 commenced transmissions in 1998. Its estimated advertising revenue for 1999 is £15m compared to £125m for RTE. (Darling, 1999).

Television and Radio Market Shares

The market shares data in Table 3 indicate that the four Irish television stations had a market share of 58.1% during January-August 1999. This comprised RTE 1, 35.3% Network 2, 15.0%, TV3, 6.8% and TG4, 1%. The

Irish stations' share was 57% in 1998, before the advent of TV3. The 6.8% market share attained by TV3 appears to have come mainly from a 5.1% fall in the market share of RTE 1 and a 1.3% fall in the market share of BBC 1. In the multi-channel areas British TV is the dominant product but the share of Irish television services grew from 42.6% in 1998 to 45.9% in 1999, following the market entry of TV3. The Irish station market shares were RTE 1, 27.6%, Network 2, 11.6%, TV3, 5.7%, and TG4, 1%. The 5.7% market share of TV3 resulted from a 2.2% reduction in the market share of both RTE 1 and BBC 1 and a 1.5% reduction in the market share of Channel 4.

Table 4 shows the growth of independent radio services since their introduction in 1989. They achieved parity of market share with RTE 1 in 1992 and exceeded RTE 1 and RTE 2 combined for the first time in 1999. Since 1992 the success of the independent stations in increasing their market shares has been at the expense of RTE 1 with a minimal loss of market share by RTE 2. The market shares are expressed as proportions of time spent listening to the various stations. The independent stations with a market share of over 50% in August 1999 were Highland (Donegal) 75%; Cork 96 FM 63%; New FM (Limerick) 60%; and South East 58%. Other stations with high market shares have been Mid West, North West and Radio Kerry.

Table 4 shows that the success of independent radio stations in increasing their market share since 1992 has been five times as much at the expense of RTE 1 than RTE 2. The success of the independent stations appears greater the greater their distance from Dublin with more regional content and more varied programming than the strong current affairs emphasis of RTE 1. Because RTE had a legal monopoly of radio until 1989 its market share was bound to fall on market liberalisation. According to Mulholland, "the state sponsored environment does not always favour the development of talent and creativity.... Perhaps the edge is not always there, it is difficult to manage, it is sometimes

difficult to get change- technological change or change of work practices- than it would be in a private concern, where you have, to put it bluntly, the possibility to hire and fire" (Kenny, 1994).

Public Service Broadcasting

RTE is in receipt of licence fee income in 1999 of £64.7m. In addition the licence fee costs of £7.2m. to collect. The licence fee yield is approximately double the 1998 commercial revenue of the independent radio sector of £32.9m. RTE had a total income in 1995 of £151.6m. compared with local radio revenues of £21.7m. comprising advertising agency sales of £11.7m and local sales of £10m. The licence fee has its origins in the days before RTE developed advertising as its main source of revenue. The licence fee is not earmarked for any activities defined as public service broadcasting. Newspapers and local radio stations perform many of the same services without the revenues from a licence fee. The definition of public service broadcasting in the Government's White Paper, Proposals for Broadcasting Legislation, (March 1997) was "a broadcasting service provided by a publicly owned broadcaster." This tautology ignores matters such as; the nature of the product being subsidised, the possibility of alternative producers of public service broadcasting and value for money issues. The alternative solutions to the licence fee problem are either to abolish it or to share it among all media in accordance with a wider definition of public service broadcasting. The impact is large because the RTE licence fee income is more than double the commercial income of the independent radio sector. Protectionism frequently leads to high costs in the body enjoying that protection. Management at RTE estimated in mid-1998 that 500 of their 2,000 staff are surplus to their

requirements in the more liberal environment for broadcasting now applying. (Irish Times, June 5, 1998)

Summary

The Irish media sector has experienced increased competition in the 1990s. In the newspaper sector the loss of 1.1 million copies per week due to the closure of the Irish Press Group in 1995 has been recouped by 1999. The pessimism caused by the market exit of the Irish Press Group, (Kilfeather, 1997) and reviewed by the Commission on the Newspaper Industry, has been supplanted by a good market performance aided by price stability after 1995. Irish daily papers have increased their daily morning sales by 12,000 more than the 60,000 sold by the Irish Press in 1990. In the Sunday paper segment Irish title market share has risen by 3% since 1995. Problems of contestability remain however in some high prices compared to British imports, and high labour costs. The fall in the evening newspaper market has been heavy in a segment where there are no competing imports.

In the radio sector the market leadership of the independent stations in 1999 over the traditional RTE monopoly, indicates a remarkable performance by the new entrants. The licence fee remains a barrier to contestability and gives RTE an income some three times greater than the commercial income of the independents.

In the television sector the share of Irish stations varies from 58.9% over the network to 45.7% in multi-channel areas, a 29% disparity. Technological changes will increase the availability of foreign channels in areas where Irish stations have enjoyed a protected position.

The Irish share of the national television market increased from 58.7% in 1998 to 59.9% in 1999. Of the new Irish television stations, TG4 has a 1%

market share and TV3 a 4.3% market share. The TV3 share of 6.8% appears to have been drawn mainly from some RTE (minus 5.1%) and from BBC 1 (minus 1.3%).

Throughout the media sector contestability has increased due to import and start-up titles in newspapers, technological change, and two new entrants in television and the licensing of new radio stations since 1989. Some cost problems remain in the newspaper sector however and the issue of the RTE licence fee has not been addressed. The increasing contestability of the print media and the deregulation of broadcasting are thus interesting segments of the adjustment of the Irish economy to the single European market and the deregulation of public sector monopolies in sectors such as broadcasting, aviation and telecommunications.

Table 1: Circulation of Newspapers in Ireland, 1990, 1995 and 1999. ('000)

	1990	1995	1999
Sunday			
Irish titles	822 (69%)	681 (62%)	751 (65%)
UK titles	375 (31%)	424 (38%)	398 (35%)
Total	1,197	1,105	1,149
Daily			
Irish titles	417 (79%)	400 (72%)	429 (69%)
UK titles	112 (21%)	153 (28%)	194 (31%)
Total	529	553	623
Evening*			
Irish titles	225 (100%)	147 (100%)	138(100%)
Total Sales per week (m)	5.721	5.305	5.715
Import Share (%)	18	25	27
Index (1990=100)	100	93	100

Note: *no competing imports.

Source: Commission on the Newspaper Industry, Table 3; (adjusted for sales of the Sunday World in Northern Ireland); ABC Circulation data. Figures for 1999 refer to first six months.

Table 2: Irish Newspaper Market Circulation Data, 1990-1999. ('000)

	1990	1999
SUNDAY		
Sunday World	256	235
Sunday Independent	230	316
Sunday Press	208	-
Sunday Tribune	102	85
Sunday Business Post	26	50
Ireland on Sunday	-	65
Total Irish titles	822	751
News of the World	169	164
Sunday People	71	65
Sunday Mirror	65	44
Sunday Times	31	89
Sunday Express	22	7
Observer	12	8
Sunday Telegraph	5	4
Mail on Sunday	-	10
Independent on Sunday	-	7
Total UK titles	376	398
DAILY		
Irish Independent	152	166
Irish Times	94	113
Irish Press	60	-
Examiner	57	61
The Star	53	89
Total Irish Titles	417	429
Daily Mirror	60	62
The Sun	30	103
Daily Express	5	4
Daily Mail	4	6
Daily Telegraph	4	4
Financial Times	3	5
Times	2	5
Guardian	2	3
Independent	1	2
Total UK titles	112	194
EVENING		
Evening Herald	98	111
Evening Press	96	-
Evening Echo	31	28
Total	225	139

Table 3 Irish TV Market Shares in January-August 1998 and 1999. (%)

	Network		Multi-Channel	
	1998	1999	1998	1999
RTE 1	40.4	35.3	29.8	27.6
Network 2	15.6	15.0	11.8	11.6
TV3	-	6.8	-	5.7
BBC 1	14.8	13.5	19.7	17.5
UTV	9.3	9.1	12.5	11.8
Chan 4	5.5	4.5	7.3	5.8
Sky 1	3.9	3.9	5.2	5.1
Others	10.7	11.8	13.5	14.7
Total	100.2	99.9	99.8	99.8

Source: A.C.Nielsen, Monthly Newsletter.

Table 4: Irish Radio Market Shares 1992-1999. (%)

	Independents	RTE 1	RTE 2
1992	39	39	22
1994	42	37	21
1996	45	33	21
1999	51*	29	20

Source: IRTC Annual Reviews; JNLR.

*Comprises 44% local stations and 7% Today FM.

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