

WEDNESDAY 26 MARCH 2008

Present

Corbett of Castle Vale, L
Eccles of Moulton, B
Fowler, L (Chairman)
Grocott, L
Howe of Idlicote, B
Inglewood, L
King of Bridgwater, L
Manchester, B
Maxton, L
McIntosh of Hudnall, B
Scott of Needham Market, B

Witness: **Mr David Montgomery**, Executive Chairman, Mecom, examined.

Q2291 Chairman: Mr Montgomery, welcome. I think that you are the first of the proprietors and editors who has come by himself without a long trail of advisers. You know what we are doing, that is to look at ownership and the media and the impact that consolidation can have and we have taken evidence from a wide range of people. You obviously have very extensive experience in the newspaper industry and what is interesting is that, over the last few years, you have been building up this group of newspapers in other countries of Europe: Germany, the Netherlands, Denmark, Norway and Poland. It is an impressive range of countries. I want to first get our minds focused and wonder whether you can tell us first something about your company and secondly about why you find Europe an attractive market.

Mr Montgomery: The business case was very much to replicate what happened in the UK in terms of consolidating large numbers of regional newspapers and this was promoted very skilfully by Johnson Press and then by the Trinity Regional Group which became Trinity Mirror during the 1980s and 1990s and, every time they made an acquisition of a business,

they were able to group together the overheads, reduce costs and make more profits. It was partly a defensive enterprise because clearly newspapers have been under commercial pressure for many years and, as readership diminished and advertising sales from time to time went through difficult patches, to make a business and build a business by consolidation was a very good model and it has worked until quite recently. We have seen of course both Johnson Press and Trinity suffering because of the downturn in advertising and very little consolidation remaining to do in the UK. We believed that we could do something that replicated this in Europe on a wider platform. Of course, there were challenges of culture and language, different management styles and a stakeholder economy in most countries as opposed to a pure shareholder-driven business for newspapers in the UK, so there were some challenges. I think, having rolled up these five countries in quite large-scale assets, we have at least proved that the economic model works, that these assets are actually performing better as a group than they did as individual assets, as our results this month have demonstrated. So, the model works but it is not without challenges particularly because the newspaper industry, as I say, remains under a lot of pressure from commercial rivals and I think that scale at least gives us some defence to protect and nurture these historic titles for the future. Of course, although that is something that is a worthy objective, my own role is to make sure that the business operates and pays returns to shareholders, but the two come together. If you protect and nurture these great franchises, then the business will continue to be successful.

Q2292 Chairman: Tell us a little about your own company. You are the Executive Chairman of it and who are the shareholders?

Mr Montgomery: The shareholders are traditional financial institutions. They include the main shareholder Invesco Perpetual based at Henley, so managing of course not just British money but managing global money. The second biggest shareholder is Lansdowne based in Mayfair where they again manage billions, British executives and British management but

again global money. We also have Jupiter, Legal & General, M&G, all well-known institutions who control, between seven and eight of them, probably about 70 per cent of the company.

Q2293 Chairman: Do you have a lot of debt?

Mr Montgomery: We have what we would say is a prudent amount of debt: £524 million. This year, we are expected to make £200 million of (?). So, we are well covered in terms of debt. That does compare favourably, for instance, with Johnson which has roughly the same amount of debt, but its revenues are £600 million against our revenues of £1.4 billion. So, we feel comfortable with our position.

Q2294 Chairman: Explain to us why Europe is an attractive market. From your first answer, would it be fair to say that the UK market has consolidated to such an extent that there are few opportunities for a company like yours whereas in Europe there are more opportunities?

Mr Montgomery: You have really put your finger on it. It is not just the fact that there is more opportunity in consolidation in Europe because it is a bigger territory overall, but it is also because the European newspapers have much different characteristics to the UK market. The European market, particularly in Northern Europe, is dependent on large levels of subscription purchasers. For instance, in our Dutch businesses where we have a million daily papers a day, 97 per cent are ordered on subscription, paid for in advance and delivered to the customer's front door every morning before seven o'clock. Whereas the market here in the UK continues to be controlled through third parties, in other words newsagents, and even where there are subscribers for *The Daily Telegraph* for instance, it is quite a low level and the newsagents still control those subscriptions through a series of vouchers whereas we in

Europe tend to have a direct relationship with the subscriber and we have our own distribution companies. So, a very different model.

Q2295 Chairman: Does that apply to other European countries at all?

Mr Montgomery: It applies to Scandinavia and, to a lesser extent in Poland. In Germany, the so-called quality newspapers are mainly on subscription as well. So, *Berliner Zeitung* is 85 per cent subscription. The other characteristic of course is that we are less dependent on advertising revenue or any segment of advertising revenue, so Johnson Press has 70 per cent of its publishing revenues from advertising and Trinity has 80 per cent in its regional papers whereas we have 60 per cent and 40 per cent of subscriptions. So, there is a better balance of revenues which we would argue gives us greater stability particularly with those, if you like, guaranteed subscription revenues.

Q2296 Chairman: What about the European newspapers? Are there opportunities of improving the presentation of them or the coverage of them?

Mr Montgomery: Every publisher will say that it is imperative to continue to enhance value through content and that is manifested by the launch of supplements or special sections, a concentration on certain subject matters. For instance, in *Berlingske Tidende*, our Copenhagen newspaper, we have a very great specialisation in business coverage and we have expanded that through our online Business UK site. We are always looking for ways to disseminate our content more successfully and of course gain readers. Newspaper publishers are no longer limited by the physical restraints of distribution because of course our content can be spread online and a lot of our activity is very much to promote content online and find ways of gaining advertising because of that and, in some cases such as one particular case in Poland, we get a large number of subscribers for our *Parkiet* newspaper, a financial paper, which has

of course unique content which people will pay for online. Usually, most of our online revenue is advertising.

Q2297 Chairman: But the subscription model is something that quite a lot of newspapers in this country would die for, is it not?

Mr Montgomery: Yes and of course there is an expense that goes with that because you have to maintain a very high-quality distribution network and that, it may surprise you, is more difficult than you would imagine because, in Norway for instance and Denmark, there is such high employment that people do not want to do these jobs and indeed, in Norway, we have leased motorcars to give to Polish workers who of course then have a huge incentive to be loyal to us because they get to use the cars during their leisure time as well.

Q2298 Chairman: Polish workers have got to Norway as well!

Mr Montgomery: Indeed, they have in some number.

Q2299 Lord Maxton: You obviously have a wide range of language across your newspapers. When you put them online, does it allow for translation into English in order that a Polish émigré living in the United States can read it in English rather than in Polish?

Mr Montgomery: We do not do that. We use the local language in every case. Of course, you are quite right, it expands our market because Polish-speaking people all over the world can read our title *Parkiet* or *Rzeczpospolita*, which is the main title of Poland, online and they do and it expands our market and indeed helps us increase advertising.

Q2300 Lord Inglewood: It is noticeable that your territory is all Northern Europe around the North Sea and Baltic essentially. Is it deliberate policy that you have not gone down into the Latin countries or is it because it is a tougher nut to crack or that there are different sorts of problems to deal with from your perspective?

Mr Montgomery: There are clearly some January days in Oslo when I would prefer to be in Rome or in Madrid, but the reality is that they have a different model. It is mainly newsstand newspapers and we should not forget that in the states in Southern Europe which have had a turbulent past and at times an undemocratic past, the newspapers are not well developed and therefore they do not have the traditional door-to-door distribution. They are newsstand papers and are usually quite young, whereas our paper in Denmark has been around since 1760 and it was only stopped during the war because it was of course banned by the Nazis. So, in Northern Europe, there is a much longer tradition of newspapers and the system of door-to-door distribution. In Southern Europe it is a different model.

Q2301 Lord Inglewood: I suspected that that was the case but of course in some ways Southern Europe might provide the greatest rewards if you can crack it.

Mr Montgomery: Strangely enough, the Southern Europeans have developed an interesting model which they call “peripherals”. Peripherals are the sale of DVDs and books, a series of books, which they do through the newsstands. So, when you buy *La Repubblica* in Rome on, say, Monday, you have the option of paying 90 cents or a euro for the paper but you can pay five euros and get a DVD as well. These have been tremendously successful in the southern countries. Strangely enough, the British market has not been able to replicate that because they have chosen to give things away rather than to sell them. Many of these newspapers make more money through those peripheral sales than they do through the actual publication of the title itself.

Q2302 Baroness Eccles of Moulton: The question of subscription and distribution is a matter that I wish to pursue a little further because presumably, if 90 per cent of the papers you are producing are being delivered to the door and not being sold through the newsstand or newsagent or whatever route, there must be a very, very different approach in how you

present the newspaper because presumably you do not have to be competing on the newsstand by having the most eye-catching front page. Does this have a big influence on how you go about actually editing and producing the look of the newspaper?

Mr Montgomery: I think that it varies from place to place and there is more competition than you would imagine. Denmark is a classic case where there are three national newspapers in the quality market and there are between four and five million people or two-and-a-half million adults and you have then a proliferation of free daily papers and you have two very energetic tabloid newspapers and most of the market is around Copenhagen. So, they do compete, even the door-to-door delivered papers; they think about their style and their presentation. You are quite right, there is much more emphasis here in the UK where there are something like 11 national newspapers all in cut-throat competition and therefore the design of their front page possibly does take more priority, but it does not escape our journalists that you have to have an interesting front page, even if you are guaranteed to deliver 97 per cent of your copies to people who have ordered them anyway. There is still a pride.

Q2303 Baroness Eccles of Moulton: That is part of hanging on to your subscribers, I suppose.

Mr Montgomery: Yes.

Q2304 Baroness Eccles of Moulton: If a newspaper were boring, they would leave that paper and subscribe to another.

Mr Montgomery: They are quite highly priced. You get a service: the paper delivered to the door. Nevertheless, if the time comes up to renew your subscription and you can save a little money and the paper is not that interesting and you are not reading it, then we lose subscribers. It is just the same in the subscription market as it is in the casual sale market. If

you do not try and produce an interesting product, you will lose sales and the difficulty, as every publisher knows, is that when our older readers finally die, there are not many people coming up to replace them. It is the same everywhere.

Q2305 Bishop of Manchester: Mr Montgomery, you have spoken a lot about Northern Europe. I notice in our briefing that you also have operations in the Ukraine though I have very little information on the briefing given to me about what you do there. Is that such a small operation that it is relatively insignificant and, if that is the case, do you see it expanding in terms of the kind of distribution and variety of publication? Would you see that eventually happening there?

Mr Montgomery: Eventually, but it is not a priority for the group and, as you say, they are very tiny. We are coming to terms with Poland which has recently ... Well, it is 20 years, but, even so, there is still a legacy of the past and newspaper readership is relatively small compared with the western countries. So, we have enough on our plate to develop Poland. I am glad to say that we are increasing our sales and our readership in Poland partly by launching new papers and it is very interesting to see that, in a country like Poland where they have been restricted in terms of media, there is still an appetite for getting into print for the readers rather than simply going online. They are developing a habit for print and sales and readership are increasing.

Q2306 Bishop of Manchester: Why did you go into the Ukraine?

Mr Montgomery: We inherited those businesses when we bought the Polish business and we run them out of Warsaw.

Q2307 Baroness McIntosh of Hudnall: I would like to pick up this question about the readership and whether it is growing or declining. Right at the beginning of your remarks,

you replied that the decline in readership of newspapers was a universal problem that everybody in the newspaper business is struggling with, but you have just been talking about one bit of your market in Poland which appears to be growing. First of all, is the threat to readership a general one or is it nuance as between different countries and, secondly, the subscription element of the way that you approach your leadership is unusual compared with the UK. Is the decline in subscribers comparable to the decline in readership in the UK where there is very little subscription?

Mr Montgomery: I think that the relative decline in the UK is overall more significant than it is in our products in Europe and obviously subscription helps, but the reality is that there has never been a tougher time for newspaper people. We have to be much more ingenious and much more creative to stimulate buyers of printed products but, at the same time, we also have to expand our market and our readership through online versions of our content. No matter what anybody says, doing online content is very different from newspapers. You have to manipulate the content and make it engaging and entertaining in a way that perhaps you do not have to do in certainly serious newspapers. So, it is a new challenge. I think that we have sustained our overall subscription more successfully than in the UK. Particularly, there are characteristics in the UK in the newspaper market which are quite difficult. For example, the evening newspaper market. A lot of the regional groups depend on evening newspapers and you can see severe – six or seven per cent – declines there whereas we are dealing with small communities with daily newspapers and, in Norway, our decline is currently 1.7 per cent. So, there is quite a difference.

Q2308 Baroness McIntosh of Hudnall: I am particularly interested in what you said about Poland when you were talking about a readership that has been fairly recently liberated from a lot of constraints around what it is allowed to read and this must be true in a few other places as well. I think you said that in that market, people were gravitating towards printed news as

opposed to online. I just wondered culturally how the impact of newspapers works as between, say, a very highly developed market like the UK market where you might even be in a kind of post-political moment where the impact of newspapers on the political process, which is something we are interested in, is perhaps very much more difficult to understand here. In Poland, is it more directly to do with how the politics of Poland is developing?

Mr Montgomery: I do not think that it is as complicated as that at all. I think it is simply that, if you give good value and you supply things that the public want, they will buy them.

Q2309 Baroness McIntosh of Hudnall: They still want a newspaper though.

Mr Montgomery: They want a newspaper for different reasons. *Rzeczpospolita* which is our flagship paper – and incidentally is 49 per cent owned by the Polish Government at the moment – specialises in legal and economic news. Obviously, it has general pages. It is an unusual paper. The front section is white like a normal newspaper and looks not unlike *The Times* and it has politics and current affairs, and then there is the yellow section which is legal and the green section which is economic. Incidentally, we are selling more copies to an emerging business and professional class who need that as a business tool. Then you would get the other end of the scale where we are launching little weekly newspapers, door-to-door free newspapers, which are very successful in other parts of Europe and particularly in the UK. Strangely enough, what we have done is hired new young journalists who first of all launched the online version of the newspaper and secondly launched the physical, printed version of the newspaper, and this is really doing quite well because that market of little local city newspapers has never been exploited. We are selling more copies by launching more product and are developing existing products. The effort is immense and of course there is a market which is, as you say, is just getting used to the freedom of being able to buy what they want, and the market is only just beginning to provide that. The Germans have launched two daily national newspapers into Poland in the last two years and, although they are not

profitable, it clearly is going to stimulate readership, which I think is good. Obviously it is good.

Q2310 Lord King of Bridgwater: Did you say that the Germans had launched ...?

Mr Montgomery: The Germans have launched two national Polish newspapers in two years.

Q2311 Lord King of Bridgwater: You speak about cut-throat competition in this country. Are you seeing into this somewhat unploughed land into which you have gone that competition is now moving pretty fast and other people are identifying the opportunity as you have? Are there any more free sheets coming in? Talking about cut-throat competition, what is the sort of understanding of what people are prepared to pay for a newspaper? Is it rather different?

Mr Montgomery: I think that you cannot take liberties with the cover price. We gently increase our subscription price maybe by two or three per cent per year. It is just in line with inflation, nothing more. I would not want you to get the impression that there is not severe competition in all of our markets because there is. I have mentioned that, in Poland, we were one of two national newspapers a few years ago and we are now one of five national newspapers in Poland. So, competition has become more severe and what we have done is to specialise in our premium priced market with a policy of providing quality to defend ourselves. In Denmark, we are in a hopeless situation where there are four daily free sheets. Four of them in a small country with a small capital where none of those four papers are making money and clearly those four papers selling advertising inexpensively are damaging the paid for titles' advertising. We, too, are in many cut-throat markets. There seems to be no limit at all to the desire of people to publish newspapers even when they are loss making. So, we have to, as I say, work harder to compete all the time and part of our strategy of course is to use our content more extensively online as well as in print. Only one of the countries

which is hesitant about that strangely enough is Germany where the journalists have been very vociferous in their protests to prevent changes to working practices. Where we would want all of our journalists to work online as well as in print and they do in all the other countries, they are quite resistant in parts of Germany.

Q2312 Chairman: Is consolidation going on in Europe in the same way as it has gone on in the United Kingdom and in the United States?

Mr Montgomery: I think that there is a lot of talk about it but we are the first mover and the prime mover at the moment, but of course the Germans in particular would like to see a more consolidated regional newspaper business and there is a little bit of movement there. There have been three transactions in the last couple of years, the latest one being *Suddeutsche Zeitung* which was acquired by one of its minority shareholders based in Stuttgart. So, there has been some consolidation. We acquired a small franchise in Hamburg about 18 months ago and one of the Hubert Burda newspapers was sold to another publisher. So, there has been a little bit of consolidation but it has not taken on the impetus that we have seen over the last 20 years in the UK.

Q2313 Chairman: You have just produced your results and you have a revenue of almost £1.35 billion. Operating profit rose by 23 per cent. However, as I also understand it, you are saying “no more” in terms of expansion into other countries. You are going to sit in the countries that you are in.

Mr Montgomery: We have only just acquired what amounts to 40 per cent of our business in the Netherlands which is the biggest newspaper company in Holland. We have quite a lot of pressure there in terms of promoting efficiency and modernising some of the products and developing the online side which has unfortunately not been developed up until now. So, we have a major challenge just in Holland for the time being and everybody can see that,

although we are not in any way hampered by our debt, this is not probably the time economically to be going and raising new money to go into new territories, so we have to be realistic. I think that in a year/18 months from now that might change. The question is, how will our model develop over the next year? Can we demonstrate to not just our shareholders but to other independent newspaper companies that our model of extracting new revenues from our content and from our audience/consumers will reinvigorate the newspaper business? That is a big if and a big challenge but, unless newspapers are prepared to use their content more creatively and are prepared to sell other goods and services to their consumers, they will not have a secure future. I think that it is as serious as that. We have to change the model if we are going to secure these, which are many of them, great newspapers. The business model of producing one set of content for one newspaper to sell to one reader is now unviable. There will be always be some franchises that are protected by trust like *The Guardian* and our competitor *Jyllands-Posten* in Denmark which are set up so that they protect the title and the title can be loss making, as both those examples are, but, in a commercially driven company, we must make our products profitable and the only way in which to do that is to change the business model as I have described.

Q2314 Chairman: Is it fair to say that, in your European papers, you face the same problems as far as the United Kingdom papers are concerned in terms of advertising and the migrating of advertising to the Internet? Are you facing exactly that problem?

Mr Montgomery: Exactly that problem. There is no difference in those characteristics between the UK market and the European market. Every country that we have is of course a different market and every product that we have is somewhat different. Overall, we are seeing gradual erosion of circulation and migration of advertising to other forms of media which, in my last remarks, using our content more creatively and across different channels to market is imperative if we are going to have a healthy newspaper business in the future.

Chairman: We will come back to some of these European issues but I would like to move on and take you back in time to when you were an editor and hand over to Lady Howe.

Q2315 Baroness Howe of Idlicote: As you know, we are very interested in the amount of influence or interference that proprietors may or may not have with newspapers that they own. We were quite interested to hear from Rebekah Wade that, as far as political coverage in her newspaper was concerned, it was entirely her and her editorial team who took the decisions and there was no interference at all from Murdoch. I just wondered what your experience was when you were editing *Today* and the *News of the World*.

Mr Montgomery: As you say, it was a long time ago, it was 20 years ago, so I do not have a contemporary view of either Rupert Murdoch's behaviour as a proprietor or indeed any specific instances that I can tell you about in recent times. I had a comfortable relationship with Rupert Murdoch mainly because he left me alone and you must understand that the *News of the World* was a less important paper than the *Sun*. During the time that I edited that newspaper, we did have a number of significant stories including one of your number who finally went to jail, but we actually lost a libel action in respect of that particular story. Naturally, I would, just out of respect, have mentioned that sort of story which was going to break. I would have said to Rupert Murdoch and did say to him, "We have this story and we are going to publish it. You should be aware of it because someone may call you about it" because it was quite obvious that we were all brought under a lot of pressure not to publish. His behaviour was simply that he would say "thank you" and maybe ask a few questions to do with the evidence that we had collected to ensure that we had made a good judgment about publication. In my experience, when I was editor of the *News of the World* which of course has quite high octane stories from time to time, he listened but he did not interfere or attempt to persuade me one way or the other. He behaved much as any editor would behave in asking questions about whether it was wise to publish or not.

Q2316 Baroness Howe of Idlicote: Are you saying that the incident which you describe was the only incident where you actually would have rung him up to tell him that this was going to happen? Were there any other incidents of that nature where he was warned beforehand and might have expressed a view?

Mr Montgomery: The *News of the World* was a newspaper which had relatively little political coverage and ---

Q2317 Baroness Howe of Idlicote: Yes, but incidents of political interest.

Mr Montgomery: And the paper was clearly a Conservative Party supporting newspaper when I was there and, although I have not read it recently, I am assuming that, if you can find the politics, it will be to the right of centre but I simply do not know. Then it was and no doubt it had some influence at elections, but the political tradition of the newspaper was known and acknowledged by the editorial staff. I think it has been my experience throughout journalism over a number of decades that, when you are appointed as an editor, you inherit the tradition and the culture of the newspaper and, when we appoint editors today – and there are different systems to do that in all of our countries – the editors’ undertaking is to observe that tradition and culture and political line and therefore management or proprietors do not interfere with that because it is obvious what the paper’s tradition is.

Q2318 Baroness Howe of Idlicote: Other members of the Committee may want to press you a little more on that but, thinking about moving over from political to business interests – and there are one or two areas there in Murdoch’s business interests – did you have any problems reporting on those or any constraints on them?

Mr Montgomery: I edited two papers for Rupert Murdoch over a period of seven years: one was the *News of the World* which we have mentioned which did not have much high-grade political content and the other one was the *Today* newspaper which sadly does not exist

anymore. The *Today* newspaper gained most of its readers from the *Daily Mirror* during my period of editorship and that would indicate that I had quite a lot of discretion as to how the political line of the paper developed. If anything, I was in a fortunate position to be able to develop the political strategy for the *Today* newspaper and Rupert Murdoch simply did not take any interest in it. In five years, I think he came to our office in *Today* once and, on that occasion, he was purely interested in the business side of the paper, not the politics or the editorial side.

Q2319 Baroness Howe of Idlicote: Thinking about the battle which did take place between BSkyB during that period as far as Murdoch was concerned, were you under any constraints so far as that was concerned?

Mr Montgomery: No. I was an enthusiastic supporter of developing the television market.

Q2320 Baroness Howe of Idlicote: So, on the side of the Sky battle?

Mr Montgomery: And I was a director of Sky at a certain point.

Q2321 Baroness Howe of Idlicote: During the period that you were editor of the newspaper?

Mr Montgomery: Absolutely. The four or five channel satellite system was launched and clearly you know the economic effects on Rupert Murdoch's business – that endeavour almost brought him to his knees. I and my fellow editors were hugely enthusiastic about bringing new television services to the UK and we believed in it. I think that we believed in it without any pressure from Rupert Murdoch who was an inspirational leader in terms of business, but I think all of us believed that more freedom of choice for the British television viewing public was a good thing.

Q2322 Baroness Howe of Idlicote: You were really locked into it in your own beliefs on any view of it apart from being a director, so you were no doubt helping the push in that direction.

Mr Montgomery: Absolutely. I personally believed in it and I made suggestions about how to promote it. The *Today* newspaper gave away satellite dishes to its readers. From memory, I think that we gave away something like 10,000 satellite dishes to help to promote Sky. We were evangelical about it but I think that we believed that this was a good thing. It helped to promote newspapers as well which was helpful, but I think that we all believed in it. I do not know if it a mixture of whether Rupert Murdoch had a great vision and we followed it or whether we simply believed that it was generally a good thing to introduce more television choice and mixture.

Q2323 Baroness McIntosh of Hudnall: What you say is very interesting because obviously it happened on that occasion that your view of how the market should be developed in satellite broadcasting coincided very, one might say, conveniently – and I do not imply any criticism there – with that of your proprietor. Had you, for instance, been convinced of the merits of BSB at the time before it became anything else, how difficult do you think it would have been for you to take an independent line on that given that obviously it could have been very difficult as you were a director of Sky, but suppose you had not been? Supposing you had been in the position of editing a newspaper owned by a proprietor who was also developing interests in the television market which you, as editor of that newspaper, did not necessarily support. Do you think that it would have been possible for you to run a different agenda from your proprietor on that occasion?

Mr Montgomery: It was never put to the test and I suppose that when editors disagree with something that their management want, they have a pretty simple choice to make.

Q2324 Baroness McIntosh of Hudnall: I am asking the question – and hypothetical questions are very difficult and not very helpful and I accept that – because I am really interested in whether or not you felt yourself at the time constrained in any way by Rupert Murdoch’s commercial interests and whether you are aware that the commercial interests of a proprietor in a field where there is a great deal of consolidation may, or should perhaps be, influential on the way that editors edit individual newspapers because that is something which people are preoccupied and concerned about.

Mr Montgomery: I can only generalise here. We deal with these situations on a daily basis across many prestigious newspapers in Europe and we have a written charter which affects all of our newspapers and the editor in chief is absolutely the final arbiter of what goes into the paper and there is absolutely no management interference. You should not forget that journalists are very good whistle blowers. I mentioned earlier that we had a scandal involving a peer in the UK and I was put under tremendous pressure not to publish.

Q2325 Chairman: Pressure by whom?

Mr Montgomery: By his legal advisers and the gentleman himself. The reality was that they were wasting their breath because, had I caved into that, all my journalists would have known about it and it would have ended up in *Private Eye* or some other newspaper.

Q2326 Chairman: We are talking about Lord Archer?

Mr Montgomery: We are, yes. It is quite obvious – and we see this time and again – that if you run a newspaper in a democratic country, you cannot prevent publication of information that the public desire and should have. I know that we have had the recent incident in the UK where Prince Harry’s whatever it was, eight or ten-week sojourn in Afghanistan was very effectively suppressed, but it is highly unusual and, if an individual newspaper editor or indeed proprietor tries to suppress something, it will end in failure because, as I say,

journalists are whistle blowers, naturally trained whistle blowers, and they will get the information out by some means. Twenty years ago it was more difficult but now you have the Internet and, within a few minutes, the information will be disseminated.

Q2327 Baroness McIntosh of Hudnall: Would I be right in thinking that you would expect the role of the proprietor in a consolidated media business to be one of ensuring that the business ran effectively and that it delivered for his overall interests sufficient profit, prestige or whatever it was that he was after, but that you would not expect such a proprietor to try and influence directly these days the way that content of those newspapers was developed?

Mr Montgomery: You would be immediately caught out.

Q2328 Baroness McIntosh of Hudnall: Because it would simply not be an effective way of operating with the proprietor?

Mr Montgomery: And it would not be a commercially sensible way of operating. There is a lot of glamour attached to newspapers and newspaper influence but the reality is that the people who operate them are experienced professionals who are not blinded by the glamour or the influence. The people we appoint as editors or managers are seasoned publishers. Indeed, one of the things that we have done in our company in the last two years is that we have cleared out most of the non-publishing management and four out of five of our country chief executives are journalists and editors. So, we have a very strong publishing tradition which guards against this heavy-handed influence to which you are referring. However, there are occasions where editorial decisions spill over into the commercial or worse. We have had the recent republication of the Mohammed cartoons in Denmark which was a very serious thing for the editor to decide on but she alone made that decision, that rather lonely decision. She obviously informed the group management because there was a security implication and indeed the police in Denmark were concerned for her personal safety as a result, but she made

the decision. Commercially, it could be seen as possibly an issue for management as well because we have many staff in many countries we need to protect. Nevertheless, we were alerted to it and we made certain arrangements and the editor was able to exercise her right to publish certain content (the cartoons).

Q2329 Chairman: I want to bring in Lord King on this but, before I do, I want to follow up on one point that Lady Howe was making. You said that when an editor joins a newspaper, he or she understands the tradition of that newspaper and the tradition of the *News of the World* was as a Conservative newspaper. That is skating over a number of issues. First of all, traditions change. In 1987 when you were the editor of the *News of the World*, certainly there was no question but that the *News of the World* and the *Sun* were supporting the Conservatives. Moving ten years forward, we find that certainly the *Sun* and, from memory, the *News of the World* are both supporting Labour. A certain amount of acrobatics seems to be done by some of the editors.

Mr Montgomery: Without going into the history of who was editing the paper ... I should know who was editing the paper when the *Sun* went pro-Labour and indeed it was a great disappointment to me that it went pro-Labour because I was the Chief Executive of the Mirror Group and I would have much preferred the *Mirror* to have been on the winning side and only the *Mirror* to be on the winning side. The reality is that I have moved between the two organisations in the UK and indeed I have been fortunate enough on two occasions to preside over newspapers in Northern Ireland which had diametrically opposed political views, the *Derry Journal* and the *Belfast Newsletter*.

Q2330 Lord King of Bridgwater: You cannot get more diametrically opposed than that!

Mr Montgomery: Exactly. So, I have been in the position where it is possible to commercially manage businesses which ---

Q2331 Chairman: I do not dispute that but the point I make is that a certain amount of flexibility on the part of an editor may come in quite useful when the proprietor changes his mind.

Mr Montgomery: Yes, but the country changed its mind as well in 1997. Of course, I see where you are going but we fortunately do not have these problems in Europe.

Q2332 Chairman: We will come on to Europe shortly.

Mr Montgomery: We did not have them in Northern Ireland either. Sometimes people from a different background were in charge of the newspapers in Northern Ireland, so they were able to adapt to the cultural and political tradition of the titles concerned.

Q2333 Lord King of Bridgwater: I am really interested in your last remark that you do not have these problems in Europe as though somehow Europe is a tolerance-free zone. You have given us some extraordinarily interesting information about what you are doing in Europe – it s a most interesting exercise – and, as you rightly said, each one of them is a bit different in one way or another. For instance, talking about the political approach of the newspapers, did you say that your Polish newspaper is 49 per cent owned by the Government?

Mr Montgomery: Yes.

Q2334 Lord King of Bridgwater: Does the Government approve the appointment of the editor in chief?

Mr Montgomery: We have management control and the editor is approved by the supervisory board, but it is our nominee and we just have to go through a transparent process and a very rigorous process to attract a suitably qualified person.

Q2335 Lord King of Bridgwater: We have not heard anything about your board. The thing that interests me about how much political influence or power you are exposed to or you as the Chairman would seek to impose any political approach on your papers. One of the questions that you were asked by one of the journalists in our brief – and I cannot remember which country this was – was “Can you read our newspaper?” You have Danish, Dutch, German, Polish and you have Ukrainian. I know that you are a talented man, but I do not think you are multi-lingual.

Mr Montgomery: Of course I cannot read the papers, but I sort of know what is going on.

Q2336 Lord King of Bridgwater: How do you do that?

Mr Montgomery: I clearly get a brief of what is happening in the papers on a daily basis. Not all the papers because there are 300 papers, but I certainly see *Berliner Zeitung*, *Rzeczpospolita* and *Berlingske Tidende*. I see the main papers.

Q2337 Lord King of Bridgwater: In translation.

Mr Montgomery: In summary and, when I look at them, I have a very strong idea of what is going on because *Berliner Zeitung*, *Berlingske Tidende* and *Rzeczpospolita* deal in high-grade national and international content, so clearly I am aware of what is happening and I can make judgments about their design. However, I am not responsible for any of the editorial side, but clearly I need to see that the papers are of a marketable quality and I can make judgments about what sections they have, what supplements they have and so forth. So, it is important to have a journalistic eye and that is why we have encouraged editors to become managers in our organisation and, as I say, four out of five of them are. So, with that line-up of talent locally, it is not necessary for me to be involved in the minutia and indeed it would not be right that I would be involved in the minutia of journalism.

Q2338 Lord King of Bridgwater: When you visit these newspapers, do you meet the Prime Ministers of these countries?

Mr Montgomery: I occasionally meet politicians, but again it is for the chief executives of the local organisations to deal with the political side of life and I would not put myself up to meet people but occasionally, just through social contact, I might see them.

Q2339 Lord King of Bridgwater: Have you had representations/complaints made to you such as, “We are very worried about the way in which your responsible publication is going”?

Mr Montgomery: I do not think that our newspapers would be doing a good job if they did not get complaints from politicians who disagreed with some of the comment.

Q2340 Lord King of Bridgwater: So, the answer to that question is actually “yes”.

Mr Montgomery: I am glad to say that, in the last two years, I have only had one direct government approach to me to criticise an editor in chief and indeed the politician concerned suggested that the editor in chief might be removed. My reaction to that was, if you do that, it almost writes him a guarantee in blood for life because we are not going to come under political pressure and dismiss an editor. We could not operate a newspaper business if we came under that pressure and succumbed.

Q2341 Lord King of Bridgwater: Have you felt any great sensitivity and comment as to why our major newspaper is owned by a British financial institution rather than by a British newspaper man?

Mr Montgomery: I think our answer is that although we are the shareholders and our money would be European or probably global, not so much British, and indeed if you look at our line-up on our management team, we only have one English executive director. We have a very good mix of people: we have two Norwegians, two Irish, a Dane and we have obviously

a Dutchman and two Germans, so we are a very mixed European team. In some ways, although we are shareholders of these newspapers and technically the financial owners, we do not really own them in terms of their ethos or culture. The communities they serve really own the newspaper and, if the communities do not support the newspaper, there will not be a newspaper. That is why we insist that when we appoint editors and managers, they live in the community and they play a wider role within that community and they are seen. In our small Norwegian newspapers, the editors and the managers and indeed many of the journalists are recognised when they walk down the street and they are stopped and they get called up if a paper does not get delivered on time. Our approach is that we support completely local people running these local businesses and making decisions operationally and editorially and that works.

Lord King of Bridgwater: Until you get a complaint! That is very interesting.

Q2342 Chairman: Just to sum that part up, you are saying that you are totally hands off and therefore you would have no views on who should win the Berlin elections or the German elections.

Mr Montgomery: Of course I have personal views about it and I am interested in it but they could not impinge on the tradition or the culture of the newspaper, nor would they impinge on the editor in chief's absolute right to determine content.

Q2343 Chairman: Not only the content but editorial view.

Mr Montgomery: Comment as well, yes. Just so that there is no mistake about it, when I say that we do not have these problems in Europe, what I am referring to is that we do not have any instance where a proprietorial influence would be brought to bear because of that tradition of giving responsibility to the editor to secure the historic stance of the paper. First of all, the tradition of the individual franchises is very much cemented, it does not change. *Berliner*

Zeitung comes out of the East German culture; it remains left of centre and it supports the SPD and you would not interfere with it. It is a little like the *Daily Mirror*. The *Daily Mirror* will not change to being a Tory paper because – I have forgotten what it is – 84 or 85 per cent of their readers will vote Labour come hell or high water and it does not matter whether there is a good Prime Minister or a bad Prime Minister, Labour is enough for them to remain royal. I think we can say that, with many of our franchises in Europe – and it is not many of them, it is only the bigger papers – where there is a direct political line, it has been there for scores of years and in some cases hundreds of years and you just would not interfere with that commercially as it would be very damaging.

Chairman: I would like to move on.

Bishop of Manchester: Before I come to my main question, I would like to return to something to which you made a passing reference earlier and that was the suppression of the news about Prince Harry being out in Afghanistan and that presumably is something that does not happen all that often. I know that there was the famous suppression of news over Mrs Simpson broken, I think, by Bishop Blunt of Bradford!

Chairman: In the church news!

Q2344 Bishop of Manchester: From your point of view, what are the acceptable criteria for somebody in your industry to enable an agreement for the suppression of news? We are interested in news in this Committee. It seems to be quite a serious issue when there is an agreed suppression. So, how does that come about and at what point would you be saying, particularly in the days when you were an editor, “I am sorry, we cannot go there”?

Mr Montgomery: I have not come across these instances in Europe at all but where I came across it in the UK, suppression was almost always based on public safety. So, if there was a kidnap and a child’s life was at stake, you would have no choice but to say, “We must not publicise this; we must give the police a chance to do what they are going to do” and you will

there is unanimity among all the news media to observe that blackout and indeed we all know that we went through and still go through terrorist alerts and again news organisations are very sensitive of that and will suppress information that would harm the public in some way. It is pretty obvious, is it not?

Q2345 Chairman: But that does not happen in Europe.

Mr Montgomery: No, I am sure that it will happen in individual countries in Europe but I have not been confronted by any instances of being asked to suppress information for that reason, but I do not see that it would operate any differently in Europe if the occasion arose. Do not forget, as I move around Europe, just as an ordinary traveller in Europe, I am aware that the UK is very different from the countries we work in. There is much less security. Angel Merkel came to a New Year concert in Berlin which I attended and there did not appear to be any security presence in the building at all. Coming in or going out, there were no checks, nothing, which would not be the case here in the UK and, within Berlin indeed, the only streets that are obviously guarded are the ones with the British and American Embassies. We are dealing with a different situation in our countries with much lower security. I mentioned the one instance which we were confronted with which was the republication of the Mohammed cartoons in Denmark and only then was it deemed by the police locally that the editor in chief herself would be at risk but probably nobody else.

Q2346 Baroness Eccles of Moulton: I cannot resist asking you, why did she make that decision?

Mr Montgomery: She believed that the cartoonists' lives were being threatened and, as a mark of support against terrorist threats, she republished the original offending cartoons which actually were not in her newspaper originally, they were in a rival newspaper originally, but it was a mark of solidarity.

Q2347 Bishop of Manchester: May I come to the question which I wanted to put to you. You have engaged with us, if I may say so, with great charm this morning. I am trying to discover beneath all this the man who apparently has a ruthless management style and is guilty even of merciless savagery. You may or may not wish to comment on that, but I wonder if you could say to us something about the way in which you approach balance between what you have already described very clearly as the highly competitive nature of newspapers and the whole industry plus the high quality newsgathering which presumably you are committed to and hopefully most people in the newspaper industry are committed to and then, thirdly, the funding that is necessary for enabling that high quality newsgathering to take place within this competitive environment. How do you, in whatever style you may or may not wish to describe as being your own, do that and, looking into the future, do you feel that it is going to continue to be a possibility that adequate funding high quality newsgathering in this competitive climate is an equation that makes sense?

Mr Montgomery: I guess that you pose the question to the challenge that the whole industry faces and, as I said earlier, we cannot survive on the traditional business model of one set of people producing one set of content for one newspaper. If you like, I do have a zealous determination to change the business model and that clearly creates friction, as we see in Germany at the moment, and that evangelical approach is very much that we have to understand and value properly the great rich content that we, as newspaper publishers, gather every day, day in and day out, and use that content more effectively. That means changes to working practices, it means greater efficiency within the business and greater productivity. We have reduced our workforce over the last year by ten per cent, but we have a much greater productivity. We have more products being produced, more online work being done and more cross-media work by journalists. Five years ago, that would not have been possible. There would have been resistance. People would have said, “No, we only work in one

particular area of the media". That resistance has slowly turned into grudging acceptance and I would say that, in the last year, in most of our territories, it is beginning to turn into enthusiasm, but it has not been without a certain amount of pain and criticism of me and other managers as well. So, the answer for the future is to understand that this rich content which can be directed in different ways and in different forms is what we are really about. One day, I hope that our company will no longer own printing machines. We will be a pure content company. Of course, we will still print newspapers but it can be done by a professional third party. We will see ourselves not as a newspaper business but as a content company. We will also see ourselves as a consumer company where the trust we have among our audience can be translated into other commercial activity with that audience. What I am talking about is a revolution and I have been very direct in explaining that to all of our staff across Europe and clearly there are some people who would like to see the old world survive and these changes not come about. I do not know whether we, as a management team, have all the right approaches – we will not have - but my clear feeling is that, unless we change and make a new content and consumer model for newspapers, some of these papers will be threatened and their very existence will be in doubt.

Q2348 Bishop of Manchester: How would you define success in terms of the publications that you operate, putting aside profit because obviously you want to make a profit where that is possible? What are the other measures of success which to you are important?

Mr Montgomery: Creativity is what this business is about. One of my arguments has been that there are many humdrum newspaper jobs including in journalism and I have got into a lot of trouble because I have said that the age of the sub-editor is going to disappear, that we have come to the end of the road, and more and more we are encouraging the people who originate the content to directly publish it either in print or online, preferably both, and we have the technology to be able to do that. I was a sub-editor, so clearly I am seen as being treacherous

to that fine craft, but indeed it is a craft where many of the skills have become redundant because I could still look at any piece of typewritten paper and tell you how many column inches it will make but my skill has been overtaken by technology and increasingly those humdrum tasks are not necessary. My objective is to say that we will make every journalist creative, not just a processor but creative; we will make every journalist a publishing star in their own right. To recognise that creativity and unique professionally-produced content and what we might do with it not just in print is what the mission is. If we get there, it will clearly be a very satisfying result.

Q2349 Lord Grocott: You were describing your view as being one of a content and consumer model. As you know, we are particularly interested in news coverage and political coverage particularly. How important do you think that will be in your content and consumer model?

Mr Montgomery: I actually think that it will be more and more important and the reason is that it is no longer a one-way street. It used to be that intellectual journalists would produce a piece of comment or some story of political nature and it would be then disseminated through print and the reader would like it or lump it, but today it is a two-way street and the reader wants to engage, be part of the media experience and participate in the experience. So, I think that we will get as a result much richer content developed in that two-way model. The public want instant gratification. They want to know the news immediately online and they want to react to it. So, journalists have this wonderful opportunity today of having a deeper and richer relationship with their consumer, and obviously reader contributed content and opinion has to be moderated in some way and again that gives the individual journalist great strength because they are trained to be able to edit content and to decide what will strengthen the story. I think that the whole of journalism is changing and political journalism will be affected by that as well.

Q2350 Lord Grocott: Are you saying that historically, let us say over the last 20 years, in your view, news, current affairs and political coverage has been inexorably improving due to the pressures that you are describing?

Mr Montgomery: I think that journalists and national newspapers are criticised frequently for all manner of things from sloppiness to subjectivity, but the reality is that the market and the consumer is protected by choice. We want more and more choice in terms of both printed and online content and the fragmentation of television and, for anyone to base their support for the newspaper industry on a publication which is high quality and objective is, in my view, wrong because every time a journalist puts pen to paper, they are going to have their own point of view and every time an editor selects the running order of content, either on a front page or in a news broadcast on TV or radio, it is a subjective judgment. So, the only way in which you are really going to get a clear impression of what is happening is to have an ability to choose a variety of products, news products, and certainly our strategy in part is to create more routes to market and to create more products for every form of content.

Q2351 Lord Grocott: But just to look at the evidence, from your very broad experience in Europe that we have heard about, which is extremely interesting, whilst you describe the market as being highly competitive in the newspaper industry almost wherever you go, I do not think I am misrepresenting you in saying that it is particularly ferocious in the United Kingdom with, whatever it is, 11 national newspapers and a much smaller number in other countries. Is this ferocious competition that exists in the United Kingdom, affected presumably at least in part by consumer choice, leading, in your view, to a higher quality of news and current affairs and political coverage in the United Kingdom than exists elsewhere in Europe?

Mr Montgomery: I do not think my colleagues in the editorial departments in our papers in Europe would say that they are lacking in terms of quality or depth of serious news coverage.

I think again the different characteristics of the UK and Europe come into play here. The regional franchises in the UK are much smaller and have got much less market penetration than they do in Europe. For instance in Maastricht, where we have the local daily paper, we have 95 per cent of daily print coverage and the national newspapers have only got five per cent, so the regional franchises tend to be more high quality and more comprehensive in coverage than they would be in this country, and I think that is purely because the national newspaper market here has got huge penetration. I cannot remember what it is in Birmingham, you might remember, but I think the *Birmingham Post* has got about 14,000 daily copies in Britain's second city and in Maastricht we have got nearly 200,000 copies.

Chairman: I just want to move on if I can. I think the proper comparison is probably the *Evening Mail* and not the *Post*.

Q2352 Baroness Scott of Needham Market. To follow on on this question of localness, when you were looking at the success of Johnston and Trinity and the way that they had consolidated, what was your assessment of what had happened to the content of their newspapers. As opposed to all the financial and economic arguments for consolidation, what did you perceive was happening in terms of content?

Mr Montgomery: Consistently newspapers in those groups have improved in quality and in breadth of coverage because they have had to, and to some extent financial consolidation benefits have helped fuel that development, but all papers in the UK are bigger, have broader coverage, have better content offering, and generally they do a better job, and I think it is partly because of consolidation and it is partly of course because of competition. As I said earlier, we have to try a lot harder and we have to be more creative. The other distinction that you should be aware of is that we pay our journalists in Europe much better than British journalists are paid in the regional markets (I am not talking about nationally) where in some

of our countries, for example Scandinavia, we would be paying our regional journalists at least 50 per cent more than regional journalists here in the UK.

Q2353 Baroness Scott of Needham Market: Thinking about for example the paper in Maastricht, what is the localness about that that makes people in Maastricht want to buy that as opposed to anything else? In other words, what is the nugget of what you have to hold on to in that newspaper, no matter what else you do in terms of back office and costs and everything, to hold on to keep the readers?

Mr Montgomery: To be close to the community in every respect. That is not just the editors, it has also got to be the managers; they have got to live in the community; they have got to understand it; they have got to be part of that society. It is very important and our experience is the more local you can get the better it is for the individual franchisers. We have many instances of local paper launches within the group where you are getting right down into city neighbourhoods - we are about to launch another one in Berlin in the next month - and it is just about as close as you can get to people. That is what publishing is all about. When you live in Drammen in Norway, why go to MySpace when you go into the local newspaper which you have grown up with and it has got all the information about your neighbours and friends on-line as well as in print? We used to own those local communities in print. Our objective now is to own those local communities on-line as well. Again in Norway, because of the ingenuity of the editor, they opened a new airport at Østfold in southern Norway and the local editor launched an on-line site to support the local airport, complete with a flight booking system for his local customers, and the reality is that these local newspaper franchises are now becoming content businesses serving the community much more widely than they would ever have imagined five or ten years ago.

Q2354 Baroness Scott of Needham Market: My last question, and this is a personal one really, in your world and the way you want to be remembered for what you have done, how much of this agenda is about success financially and commercially and how much is about your view of the importance of local news to communities? In your view of what an ideal Norway should look like, how important would these sorts of publications be?

Mr Montgomery: First of all, my duty is to shareholders to make sure they get a proper return. The management of these businesses of course is not like, in my view, other businesses and there is a personal side to it, but I think, as I have been privileged to go round these different countries in Europe and see the local communities, you realise how important the papers are to the continuance of tradition and society. You look at Berlin which has been through something that we cannot imagine, or indeed Warsaw where I think 200,000 people were annihilated in a matter of weeks and every family has got a story, the newspapers reflect that background and people are very wedded to them and it transcends party politics. The loyalty of these local newspapers has got to be to the community, and what is good for the community is good for the readers and good for the newspapers. Many of the issues you have raised about political influence simply do not arise because it is the community that drives the policy of the newspaper.

Q2355 Baroness Eccles of Moulton: Mr Montgomery, I have got four short, quick questions to ask you all relating to the European Union. The first one is whether the European internal market has in any way made life easier or more difficult when it has come to acquisitions and mergers? The second one is, what are the biggest challenges you have faced when acquiring European titles? The third one is related to that, which is, have you attempted to acquire titles and not been able to because the rules have got in the way or other things? The last one is, which countries have the toughest cross-media ownership restrictions?

Mr Montgomery: The answer is that the internal market works very effectively. Every country of course has its own regulation in terms of media ownership, and we have been confronted recently by the NMA in Holland, which insisted that we got rid of a small group of weekly newspapers which overlapped with the company that we acquired in November. We announced last week that we have indeed sold those newspapers on the instructions of the NMA.

Q2356 Baroness Eccles of Moulton: The NMA being?

Mr Montgomery: The NMA is like our Monopolies and Mergers Commission, the competition regulator.

Q2357 Baroness Eccles of Moulton: But that is a country matter not a European matter?

Mr Montgomery: Yes, we have had to get clearance in terms of Europe and we have not had any difficulty in that respect. This was an internal Dutch matter and when I say “to meet their requirements” we actually agreed with them when we went through the inquiry. As there are in most countries, there is an inquiry that takes place when there is a transfer of newspaper ownership, and we agreed during that inquiry that there was a competition issue and we disposed of the papers last week. That would not be unlike what happened here in the United Kingdom where when Trinity merged with the Mirror Group they had to dispose of the *Belfast Telegraph*.

Q2358 Baroness Eccles of Moulton: So you have been there before?

Mr Montgomery: Quite so. The regime is not that much different, to be honest, and indeed we have bid and failed to buy newspapers in Europe, but purely for commercial reasons not because of any regulatory blockage, and clearly we have encountered some concerns about foreign ownership nationally but we have dealt with them. I think the Norwegians were

somewhat suspicious to start with but we have seen demonstrated month after month a very energetic business run by quality Norwegian managers without interference from group, and as that company has grown in power and launched new products, the local Norwegian management are recognised as being the engineers of that and therefore any concerns that there would be interference have just vanished. We have now discovered that we can operate in the European scene generally, provided we stick to the rules of not interfering in the traditional culture of the products. As I responded to you, the communities and the politicians care very much about their newspapers. You asked which regime is more difficult and it is probably Germany, who for very high-minded and important reasons will not allow contiguous mergers between the different states, so if you own a paper in Berlin you cannot own one in Brandenburg but you can own one in Hamburg; as we do. They see that there could be some spillage between adjoining states which would then diminish the individual culture of the newspapers concerned. I actually do not think that is right because you would commercially imperil your newspaper if it was tainted by someone else's culture, and that is why I have stressed a number of times during this session that you have to have local people running those local businesses.

Q2359 Chairman: You are saying as far as you are concerned there are no what I might call 'invisible' barriers to you taking over, say, papers in Germany for example? There is no opposition to it? There is no preference given to German buyers over British buyers?

Mr Montgomery: You always get the impression - and I will not be specific about countries - that there is a political class always who would prefer their own nationals to own media products, and it is behind the scenes, but people conform publicly to the now-accepted tradition of media changing hands for commercial reasons rather than having a political agenda in the background.

Q2360 Chairman: They conform publicly to that but privately there might still be a substantial bar to a British company wishing to take over newspapers in another European country?

Mr Montgomery: I think if there is a choice between bidders in certain countries, and I am not talking about any of the countries where we are present but we do have experience elsewhere, then the political influence might swing it, but it would be behind the scenes.

Q2361 Chairman: Is there anything one can do about that?

Mr Montgomery: Our message as newspaper publishers has got to be that we are completely committed to protecting the traditions of the individual newspapers. As I say, there was some suspicion in Norway, but I think everybody now accepts that we have strengthened the businesses there, and we have done so by using very talented local management. Norway for instance is the most advanced in terms of on-line revenues and the very distinguished chief executive in Norway is not just a former editor-in-chief but he is also a former on-line director, and the Norwegian tradition of technology and creativity has been taken on a step further by him, and I think it is recognised that this is a genuine Norwegian business. It may be in terms of shareholders controlled by a London-based company but the business is operated day-to-day by Norwegians. Provided we can continue to demonstrate that, then I think we should not get into difficulties.

Q2362 Lord Inglewood: Talking about your ‘invasion of the Continent’ you described your company as not being a British company but being a globally funded company, so I assume in the kind of capitalist world we are in now you would argue that the idea of foreign ownership or national ownership is really outdated anyway and you touched briefly on television talking about things? Do you think that the way in which the market in this country (particularly in

television) has been opened up to ownership from really anywhere, contrasting with other parts of the world, has been to this country's advantage?

Mr Montgomery: Yes undoubtedly, and obviously as someone who spends a lot of time in Europe, I think if we opened the door further to European businesses, as opposed to American businesses influencing our broadcast content, that would be a great benefit to us. I am thinking particularly in terms of cultural content that the Europeans excel at.

Q2363 Lord Inglewood: It seems to be the heart of the case you have been making to us that the key to successful media business is running with the grain of the culture of the audience to which you are selling; is that right?

Mr Montgomery: That is correct but of course you might argue that if you expose audiences to new content, even unfamiliar content, by opening the doors to new media products, then you will also achieve a success.

Q2364 Lord Inglewood: Do you see yourself as a kind of leader and educator or are you a follower of public taste in the business context?

Mr Montgomery: We do not have a mission which goes beyond sustaining these products and developing our content model as I have described. Yes, I think giving people more choice, not just in terms of content but also in the means by which they receive that content, is important. Obviously I am driven by a desire to transform a business that has been old-fashioned, an industrially based business, for commercial reasons, but I also have a personal belief in the human desire to learn new things and to be exposed to new content, and that has been constantly proved. I think that when you are dealing with highly educated audiences and people with sophisticated tastes, which we are in Europe, then that job has clearly got some future.

Q2365 Chairman: As a very last word, is there anything you want to say about the next ten years? How do you see the United Kingdom newspaper industry and European newspaper industry developing, or is that too much in the realms of futurology?

Mr Montgomery: Again, I do not think there is a difference between the UK and European newspapers in terms of the challenges that they face. My simple guiding light on this is that we have to recognise, firstly, the richness and the quality of the content that we have within the newspaper journalistic resource and then to use that more creatively across many different routes to market and to trade more effectively with our consumers as opposed to simply selling them one copy of one newspaper a day, so it is tremendously challenging and I have no doubt that if we are spared and we can see what it is like in ten years' time, newspapers will be a very, very different industry indeed.

Q2366 Chairman: But you can foresee a future for them?

Mr Montgomery: For the printed word, absolutely I do, yes. I think that a newspaper is an intimate experience constructed by people with very detailed knowledge of their market and their consumers. When you think about it, in any newsroom of 100 journalists there is a network and a history extending across wider society, and indeed they share hundreds of years of experience. You cannot replicate that and the Internet will not do that, not in the short term anyway, so, yes, I think provided we understand where the value is, and that is in content, then the newspaper business will survive. There will always be a desire for the printed word but of course newspapers will have to adapt, perhaps more than publishers imagine even today.

Chairman: Thank you very much. It has been a fascinating session. We are particularly grateful for the information and the light you have shone upon what is happening in the rest of Europe in the newspaper industry there. We have kept you rather longer than I suspect you

thought, but that is a tribute to the breadth of your knowledge and understanding. Thank you very much.