

## **The Revolution That Wasn't**

Julian Petley

This year marks the thirtieth anniversary of the start of the Wapping dispute, and of the birth of the *Independent*. It also marks the death of the latter in printed form, and as it was the last surviving national newspaper born in the wake of Wapping, this is an opportune moment to cast a critical eye on the claims made at the time that new and diverse papers would flourish thanks to Murdoch's self-styled "dash for freedom". Thus, to take but two of many possible examples, Ian Aitken in the *Guardian* looked forward to "entirely new newspapers representing all points of view" whilst at the *Observer* Robert Taylor wrote of how the new technology would undermine "the tyranny of the mass circulation press, with its mindless formula journalism appealing to the lowest common denominator".

However, this is to ignore the obvious fact (obvious, at least, to everyone except "free market" fundamentalists) that established players in the marketplace do not generally welcome with open arms new entrants, that is, competitors, and do their best to neutralise them as quickly as possible. In the newspaper market new arrivals will typically be greeted by their rivals spending heavily on promotions (£25.3m on television advertising alone in the first three months of 1987) and cutting their advertising rates, thus forcing the newcomers to do likewise. Meanwhile in the weekend market, new glossy magazines and yet more supplements will be added to the already bulging existing offer in a bid to discourage established readers from trying a new title.

And then, rather more brutally, there are spoilers. Thus when Robert Maxwell launched the *London Daily News* on 24 February 1987, Associated Newspapers, which publishes the *Standard*, revived the long dormant *Evening News*. Not content with creating this confusion, it then cut the price to 10p, forcing Maxwell to follow suit, after which Associated promptly cut its price to 5p. They also persuaded many street vendors not to sell Maxwell's paper, which closed in July, five months after its launch, having never seriously challenged the *Standard*. Associated then closed down the *Evening News*. Of course, this was not the only reason for its failure – Maxwell's *modus operandi* being a significant factor – but Associated's actions hardly helped. Much later, but in similar fashion, on 30 August 2006, Associated launched *London Lite* as a spoiler for News International's *thelondon paper*, which first appeared on 4 September 2006. The former closed on 13 November 2009, the latter on 18 September 2009.

The most lethal weapon of all, however, is predatory pricing. This dealt the *Independent* and *Independent on Sunday* a blow from which they never recovered financially. It also robbed them of their independence, which was based on an ownership structure consisting of relatively small parcels of investment, raised mostly from venture capitalists, with no one investor having a controlling interest.

In September 1993, *The Times* announced it was dropping its cover price from 45p to 30p. As the paper was already losing money, this was clearly cross-subsidised from elsewhere in the Murdoch empire, namely the *Sun* and *The Sunday Times*. Newspaper Publishing, the publishers of the *Independent* and *Independent on Sunday*, along with members of Labour's front bench, complained to the Office of Fair Trading, who took no action, declaring that there was a fine line between aggressive pricing and

predation. And yet it was calculated that every copy of *The Times* sold at 20p meant an 11p loss to News International, a deficit of £1.2m a month. The first nine months of the price war cost it some £45m. However, for reasons which seem quite unfathomable, the *Independent's* publishers responded by *raising* the cover price of the daily paper from 45p to 50p, and of the Sunday from 90p to £1.

It should be pointed out here Murdoch's main target was actually the *Telegraph*, and this soon reduced its price from 48p to 30p. Murdoch then slashed the price of the midweek *Times* to 20p and the Saturday one to 30p. But the effect on the *Independent* was catastrophic: readership of the daily edition fell from 329,000 in October 1993 to 302,000 in December, and of the Sunday edition from 371,000 to 335,000 in the same period. Again there were calls from Newspaper Publishing and from senior Labour figures for the OFT to investigate. However, News International argued that it was simply engaging in "competitive pricing" and the OFT declared that the price war was actually healthy for consumers (in spite of the fact that it could have reduced the number of papers available to them).

The papers had already taken on investment from *La Repubblica* in Italy and *El Pais* in Spain, but their independence came to an end in 1994 when Tony O'Reilly's Irish Independent Newspapers and Mirror Group Newspapers (MGN) bought a stake in Newspaper Publishing of about a third each. In March 1998 O'Reilly bought out MGN and the remaining smaller shareholders. But whilst circulation would improve under O'Reilly, it never approached the level which had been achieved prior to the price wars, and by 2010 the cumulative deficit amounted to £301m. On 25 March 2010, the papers were sold to the Russian oligarchs Evgeny and Alexander Lebedev for a nominal £1 fee and £9.25m over the next ten months. In June 2015, the

average circulation of the daily edition was just below 58,000, 85% down on its 1990 peak, with the Sunday edition having a circulation of just over 97,000, compared to its highest figure of 400,000 in 1992. On Sunday 20 March 2016 the *Independent on Sunday* ceased to be produced in print, followed by the daily edition on Saturday 26 March. It is estimated that the papers' losses under the Lebedevs amounted to £69m.

And what of other papers launched in the wake of Wapping?

*Today* first appeared on 4 March 1986, and was published by Eddy Shah, the first proprietor to introduce new technology, which resulted in a bitter battle with the National Graphical Association (NGA) at the *Stockport Messenger* in 1983. In his book *Eddy Shah: Today and the Newspaper Revolution* the paper's first editor, Brian MacArthur, called it "the paper that was going to revolutionise Fleet Street, put power back in the hands of journalists, and end the curse of the printers and the restrictive practices that were reducing papers to penury". However, it failed, because of insufficient capital and over-ambition on Shah's part. Too much money was spent on plant, much of it not properly tried and tested, and not enough on good journalists. There were serious problems with distribution, and dark and blurry colour photos in the early editions, known in the trade as "Shahvision", alienated advertisers. Sales dropped rapidly after the launch.

In June 1986 35% of the paper was sold to Lonrho, which rapidly gained full control. However, it was estimated to be losing £28m annually, and Lonrho sold it to Murdoch in July 1987, threatening to close it altogether if the deal was referred to the Monopolies and Mergers Commission. Strings were duly pulled, and Murdoch added yet another paper to his bulging portfolio. New editor David Montgomery changed the paper's political allegiance from SDP to Tory and also hitched it to his

proprietor's burgeoning campaign against the terrestrial broadcasters, with whom he was intending to compete in the near future. By September 1989 it was selling 614,000 copies, but still losing £150,000 a week. After several changes of direction under Montgomery the paper's sales fell, as did staff morale. Murdoch fired Montgomery in 1991 and appointed the *Sun*'s deputy editor, Martin Dunn. Circulation was down to 430,000, but had climbed to 540,000 in February 1993. When Dunn left to edit Murdoch's *Boston Herald* he was replaced by former *Mirror* editor Richard Stott. The paper greatly improved journalistically after an influx of *Mirror* journalists fleeing from Robert Maxwell, including Anne Robinson, Mary Riddell and Alastair Campbell. But it then became fatally embroiled in the price war which was convulsing the press. On three days in August 1994 it sold over a million copies when its price was reduced to 10p, which then dropped to a daily average of 560,000 at full price. But by now it had consumed £149m, and Murdoch closed it in October 1995

Eddy Shah also launched the *Post*, in November 1988, but it lasted only five weeks.

*News on Sunday* was intended to fill a significant gap in the national press market by appealing to a left-wing readership. It was launched with £6.5m raised mainly from trade unions and sympathetic local councils. It was estimated that it could break even on a circulation of 800,000, but at its launch, on 26 April 1987, it sold only 500,000 copies. Circulation declined, and the final edition was published on 8 June. It was estimated that each copy cost £5 to produce and sold for 25p. But not only was the paper under-capitalised, its management was poor – mainly as a result of staff lacking experience in producing a newspaper – and its marketing was confused and frequently at odds with the paper's professed ethos.

The *Sunday Correspondent* was launched on 17 September 1989 – not a good moment, as the recession was making both potential investors and advertisers nervous. Nonetheless, Newspaper Publishing was sufficiently concerned at this new arrival to launch the *Independent on Sunday* in January 1990. (It's not only right-wing papers which engage in spoiling operations). With the exception of its first month, it never came close to achieving its 362,000 break-even sales target, and even before the launch of its new Sunday rival it was selling only 260,000, dropping to below 200,000 by April. In July 1990 it was re-launched as a 'quality tabloid', but this failed to stop the circulation slide, and it lasted just nine issues, closing in November, by which time losses were running at £250,000 a week.

However, whilst new entrants to the market floundered, with the exception of the *Independent* in its early years, the established players thrived. And their success was only partly attributable to the new technology introduced in the wake of Wapping, and the consequent shedding of printing staff. Firstly the flotation in 1984 of Reuters (which was owned by the leading national and provincial press groups) raised at least £150m. Second the value of newspaper offices in Fleet Street rocketed in the 1980s property boom, encouraging papers to decamp to the newly developing London docklands, where land was relatively cheap, and purpose-built plants could be constructed with the aid of generous capital grants and 'rate holidays'. By any standards this was still an extremely expensive process – for example, it is estimated that the *Daily and Sunday Telegraph* plant cost £75m and that of the *Mail and Mail on Sunday* £100m – but far more affordable for a very well-upholstered established player than for an under-capitalised new arrival in a hyper-competitive marketplace.

As Lord McGregor had warned as far back as 1977 in the report of the third and final Royal Commission on the Press: “Even if all newspapers accomplish the change [to new technologies], competition may still result in some papers closing, since the new technology does little to alter the relative position of competing titles”. And indeed, the only real beneficiaries of the introduction of new technology and the shedding of jobs were the already wealthy and well-established press interests. For example, Rupert Murdoch, who cut his wage bill at a stroke by £45m a year and saw a stupendous rise in profits (from £39.1m in 1985 to £165m in 1988), on which he paid virtually no tax, and which he used partly to finance his acquisition of Fox in the US, partly to lay the groundwork for his eventual satellite TV monopoly in the UK, and partly to engage in the predatory pricing noted above. Or the *Telegraph*, whose profits rose to £5.9m in 1987 compared to a loss of £21m in 1986. In 1987 the printing and publishing sector of the London stock market was ten times bigger than in 1982, with a capitalisation of £10.5bn. And by that year it had risen from nineteenth to second place in the FT Actuaries All Shares Index since 1981.

This, then, was the ‘revolution’ whose only visible sign is fatter, more colourful papers and even richer and more powerful proprietors. Politically, the press is even less diverse than ever, and the state of journalistic standards can be gauged from the fact that there have been no less than three official enquiries into them since 1990, each more damning than the previous one. The basic problem is that, in spite of all the claims made for the new technology, newspapers are still extremely expensive to produce. This means that, if they are to be affordable, they need high circulations and to plenty of advertising. But trying to maintain, let alone to put on, circulation, particularly in the hyper-competitive popular press, is all too likely to lead to the kind of behaviour which resulted in the Calcutt and Leveson enquiries, whilst courting

advertisers can impinge negatively on papers' editorial standards – *vide* Peter Osborne's departure from the *Telegraph* – and make it difficult for newspapers unappealing to advertisers to survive.

But expense does have one great advantage – it makes it very difficult for newcomers to enter the market. Indeed, that was one reason why the employers, grouped together in the Newspaper Publishers' Association, tolerated the print unions for so long (whilst, in public, vocally condemning “Spanish practices” and overweening union power) and conspicuously failed to come up with a co-ordinated strategy to solve the problems which so bedevilled the industry – because high labour costs helped to discourage new entrants. And now, bitterly ironically, the new technology which the print unions did so much to resist, whose introduction eventually cost their members their jobs, and which was hymned by so many as a means by which a thousand flowers might bloom, performs much the same function.

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