

NFRN COMPETITION ACTIVITY

Questions and Answers

- Q. Why does the NFRN seem to spend so much time and energy on competition activity?
- A. The NFRN is trying to improve the trading environment for its members and stop them being abused by monopoly wholesalers through one-sided terms and conditions of business, poor quality service and high carriage charges.
- Q. Why are some retail Associations calling for an “Open Market” in the news industry?
- A. The only retailers calling for an Open Market are the large retail multiples who believe they have sufficient buying power and commercial clout to hold sway over publishers and wholesalers. They, therefore, want the opportunity to pick whichever wholesaler will bow to their will, rather than the existing arrangements where wholesalers are confined to their contract territories.
- Q. Wouldn't an “Open Market” be good for independents too?
- A. In the perfect world, “yes”. But for Open Competition to work, it requires enough wholesalers in the market to provide all retailers with a choice. In the UK news industry there are just 3 multiple wholesale companies (Smiths, Menzies and Dawsons) and a handful of independents. Not only are there insufficient wholesalers to offer a choice, the multiple wholesalers are dominant regionally, e.g. Menzies in Scotland. This means that the only realistic choice would be to be supplied by another branch of the same company. This is not genuine choice and it provides no solution to improve the lot of independent newsagents.
- Q. Can't the competition authorities instruct the publishers to introduce more wholesalers?
- A. Theoretically yes by smashing open the current arrangements for appointing wholesalers and insisting on open contract tenders. But more wholesalers means more delivery journeys from print centres to wholesale depots and smaller depots operating with less economy of scale than fewer larger ones all adding up to increased distribution costs. Who do you think would end up paying for this? Yes you.
- Q. So if Open Competition is not the answer and neither is more wholesalers, what is the solution?
- A. The solution is to stick with the current model but to put the supply chain under control so that it is not in a position to abuse retailers at the end of the monopoly. In short, the answer is “regulation” and, preferably, effective self-regulation that is more flexible to operate and enforce, rather than statutes that become quickly out of date.

- Q. How does the NFRN expect improved self-regulation to be achieved?
- A. The NFRN is leading industry discussions with newspaper and magazine publishers and wholesalers to produce a new, all-inclusive Code of Practice for the news industry. The intention is that this will replace the existing Code of Practice on newspaper distribution and be extended to include magazines as well as widening the Code's geographic coverage to all parts of the UK.
- Q. So what will be different about the new Code from the current one?
- A. Apart from widening the product and geographic scope, it is intended that the new Code will feature a revised minimum entry criteria, minimum standards of service throughout the supply chain, key performance targets and measurements, more rigorous compliance and enforcement with legal underpinnings to ensure commitment, and effective management and governance through a Press Distribution Authority (PDA) overseen by an independent industry Chairman, with authority to report on the effective operation of the Code to the Competition Authorities.
- Q. What are the chances of this Code coming to fruition and when will it be introduced?
- A. The Code is already at an advanced stage of drafting, although there are still a number of further important elements still under discussion. Ultimately, the Code will be submitted to the Office of Fair Trading (OFT) whose approval is required. It is too early yet to forecast an implementation date. The OFT is currently examining other aspects of the news industry and announcements regarding that could be as early as March this year, or as late as September/October. However, by then we should have a clearer understanding on whether the new proposed Code is likely to be successful.
- Q. What happens to the existing self-regulatory mechanisms in the news industry, such as the Joint Industry Group (JIG) and the Industry Standard Service Agreement (ISSA)?
- A. None of these will be lost as the intention is to absorb the JIG and its sub groups within the new Press Distribution Authority and to develop and improve on the self-regulatory work achieve by JIG so far.

A Final Point to Remember

Just remember that it is the NFRN that is leading industry discussions on the development of a new industry Code of Practice. It is the NFRN that has the best interests of independent retail newsagents and the consumers they serve at the centre of its focus and objectives. Over the coming years, the printed news media faces a treat for its survival against the ever burgeoning reach of the internet into consumers' homes and mobile phones as well as other electronic information channels. It is only by the news industry working together to meet the ever more sophisticated demands of consumers shall we meet the challenge ahead. To achieve this, however, the NFRN needs the support of its members.