

Confidential Filing

The Observer Newspaper

Proposed take-over by Tony Rowlands' Lomho group

Possible take-over by Robert Maxwell of Observer and Mirror Group.

Home Affairs

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809

June 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>24.6.81</del>							
<del>26.6.81</del>							
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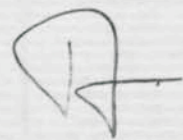
PREM 19/1261



E.R.  
2  
PRIME MINISTER

MIRROR NEWSPAPERS

Kenneth Baker answered a PNQ from Peter Shore today on the Mirror Newspaper takeover. A copy of his answer is attached. It was evident from the exchanges that there is very little heat in this issue. Labour are genuinely worried because they think that Robert Maxwell will change the editorial line of the Mirror and it was once again evident that there is very little affection for him on Labour Benches. In particular, they do not believe the guarantees he has given about the Mirror's editorial line. Mr. Baker accepted that there would always be concern about the concentration of too few hands of proprietorial power in Fleet Street, but said that at this stage that issue was not raised by the Mirror takeover. He said that the real sickness in Fleet Street lay in restrictive practices and union militancy which was killing the newspaper industry.

13 July 1984

PNQ

PETER SHORE (LABOUR, BETHNAL GREEN AND STEPNEY)

To ask the Secretary of State for Trade and Industry if he will make a statement on Government policy towards the takeover of the Mirror Group of Newspapers by R Maxwell's BPCG.

MR BAKER

It is reported today that Reed International plc have agreed in principle to sell Mirror Group Newspapers Ltd to Pergamon Press Ltd. On the basis of the information available to me, this sale does not involve a transfer of a newspaper to a newspaper proprietor. It would accordingly not require the consent of the Secretary of State under Section 58 of the Fair Trading Act 1973. It will however fall for consideration under the general merger provisions of the Act.

B.R.

2

PRIME MINISTER

cc Mr Ingham

Robert Maxwell's Acquisition Plans

Robert Maxwell telephoned to tell you where he stood on his bids for the Mirror Group and the Express Group.

On the Express Group, Lord Matthews was willing to sell, but it was not possible to establish a price before the results were produced in August/September. Meanwhile, he had had to move on the Mirror Group since they are about to launch their public issue and, if he had not made a bid, he would have been in the same position as RTZ in relation to Enterprise Oil! The Reed Group had made unwelcoming noises about his bid, but the prospects for their public issue were not good and they would have to choose whether to accept Mr. Maxwell's bid or to risk an unsuccessful public issue. Mr. Maxwell had said, if he acquired the Mirror he would continue its pro-Labour stance but he would support you in the actions you were taking in the national interest. He expected the printing unions to oppose his bid for the Mirror strongly.

F.R.B.

4 July 1984

H Affairs  
M

For Prime Minister's eyes only, from Kenneth Harris

A NOTE ON MR ROBERT O ANDERSON'S CONVERSATION WITH  
MR BIFFEN, TUESDAY, 12 JANUARY 1982

Mr Anderson came over to London last weekend to preside over the first Observer board meeting of 1982. Before he came over, he asked Mr Biffen if he (ROA) could come and see him, and up-date him on how The Observer was doing, since the change in proprietorship, authorised by Mr Biffen last July. He felt he owed this to Mr Biffen for the courtesy and consideration he had been shown last spring when the future of The Observer was before the Monopolies Commission. Mr Biffen welcomed the offer.

Mr Anderson was able to report that everybody, including Editor and journalists, seemed to have settled down comfortably under the new regime, and that relatively speaking, The Observer was doing pretty well, considering the difficulties which all newspapers were facing at this time. Mr Biffen asked him some questions about Fleet Street in general, circulation, advertising, long-term viability, etc. and Mr Anderson gave him as much information as he could.

After a good talk about The Observer, Mr Anderson said that he would also like to make use of this meeting to say something to Mr Biffen about how the House of Fraser episode had been regarded, and continued to be regarded, by influential business men in the United States. Though speaking as a friend of Tiny Rowland, said Mr Anderson, he was much more concerned to speak of the matter as a friend of Britain.

Mr Anderson said that the resolution of the House of Fraser matter had been seen by his friends in the United States in the context of what Americans saw happening to world trade. The general impression in the United States was that world trade was becoming increasingly, and dangerously, dominated by countries other than Britain and the United States. It was not that Americans could brag about what they were doing to counteract this development; they had not come up with the answers. But, fortunately for them, because of their great internal resources and their strong position in countries outside the United States, their failure to meet the threat of, outstandingly, Japanese competition, was not so dangerous to them as this would be to Britain.

There seemed only a few entrepreneurs in Britain who had the bold, expansionist and imaginative outlook, together with the skills, which could meet the threat. Outstanding amongst them were his friends Arnold Weinstock and Tiny Rowland. Mr Anderson had found that forward-thinking Americans could not understand why Tiny seemed so much at odds with the British government, a government which they had believed, and continued to believe, was dedicated to the re-vitalisation of private enterprise. What had happened in the case of the House of Fraser had

created an unfavourable impression on Mr Anderson's friends and acquaintances in the United States business world: they felt that if Britain did not have confidence in an entrepreneur like Tiny Rowland, they could not have so much confidence in Britain.

In Mr Anderson's view, Tiny Rowland, apart from Arnold Weinstock, is outstanding as a British entrepreneur who has the wish, will and capacity to help to restore the role of Britain in international trade. Rowland is not only a great trader but he is a great builder, a great developer, who, contrary to what some people say, is not only a resourceful dealer, but a creator of real wealth, a man who measures his success in the minerals his companies are mining, the crops they are growing, the goods being manufactured, and the services being rendered in many different parts of the world, as well as in Britain - and all this increasingly. Yet, in American eyes things seem to be happening to Tiny Rowland in Britain which do not encourage but must discourage him. Mr Anderson told Mr Biffen that Tiny was now thinking of making acquisitions in the United States. As an American, said Bob, he welcomed this - the United States could do with what Tiny Rowland had to offer - but he hoped, in Britain's interest, that Tiny was not now turning his attention to the United States because he was feeling so frustrated in Britain. Bob did not think so: Tiny was made of the stuff that would not be discouraged. He was not a quitter. He would stay on the battlefield, if that was the right word for it, and fight again. Bob Anderson was sure that Tiny had not resigned himself to the House of Fraser outcome, as it stood right now. Fifteen years ago, Arnold Weinstock was being cold-shouldered, frustrated and much criticised in some parts of the "British Establishment." Today it was very different. Lord Weinstock was very much accepted. Bob Anderson thought it would be the same with Tiny. He would win through, sooner or later, simply because he had what was required, and so few other people had. He would win through sooner or later, and Bob hoped in the interests of Britain that it would be sooner rather than later.

Bob Anderson told Mr Biffen that he could see the Monopolies Commission had to do its prescribed duty. Mr Biffen had explained this to Bob last April, when The Observer deal came up for the first time. Bob knew then, and knows now, that it was not this government, and certainly not Mr Biffen, who had invented the rules for the Monopolies Commission. He also knew that the members of the Commission were able and honourable men, who work very hard, as they had in the case of The Observer enquiry, and only apply the rules as they were in the rule-book. But it seemed to Mr Anderson that these rules were those of a national rule-book, rules to apply to Britain's internal problems. But there were great problems for Britain which were external, rather than internal problems, and perhaps there was a risk that internal solutions made according to these rules, would militate against solution of Britain's great external problems.

There might come a day when perhaps it was important for Britain that the Prime Minister, the government, and Mr Biffen, might have to step in and see that Britain looked at some of its problems from a deeper, broader, indeed, world-wide, perspective -- a survival-of-Britain perspective. In that context, Bub thought, there were not all that many British entrepreneurs who deserved encouragement and support but among those who did he surely thought that Tiny Rowland was one.

Mr Anderson said he hoped profoundly that what he had to say would not be regarded as presumptuous or impertinent, but as something coming from a loyal friend of Britain, from somebody who was known in the United States as an unswerving supporter for this Prime Minister, and her government.



cc Mr Gow.

Home  
Affair

PRIME MINISTER

I attach the text of Mr. Biffen's statement about the Observer.

For the Opposition, John Smith expressed concern at the growing trend for great newspapers to pass into the hands of rich men who controlled powerful economic interests. He praised the stance of the Observer's editor. He asked what sanctions the Secretary of State had available to him if the conditions were breached. Mr. Biffen responded that the greatest safeguard for the Observer would be to turn it into a profitable newspaper.

The exchanges which followed showed a measure of concern about these arrangements across party lines in the House. Whilst Peter Tapsell wanted to know why anyone would buy a newspaper which had lost £8 million in the last five years if he was to have no control over editorial policy, Jo Grimond thought the whole procedure farcical, was convinced that the independent directors would be totally ineffective, and asked why the owners should not be answerable, and Jonathan Aitken asked how Mr. Biffen viewed the prospect that, if the safeguards failed, he could be the first Minister to have to intervene directly in matters affecting the freedom of the press.

Later exchanges concentrated on the position of the four independent directors named in the statement, and the one to be elected by those four. Mr. Biffen said that two had been suggested by the Observer and two by Lonrho. Christopher Price, amongst others, wanted to know why the Observer journalists had not been allowed to nominate one or more, and Peter Bottomley asked specifically who vetoed Hugh Stephenson. Mr. Biffen did not know the answer.

Christopher Price also asked what Mr. Biffen would do if all the directors resigned in disgust. Mr. Biffen admitted that he had not turned his mind to this possibility.

MA



*From the Secretary of State*

N Huxtable Esq  
Private Secretary  
Chancellor of the Duchy of Lancaster  
House of Commons  
London SW1A 0AA

9 July 1981

*Dear N Huxtable*

*MA*

THE OBSERVER

In my Tuesday 7 July letter I promised to let you have a copy of a statement which my Secretary of State wishes to make to the House on Thursday 9 July.

This is now attached. I understand that the Opposition have requested that the statement be repeated in the House of Lords by Lord Trefgarne.

I am sorry not to have been able to send you the statement earlier but final agreement between the parties to which reference was made in the statement was only finally concluded this morning.

Copies go to Mike Pattison (No 10), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

*Yours sincerely,*

*John Rhodes*  
JOHN RHODES  
Private Secretary

THE OBSERVER

Mr Speaker, with permission, I will make a statement. On 29 June, I informed the House that I had accepted the view of seven out of eight members of the group of the Monopolies and Mergers Commission and had decided that I should consent to the proposed transfer of The Observer to George Outram & Company Limited subject to conditions to safeguard editorial independence against a potential conflict of interest because of the extensive interests of Lonhro, Outram's parent company. However I felt it right to defer reaching a final decision on the conditions to be attached until interested parties had had an opportunity to read the report and make representations. I have now concluded my consultations and have today issued my consent to the transfer, a copy of which I have laid before the House. The formal conditions I have attached are based on those attached to the transfer of The Times and The Sunday Times to News International Limited.

The general effect of these conditions is that the Articles of Association of the Observer Limited will contain provisions securing the position of the editor in relation to the determination of the content of the newspaper. They will

further provide that he should not be subject to restraint in expressing opinion or reporting news that might conflict with the opinion or interests of the proprietors. His control over the journalist staff of the newspaper would be set out. The Articles would in addition provide for five independent directors, who would have the special responsibility for resolving any disputes on matters of editorial independence between the editor and the directors of The Observer Limited or its parent companies, including Lonrho. The consent of a majority of these directors would also be required for the appointment or dismissal of the editor and of the independent directors themselves.

Other conditions will secure that these arrangements continue if the Observer were to be transferred within the Lonrho Group as a result of a company reorganisation; and provide for consultation with the Board of the Observer Limited, if Lonrho proposed to dispose of the Observer outside the Group at a future date.

As I said, there will be five independent directors. It was represented to me by several parties that the number of appointments recommended by the Monopolies and Mergers Commission - eight or nine - was excessive and would result in an unwieldy Board structure for the Observer. I agreed.

I am pleased to tell the House that the new owners, the management, and the editorial staff have all agreed on four initial independent directors; and that those four shall select a fifth. My consent gives effect to this. The names are Mr William Donaldson Clark, Sir Geoffrey Cox, Dame Rosemary Murray, and Lord Windlesham.

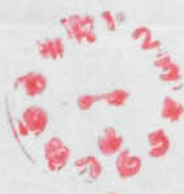
These conditions of <sup>will help</sup> my consent provide safeguards for the editorial independence of The Observer, while involving the Government in the minimum intervention in the newspaper's day to day affairs.

I understand that the new owners, the management and the journalist staff have agreed on a number of other matters to which they attached importance, including in particular arrangements for consultation with the journalist staff on the appointment of independent directors and future editors.

I wish The Observer well under its new ownership, and hope that whatever uncertainties may have beset it in the past few months will now be dispelled.

MT  
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1998 JUL 15





*From the Secretary of State*

*Home Affairs*  
*[Signature]*

RESTRICTED

Nick Huxtable Esq  
Privy Council Office  
68 Whitehall  
London, SW1A 2AT

7 July 1981

*Dear Nick*

OBSERVER

We have been in touch recently about the Secretary of State's wish to announce his final decision on the conditions attaching to Lonrho's purchase of Observer by way of a statement to the House. This follows on from his Written PQ Answer of Monday 29 June, when the Monopolies and Mergers Commission report was published and he stated his agreement to the majority conclusion that Lonrho should be allowed to acquire the Observer subject to conditions which would be announced shortly.

You have confirmed that the Leader of the House is content for such a statement to be made this week, on Wednesday 8 July or Thursday 9 July. I understand that he has also agreed that the Minister of State for Consumer Affairs should also make a statement on the Monopolies and Mergers Commission on Gas Show Rooms on one of these two days, provided that the two statements do not fall on the same day.

We would wish to decide between the two dates no later than the afternoon of Tuesday 7 July, in the light of the progress of continuing discussion between the interested parties in the Observer acquisition. I will, of course, send you a draft statement as soon as possible, and have noted the desire for brevity.

Copies of this letter go to Mike Pattison (Number 10), Murdo Maclean (Chief Whip's Office), and David Wright (Cabinet Office).

*Yours sincerely,*  
*[Signature]*

JOHN RHODES  
Private Secretary

RESTRICTED

-7 JUL 1968

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Home Affairs

CONFIDENTIAL AND MARKET SENSITIVE

DRAFT ARRANGED WRITTEN ANSWER

Seen + approved by us  
Pam. Ministers.

THE OBSERVER

file  
29/6

I have today laid before Parliament and published the Commission's report. <sup>Seven members</sup> ~~The majority~~ of the Commission find that if the transfer is made subject to [certain] conditions designed to protect editorial independence, it may be expected not to operate against the public interest. One member of the Commission concludes that the transfer should not be permitted at all. I have accepted the view of the majority of the Commission and have decided to consent to the transfer subject to conditions.

2 The attachment of formal conditions to the acquisition of a newspaper is clearly a matter of considerable public concern; I am anxious that any conditions should be no more than the minimum necessary to provide adequate guarantees for the newspaper's continuing editorial independence. For this reason, I am prepared to take account of the views which interested parties may form on the subject of conditions, when they have read the report.

3 I am nevertheless anxious to minimise any uncertainty which may arise in the period following publication of the report. For this reason I intend to reach a final decision on the conditions I shall impose within the next few days.

CTS 2  
26 June 1981

CONFIDENTIAL AND MARKET SENSITIVE

PERSONAL AND CONFIDENTIAL

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N.M.

Lord Goodman's  
letter was in fact addressed  
to the Secretary of State.

NFA.  
Ref. A05157 <sup>26m</sup>

MR. WHITMORE

Can we let S/S  
the content of  
Lord Goodman's  
Prime Minister's  
letter.  
He can then take it into  
consideration in  
his decision.  
not

The Observer

The Prime Minister may like to see the  
attached copies of letters to the Secretary of State for  
Trade from Lord Goodman and from Mr. Donald  
Trelford about the implications of allowing Lonrho to  
acquire the Observer subject to conditions and safe-  
guards.

REA

ROBERT ARMSTRONG

24th June, 1981

PERSONAL AND CONFIDENTIAL

# THE OBSERVER

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THE OBSERVER LIMITED REGISTERED NUMBER 146482 ENGLAND

FROM THE EDITOR

24 June, 1981

Dear Secretary of State,

I understand that you will soon announce your decision on the proposed acquisition of 'The Observer' by George Outram, a subsidiary of Lonrho. I am writing to express my profound concern, as Editor, at some of the conditions which may be recommended to you in the report on this proposed transfer by the Monopolies and Mergers Commission.

I am writing at a disadvantage, in that I have not, of course, seen the Commission's report. My anxieties are based on what I have read in the Press and heard from other sources. If the reported versions are correct - eight special directors, to whom all journalists have access, with a right of appeal to the Minister - the conditions may be unworkable in practice and damaging to the commercial and editorial future of the newspaper. Although intended to safeguard editorial independence, I believe the conditions could have the opposite effect of undermining editorial authority and restricting the Editor's freedom of action.

I should perhaps make it clear that, although I oppose ownership by Lonrho on the grounds that it raises irreconcilable conflicts of interest, and for other reasons, I am addressing myself here solely to the question of safeguards, in the belief that some of the conditions proposed may make the situation worse than if there were no safeguards at all.

My comments would obviously be more specific if they were based on a careful study of what is actually proposed. Since this does not seem to be possible in the time available, I would just say that my general objection to so-called independent directors is that they would not be seen to be independent at all if they were nominated and paid by Lonrho and approved by a statutory body. Furthermore, unless their function was carefully defined and controlled, they might exercise editorial authority at the expense of the Editor's function. This could easily come about if all members of the staff had the right to appeal to them over the Editor's head. Even if their brief was limited to examining claims of proprietorial interference, this could be alleged of virtually any editorial decision. If the National Union of Journalists pursue their intended merger with the National Graphical Association, I anticipate that this right of access to the special directors could be misused.

/continued

DIRECTORS THORNTON BRADSHAW (CHAIRMAN) (USA) DOUGLASS CATER (VICE CHAIRMAN) (USA)  
DAVID ASTOR LORD BARNETSON LORD BULLOCK LORD GOODMAN  
KENNETH HARRIS ROGER HARRISON BRIAN NICHOLSON CONOR CRUISE O'BRIEN FRANK STANTON (USA) DONALD TREFORD

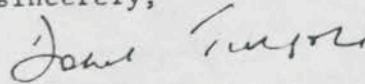
Editorial freedom rests on the authority willingly ceded to the Editor by a proprietor who shares his aspirations for the paper. In Britain this normally means that the Editor is given sole or final responsibility for content, staffing and policy. A cumbersome supervisory Board is no substitute for this relationship and is likely to weaken the authority on which the Editor's position rests.

It has not been possible to give evidence to the Commission on these points, since the Commission was not able to tell me or my colleagues what safeguards it proposed. As a result, the safeguards have been formulated without any discussion with the people required to operate them. In the case of Mr. Rupert Murdoch's acquisition of Times Newspapers, the conditions and safeguards were all agreed in detailed negotiation with the interested parties. In the case of 'The Observer', the Editor and journalists face the prospect of being told by a Minister of the Crown - doubtless with the best intentions but without any prior consultation - what internal procedures are to be adopted in the running of their newspaper - procedures with which they may strongly disagree. Most people would find this an unattractive prospect in a democracy, especially one that takes justifiable pride in its traditions of Press freedom. If your Department was seen to have a continuing role in monitoring the newspaper's conduct, this would raise further questions of public importance which ought to be discussed.

I am firmly of the opinion that an 'Observer' owned by Lonrho could not guarantee accurate presentation of news and free expression of opinion. None of the 'safeguards' so far proposed incline me to alter that view. In fact, I feel more strongly than ever that such conditions may not only be unworkable, but set an undesirable precedent for the British Press. If these are the only conditions on which Lonrho can be entrusted with ownership, I submit that the damage to the public interest would be too high. Fortunately, alternative owners are available who do not raise the special problems created by Lonrho.

I would be glad of an opportunity to meet you to develop any of the points made here, or to consider any further points you may wish to raise. I urge you most strongly to take serious note of the concern shared by the majority of the Observer Board and by all the senior editorial staff at the damage a wrong or hasty decision could inflict on the country's oldest newspaper.

Yours sincerely,



(Donald Trelford)

The Secretary of State for Trade,  
Department of Trade,  
1, Victoria Street,  
LONDON, SW1

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YOUR REF

OUR REF G/CD

DATE 12th June, 1981.

Dear Secretary of State,

THE OBSERVER

It is believed that the report of the Monopolies Commission will be sent to you very shortly. I hope you will forgive my writing to you about certain possible implications which you will almost certainly have in mind but are of a nature which cause me anxiety. If you, in fact, should regard a letter at this stage as in any way inappropriate, I shall entirely understand if you decide it should be ignored.

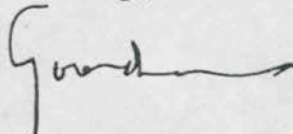
The tenor of the questions addressed to me (and to my colleague David Astor) suggested the possibility that one conclusion of the Commission might be to approve the purchase on the basis of safeguards and conditions imposed by you and in some way enforced or invigilated by the Government.

May I as a former Chairman of the Newspaper Publishers' Association for several years - and as a former Chairman of the Observer Trust for several years - express the view that the imposition of conditions of this kind would be of grave variance with the principle of press freedom for which many of us have fought for many years. You will, I am sure, recollect our battle with Mr. Foot and the particular repugnance we expressed to any suggestions that a Press Charter should be imposed on the press by any Governmental procedure. Those of us who fought this possibility were strongly moved by the belief that the intervention of Government in such matters must be wholly unacceptable in a democratic society. It is my belief that conditions of the type that have been mentioned would be no less inconsistent with this principle than the principle of a Press Charter. I very much hope that you will consider the implications of any such proposals, if there is any plan to adopt them.

I am sure you will realise that I have had no more information as to the contents of the report and my misgivings arise only from the trends of one line of questioning out of many.

Might I add that in our dealings with the Commission we have found them invariably courteous and plainly anxious to elicit every fact.

Yours sincerely,



BY HAND - PRIVATE

The Rt. Hon, John Biffen, M.P.,  
Secretary of State for Trade,  
1, Victoria Street,  
LONDON,  
SW1H 0ET

