E(81) 4th Meeting

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
MONDAY 26 JANUARY 1981 at 4.45 pm

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Lord Carrington
Secretary of State for Foreign
and Commonwealth Office

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Peter Walker MP
Minister of Agriculture, Fisheries
and Food

The Rt Hon Michael Heseltine MP
Secretary of State for the
Environment

The Rt Hon John Biffen MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
(Item 1)

The Rt Hon Humphrey Atkins MP
Secretary of State for Northern Ireland
(Item 1)

The Rt Hon Sir Michael Havers QC MP
Attorney General
(Item 2)

Sir Ian Percival QC MP
Solicitor General
(Item 2)

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury
(Item 2)

Mr Norman Tebbit MP
Minister of State, Department o

Mr Malcolm Rifkind MP
Parliamentary Under-Secretary of
State, Scottish Office
(Item 1)

Mr J R Ibbs
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant
Mr D J L Moore

2. THE TIMES NEWSPAPERS

The Committee had before them a minute of 26 January from the Secretary of State for Trade to the Prime Minister on the application by Thomson British Holdings Limited (TBH), controlled by the Canadian-owned International Thomson Organisation Limited, for the consent of the Secretary of State for Trade, under the 1973 Fair Trading Act, to the transfer of The Times and The Sunday Times to News International Limited, controlled by Mr Rupert Murdoch.

THE PRIME MINISTER said that in conducting their discussion of the proposed sale of The Times and The Sunday Times to News International Ltd the Committee would need to take full account of the advice of the Attorney General. This was to the effect that the general rule under the Fair Trading Act 1973 was that there must be a reference to the Monopolies Commission before the Secretary of State for Trade decided whether or not to give his consent to a transfer of newspapers; that there was an exception to this rule under S.58(3)(a) of the Act which gave the Secretary of State discretion to decide whether a reference should be made if he were satisfied that certain criteria were met; and that it was for the Secretary of State personally to decide whether these criteria were satisfied.

THE SOLICITOR GENERAL, confirming the Attorney General's advice, said that the Attorney General also advised that, if the Secretary of State concluded that the criteria were met for the exercise of his discretion, it was for him personally to decide how to exercise it, though he would be entitled to hear the views of his colleagues before making his decision.

THE SECRETARY OF STATE FOR TRADE said that the Fair Trading Act 1973 provided for him to give his consent to newspaper mergers without prior reference to the Monopolies and Mergers Commission (MMC) only if he was satisfied that the newspaper in question was not economic as a going concern and that the case was one of urgency. The three supplements of The Times were not "newspapers" under the Act and their sale did not, therefore, require his consent. On the basis

of advice from his Department's accountants, he was satisfied that neither The Times nor The Sunday Times was economic as a going concern, though only in the case of The Times was the issue clear-cut. He was also satisfied that the case was one of urgency: the Thomson Organisation had announced that the papers would close in March unless a buyer were found, and the Chairman of the MMC had advised him that, to give sufficient time for representations, he would need eight weeks for an inquiry. Since he was satisfied that the conditions under the Act were met, the question which he had to decide was whether to refer the bid to the MMC or to exercise the discretion given him under the 1973 Fair Trading Act to give his consent to the merger without prior reference to the MMC.

He had discussed the position that morning with the Chief Executive of TBH and the Editor-in-Chief of The Times Newspapers; and, separately, with Mr Murdoch. The representatives of The Times had advised him that Mr Murdoch was the only suitable bidder and that they could not extend their March deadline for closure of the newspapers to give time for an eight week inquiry by the MMC. They had already issued redundancy notices on the assumption of closures in March; to extend the deadline would mean either that they would have to bear the cost of redundancy payments to all employees, irrespective of whether they were likely to be re-employed subsequently by Mr Murdoch, or that they would have to re-negotiate the redundancy arrangements at a cost to themselves. Mr Murdoch would be unable to start his discussions with the unions on which the transfer still depended, until the MMC had concluded their enquiry. The disruption to production which could result from such a delay, and the further loss of advertising revenue, would further diminish the commercial value of the newspapers. The representatives of The Times had subsequently confirmed that the Thomson Organisation would not agree to extension of their deadline. In the meantime, Mr Murdoch had told him that, if Thomson had been able to agree to an extension, he would not, contrary to what had been reported in the Press, object to a reference to the MMC, but, because of the effect on the commercial prospects of the papers , he would have to re-negotiate his contract with Thomsons. He would have no objection if the Secretary of State's consent to the merger was conditional on observance of the undertakings which he had already given on editorial independence,

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and he was prepared to envisage strengthening those undertakings, if asked to do so. He (the Secretary of State), therefore had two alternatives open to him. He could make a reference to the MMC in the hope that the Thomson Organisation would then extend their deadlines, but with the risks of causing TBH to lose a substantial sum of money, of declaring around 4,000 redundancies, and of bringing about what might prove to be the permanent closure of The Times. Alternatively he could give his consent without a reference, subject to a condition which would in effect entrench the undertakings which Mr Murdoch had given, bearing on the independence of the papers and on editorial freedom, and ensure that they could not be changed thereafter without his consent.

In discussion it was suggested that, if the Secretary of State for Trade were to refer the bid to the MMC, it was unlikely that the Thomson Organisation would in practice refuse to extend their deadline. In the circumstances there seemed, however, little advantage to be gained from a reference, and considerable risks and costs in making it. The Thomson Organisation had taken the view that no suitable alternative purchaser had made a bid. Those who were now pressing for a reference were mainly concerned that this would enable greater authority to be put behind the undertakings on independence of the papers and editorial freedom which Mr Murdoch had already given. Their concern on this count should be met if the Secretary of State for Trade were able to assure them that, if he were to give his consent without a reference, he could entrench those undertakings in his consent. It might be that the Opposition would be less inclined to press for a reference when they understood that it would take as long as eight weeks and the consequences which might flow from such a delay.

The Committee -

1. Took note that the Secretary of State for Trade had satisfied himself that under the 1973 Fair Trading Act he had discretion to decide whether to refer to the Monopolies and Mergers Commission the bid by News International Limited for The Times and The Sunday Times.

2. Took note that the Secretary of State for Trade, once he had decided whether or not to refer the bid to the Monopolies and Mergers Commission, would discuss with the Chief Whip when he should announce his decision in relation to the Emergency Debate on 27 January.

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