

COMMERCIAL IN CONFIDENCE

*Prime Minister.
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From the
Minister of State
for Consumer Affairs

THE RT HON SALLY OPPENHEIM MP

Tim Lankester Esq
Private Secretary
10 Downing Street
London SW1

17 January 1981

Dear Tim,

THE TIMES

You asked for a note for the Prime Minister on the present position in the negotiations for the sale of The Times newspapers.

The Thomson Organisation have been keeping the Department in touch with the recent course of the negotiations. This morning Mr Gordon Brunton told our Permanent Secretary in confidence that, subject to certain further points, the offer from Mr Rupert Murdoch is the bid which they favour. They in turn have been told the information which we shall require, together with their applications, to enable our Secretary of State to consider whether or not he should give consent, under the Fair Trading Act 1973. As soon as this is received the matter will be considered urgently: indeed, some preliminary investigations have already taken place.

The position is set out in more detail in the enclosed note. We shall be sending separately notes for the Prime Minister's use at Questions tomorrow.

Yours ever

Peter McCarthy

PETER MCCARTHY
Private Secretary

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TIMES NEWSPAPERS LTD

BACKGROUND

THOMSON'S DECISION TO SELL

/al Placing the blame for its decision on the unions, the Thomson Organisation announced on 22 October 1980 that they would close the Times, the Sunday Times and the Literary, Educational, and Higher Education/Supplements by March 1981 unless buyers could be found. The deadline for receipt of offers was 31 December. Closure would result in over 4,000 redundancies.

2 When the MMC was considering the Thomson Organisation's acquisition of the Times and Sunday Times in 1966, the present Lord Thomson and his father promised to provide sufficient funds for a 21-year period to keep the Times and Sunday Times in being. However, in the light of subsequent lack of union co-operation, the Thomson Organisation do not consider that last autumn's announcement of intended closure amounts to a breach of this undertaking, which was in any case purely non-statutory.

POTENTIAL BIDDERS

3 Confidential: The Thomson management have concluded that the offer from Mr Rupert Murdoch is the most attractive of the various bids. While he does not offer as much money for the five papers as other bidders, the guarantees he is offering concerning editorial independence and the future publication of the paper are apparently the most generous*. Provided that national (ie independent) directors of Times Newspapers Ltd and the editors of the five papers can be satisfied on these issues, the Thomson Organisation will announce very shortly (perhaps tomorrow) that Mr Murdoch is the bidder to whom they are prepared to sell. Mr Murdoch would then negotiate with the unions over a 3-week period to try and obtain satisfactory assurances concerning

* Other bidders are reported to have included: Associated Newspapers The Economist, Lonrho, James Goldsmith, Robert Maxwell, IPC and the consortium of journalists led by Sir Michael Swann.

manning levels, introduction of new technology etc.7

FAIR TRADING ACT 1973: PROVISION AS TO NEWSPAPER MERGERS

4 The Fair Trading Act provides that newspaper mergers shall be subject to special scrutiny. Where a daily, local or Sunday newspaper is acquired by an existing proprietor, and if the combined average circulation of his newspapers (including the one to be acquired) is 500,000 or more, such transfer can only take place with the consent of the Secretary of State (for Trade). Such consent cannot normally be given without a reference to the Monopolies and Mergers Commission. An exception would arise if the Secretary of State were satisfied that the newspaper concerned in the transfer was not economic as a going concern and as a separate newspaper. In this case -

- (a) the Secretary of State may give his consent without an MMC report, provided he is also satisfied that the case is urgent if the newspaper is to continue as a separate newspaper
- (b) he must give his consent unconditionally and without reference to the MMC, if he is satisfied that the newspaper is not to continue as a separate newspaper.

5 Confidential: Preliminary examination of the accounts of the Times and Sunday Times by accountants of the Department of Trade suggest that neither newspaper is economic as a going concern and as a separate newspaper. The Secretary of State could therefore probably grant his consent to the transfer to Mr Murdoch of either or both publications without an MMC reference. (The supplements not being 'newspapers' would not require the Secretary of State's consent). However, in addition to the question of economic viability, the Secretary of State must also be satisfied that the case is one of urgency if the newspaper(s) is to continue as a separate newspaper; and even if he satisfies himself on that count he is also bound to consider whether in the public interest the merger should not be subject to the



independent scrutiny of
the MMC. In the present case the reputation of the papers and public concern over their editorial independence (as seen in the early day motion tabled last week) are factors which will have to be considered very carefully.

6 A submission on the issues will be put to the Secretary of State this week-end when he returns from abroad.

LINE TO TAKE

7 The Prime Minister may well be asked about the future of the five papers during Question Time tomorrow, whether or not Thomson's choice of Mr Murdoch has been announced by then. It would be important to stress that no formal application for consent to transfer of any of the Times newspapers has been made to the Secretary of State. He will consider any application in the light of the evidence submitted to him and in the light of the provisions of the Fair Trading Act 1973 on newspaper mergers.

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Department of Trade
19 January 1981