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Reuters and the British Government – Re-visited

Peter Putnis

The key finding of my examination of the relationship between Reuters and the British government during World War 1 (Putnis) stands unscathed. This is that the British government, through its Foreign Office, sought and obtained effective control over Reuters during the War and that it enjoyed this control from December 1916 till the War's end. This control is evident in the ownership structure of Reuters (1916) Limited, the private company formed after the engineered sale and winding up of the public Reuters Telegram Co Ltd. The process was funded by a Government guaranteed loan of 550,000 pounds from the Union Bank of Scotland. Its outcome was a new company structure in which Government nominees (bound by strict conditions to follow Foreign Office direction) held 76% of the voting power of the Company. These nominees purchased their shares with money supplied to them by the Government, drawing on Secret Service funds.¹ Furthermore, a special single share ('share 999') was created (owned by the government but held in trust by its nominees), the holder of which had, amongst other things, 'a right to veto any resolution of the Board of Directors without assigning any reason for doing so.'²

As Dr Silberstein-Loeb notes, it would be inappropriate to view the process that led to this outcome as a Foreign Office 'takeover' of Reuters (a term not used in my 2008 article). The outcome grew out of extended and, largely friendly, negotiations between Reuters' Jones and Napier and the Foreign Office. The outcome (and the maintenance of the secrecy of the arrangement) could only have been achieved with the full support of Jones and Napier. Furthermore, it was in the interests of the Foreign Office for Reuters to be able to carry on 'business as usual' in its day-to-day operations.

It is also reasonable to view the actions of Jones and Napier in seeking government support and compensation for war-time losses to Reuters' traffic department as a 'business strategy'. My article, while focussing on issues of independence and control, outlined the financial problems of Reuters and (through providing detailed accounts of the various financial schemes put forward) recognised that the quid pro quo for ceding ultimate control to Government was immediate financial support for Reuters such as to secure its future. It was noted that the government only wanted control for the duration of the War.

It is, however, difficult to credit Dr Silberstein-Loeb's argument that the events of 1915/1916 were part of a grand strategy by Jones to 'improve Reuters' position vis a vis the press' and better position Reuters for ultimate sale to the British press. Certainly, one can see how the creation of a private company ultimately facilitated Jones' sale of Reuters at great profit to himself. But Jones' highly secret dealings with the government during the War also risked major reputational damage for Reuters as regards the independence of its news services. Moreover, the government had its own reasons for preferring a private company structure. This structure obviated the necessity for public reporting and made it 'easier to secure the true character of the proposed arrangement not becoming public.'³ While the private company structure did ultimately allow Jones and Napier to take control of Reuters after the War, its more immediate result was to secure a government controlling interest in the company.

Dr Silberstein-Loeb positions the Reuters/British Government arrangements within a larger framework of business re-structuring and assistance. This is a useful perspective which contributes to an understanding of the business history of Reuters. However, in doing so he unduly minimises the exceptional circumstances of the Reuters arrangement and the special (and crucial) role Reuters played as a vehicle for the government's war-

time propaganda. He paints the Foreign Office as dancing to a tune composed by Jones and Napier and ascribes to the Foreign Office the largely reactive role of responding to Reuters' initiatives rather than one of pursuing any policy agenda of its own. In this scenario the importance of the control issue is minimised and the arrangements finally agreed (including 'share 999') are viewed merely as a means of protecting the government's financial interest in the company or as a kind of 'shadow play' of little policy significance.

But such a scenario cannot explain the 'share 999' arrangements or the tenor of Foreign Under-Secretary's (Lord Robert Cecil's) detailed eight page letter to Jones and Napier dated 8 December 1916 (to which Napier and Jones had to formally agree), the purpose of which was to 'put on record the manner in which it is intended that our controlling powers in the new Reuters company ... are to be exercised'.⁴ Why would 'share 999' be deemed necessary by the Foreign Office if the issue of the control of Reuters was not a matter of major importance to it?

While it is true that Jones sought every possible commercial advantage and was certainly not above exaggerating threats to Reuters (recognised by all as vital to Britain's war effort) in order to interest the Foreign Office in his financial proposals, it is also the case that the Foreign Office forcefully pursued its own policy agenda.

Jones was careful to take this agenda into account when framing his proposals. In one of his proposals, which sought a loan of 50,000 pounds from the government, and which he thought 'quite defensible, from a Government point of view, as an ordinary business arrangement' given that 'the sum of money involved would be comparatively small', Jones was at pains to point out that, 'At the same time, whatever wish the Government might have, in the national interests, to prevent the Telegram Company from falling into undesirable hands, would be completely fulfilled'.⁵

While it is true that the Foreign Office's stance on Reuters evolved as the War progressed and as the importance of Reuters' operations to the government grew (and, at least in this sense, policy development was 'ad hoc'), one constant was the conviction that any financial deal with Reuters could only proceed if it also worked as a vehicle for the Foreign Office to gain 'policy control' over Reuters and if the role of the government could be kept secret. Contrary to Dr Silberstein-Loeb's assessment, the government played a leading role in developing proposals to this end, particularly after the decision by the Foreign Office in August 1916 to re-open negotiations with Reuters. John Buchan's eight page 'Memorandum on the Position of Reuters' of 21 September 1916 spells out a set of 'Government desires' regarding Reuters, including a Government nominee on the Board who would 'have the power of absolute veto' on questions of public policy. He then sets out in detail how a 'Government proposal' to achieve this might be developed.⁶ While Buchan consulted Jones in the preparation of his document, it is clear that his prime purpose was to find a way of achieving the government's 'desires' or policy purposes.

Dr Silberstein-Loeb makes much of his conclusion that Jones precipitated discussion with the Foreign Office (rather than the other way round), that 'Jones and Napier submitted on their own account a proposition' to 'purchase Reuters with government backing' and that hence it was 'Reuters, and not government' that 'instigated the leveraged buyout in 1915.' While it is the case that it was Napier and Jones who first proposed a leveraged buyout, my own reading of the available documentation suggests that the Foreign Office also very actively pursued its agenda, constrained though its actions were by the need for secrecy. A brief review of the initial phase of the negotiations is instructive in this regard.

The question of whether Reuters or the Foreign Office initiated the meetings of early September 1915 remains obscure. In late August and early September, the government intercepted telegrams suggesting a possible unfriendly takeover of Reuters (Putnis 144). It is likely that these prompted the meeting between Robert Cecil and Napier which took place on the 6 September. We do not know what occurred at that meeting. However, the available evidence suggests that some kind of potentially controversial proposition was made at that meeting by Cecil. In a note to Cecil of the same date Napier wrote, 'I have been thinking over what you said today and have decided not to mention the matter to any of my colleagues until I hear from you again.' He went on to ask Cecil not to communicate with anyone in Napier's office regarding this matter.⁷

Jones comes into the picture very soon after, writing to Robert C. Witt (a government legal adviser) on 9 September that, 'I should like to deliver to you in person a letter of introduction from Mr Mark Napier who authorises me to discuss with you the subject which you and he have been confidentially going into.'⁸ However, events in the Foreign Office were moving very quickly and Jones was playing catch-up. On 10 September Cecil sought legal advice on the question of whether a binding agreement could be enforced on a company giving another party [in this case the government] the right to appoint 'X' as Managing Director in return for 'guaranteeing or paying a large sum to the Company over a fixed period'.⁹ On 11 September he wrote to Witt instructing him to 'get a provisional agreement from Napier in the form most likely to carry out our wishes.'¹⁰ This initial proposal, which gave the government control over the appointment and conduct of any future Reuters' Managing Director in return for a payment to Reuters of 20,000 pounds per year, was almost certainly a Foreign Office initiative.

However, Napier and Jones moved quickly in response to this situation immediately proposing an alternative plan which involved a government-funded leveraged buy-out of the existing company and the creation of a new company which would issue shares 'to be subscribed for and held by nominees of the Government.'¹¹ Witt advised Cecil that the effect of this plan was that 'the Government become owners of so much of the business as is acquired by the new Company' but that the plan seemed 'unnecessarily elaborate and far reaching considering that control is only desired during the period of the war.'¹² Clearly, in proposing a leveraged buy-out, Napier and Jones were (as Dr Silberstein-Loeb usefully highlights) pursuing their own business interests, while at the same time accommodating the government's desire for control. However, Witt had reservations, expressing concern at Jones' suggestion that 'the shares to be subscribed in the new Company should be five only, and should be subscribed for by the four present Directors and a Nominee of the Government.' Witt was clearly unhappy with the self-interested nature of the proposal, a likely factor in its rejection by the government (and the temporary discontinuance of negotiations) on 22 October, 1915.¹³

Jones came back in early 1916 with alternative proposals for financial assistance not involving a leveraged buy-out but these were rejected as they could not deliver the degree of control the government sought. According to Witt these proposals did not satisfactorily address the 'essential control question' in that there was nothing in them 'to prevent some outside person buying sufficient shares to give him control.'¹⁴ When negotiations resumed later that year the government's legal adviser (in this instance Alexander Lawrence) indicated that in order for any government nominee to have a 'permanent effective veto' he required 'a majority voting power.' He suggested that the best way of achieving this was to buy out the existing Company and allot the necessary shares 'in a new company direct to the Government nominee on its formation.'¹⁵

All this is to say, that there was a great deal of toing and froing in the negotiations between Reuters and the government. The final leveraged buy-out plan was jointly

developed in such a way as to achieve the government's objectives. It also suited Napier and Jones. In the December 1917 agreement both of the immediate parties were winners. The losers were Reuters' standing as an independent news agency and the cause of objective journalism.

In my 2008 paper I outlined the historiography of the Reuters/government relationship, concluding with the remark that, 'Up to this point ... the exact nature of the relationship between Reuters and the British government during World War 1 and the extent of government control over Reuters have not been documented'. I went on to say that my paper 're-examines the relationship between Reuters and the British government' (142). This is not quite the same as saying (in Dr Silberstein-Loeb's words) that I sought to 'explain the "exact nature" of the relationship between Reuters and the government.' Still, the point is taken. It is important to acknowledge that surviving records can never tell us the complete story. The records in this case appear remarkably fully preserved in the British National Archives. But even so, there are plenty of imponderables and certainly the surviving texts are capable of various interpretations particularly when the issue turns to human motivation.

Notes

¹ Foreign Office to Alexander Lawrence, 5 September 1918. TS 27/90 National Archives, UK (NA).

² Endorsement on Share Certificate No 999. TS 27/90 NA.

³ Note by R.C. Witt (the government's internal legal adviser) on Roderick Jones' memorandum on interview at Foreign Office. TS 27/79A NA.

⁴ Robert Cecil to Napier and Jones, 8 December 1916. TS 27/90. NA.

⁵ Memorandum on Separation of Reuter's Bank From Reuter's Telegram Company, Ltd., 1 February 1916. NA, TS 27/79A. As noted, Jones' comments were made in relation to his proposal for a 50,000 pound loan not, as indicated by Dr Silberstein-Loeb, in relation to the later proposal for a government surety against a 550,000 pound loan.

⁶ Memorandum on the Position of Reuters Agency. TS 27/79a NA.

⁷ Napier to Cecil, 6 September 1915. TS 27/79A NA.

⁸ Jones to Witt, 9 September 1915. TS 27/79A NA.

⁹ Cecil to Witt, 10 September 1915. TS 27/79A NA.

¹⁰ Cecil to Witt, 11 September 1915. TS 27/79A NA.

¹¹ New proposal of R.T. Company. TS 27/79A NA.

¹² Witt to Cecil, 15 September, 1915. TS 27/79A NA.

¹³ Foreign Office to Witt, 22 October. 1915. TS 27/79A NA.

¹⁴ Witt to Montgomery, 3 March 1916. TS 27/79A NA.

¹⁵ Lawrence to Montgomery, 2 October 1916. TS 27/79A NA.

Reference

Putnis, Peter. 'Share 999: British Government Control of Reuters during World War 1', *Media History*, 14 (2008): 141-165.

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