Rt Hon Vince Cable MP  
Secretary of State for  
Business Innovation and Skills  
1 Victoria Street  
London  
SW1H 0ET  

16 July 2014

Dear Vince,

Foreign Takeovers and the Public Interest

I and my colleagues on the Economic Affairs Committee (EAC) were glad of the opportunity to explore the issues when you gave evidence on 8 July.

You told us that the Government’s broad approach was to have an open economy and to attract inward investment. You described the existing UK and EU legal and regulatory framework for foreign takeover bids. This establishes the tests and powers, concerned primarily with competition. You doubted a new public interest test could be introduced into the present legal framework.

You thought that a case by case approach would lead to politicised decisions. You felt unable to answer “yes” or “no” to whether it was desirable to have an extra public interest reason for intervening in bids, since much would depend on how it was framed. You emphasised the need for undertakings by bidders to be meaningful and binding and referred to legal remedies under the framework of the Takeover Panel for companies which believe that there has been a breach of undertakings. You added that you were reflecting on whether that was a satisfactory structure.

Coverage of your plans in the “Sunday Times” of 13 July seems to take things further. For example you are reported as planning to rewrite the definition of public interest so as to protect companies that own critical infrastructure and firms that receive public funding for scientific research and development, as well as to force foreign bidders to make legally binding commitments under pain of tough financial penalties.

It would be helpful to know how far the “Sunday Times” report reflects your current plans and how the measures envisaged could be legislated for and operate.

(Signed)
(Hollick)  
Chairman, Economic Affairs Committee