

News Corporation's proposed acquisition of BSkyB

On 3 March the Secretary of State for Culture, Olympics, Media and Sport, the Rt Hon Jeremy Hunt MP, announced that, following advice from Ofcom and the Office of Fair Trading (OFT), he intends to accept undertakings from News Corporation on their proposed merger with BSkyB in lieu of a referral to the Competition Commission.

A notice of consultation on the undertakings has been launched today and expires on 21 March.

The Secretary of State is required to look at the specific issue of media plurality related to the merger (competition issues having already been dealt with at European level) and issues of plurality focus on the provision of news.

The undertakings that News Corporation has offered would involve Sky News being 'spun-off' as an independent public limited company. The shares in that company would be distributed amongst the existing shareholders of BSkyB in line with their shareholdings - News Corporation would therefore retain a 39.1 per cent stake in the new company. To ensure editorial independence and integrity in news reporting, the company would have a board made up of a majority of independent directors, including an independent chair, and a corporate governance and editorial committee made up of independent directors (who would have no other News Corporation interests). News Corporation would not be allowed to increase its shareholding in the new company without permission from the Secretary of State for 10 years.

The company would have a ten year carriage agreement and a seven year renewable brand licensing agreement to ensure its financial viability – measures considered by the regulators to be long term in the rapidly-changing media sector.

Jeremy Hunt said: "I am consulting on proposed undertakings from News Corporation. Informed by advice from the regulators, I believe that these will address concerns about media plurality should the proposed News Corporation/BSkyB merger go ahead. The undertakings offered would ensure that shareholdings in Sky News would remain unchanged, and indeed offer it more independence from News Corporation than it currently has.

"Throughout this process I have been very aware of the potential controversy surrounding this merger. Nothing is more precious to me than the free and independent press for which this country is famous the world over. In order to reassure the public about the way this decision has been taken I have sought and published independent advice at every step of the way, even when not required to do so by law. And I have followed that independent advice."

Once the Secretary of State has considered responses to the consultation, he will reach a decision on whether he still believes that the undertakings in lieu should still be accepted. If, after consultation, he is still of the view that the undertakings in lieu which News Corporation has offered address the concerns about media plurality, he will accept them and not refer this merger to the Competition Commission.

For further information you may wish to look at the DCMS website:

http://www.culture.gov.uk/news/news_stories/7883.aspx