

## Oral Statement: News Corporation's proposed acquisition of BSkyB

Thursday 3 March 2011

**The Secretary of State for Culture, Olympics, Media and Sport (Mr Jeremy Hunt):** With permission, Mr Speaker, I should like to make a statement about News Corporation's proposed acquisition of BSkyB. I start by thanking both the Office of Fair Trading and Ofcom for their detailed, thorough and independent analysis, which has been produced to a challenging time scale. My decision today relates to the plurality of news provision, not competition or market power issues, which were ruled on by the European Commission on 21 December 2010.

Earlier this morning, I announced that the independent media regulator, Ofcom, had advised me that undertakings in lieu offered by News Corporation would address the plurality concerns that Ofcom had identified in its report to me of 31 December 2010. I also announced that the OFT considered the undertakings to be practically and financially viable for up to 10 years. In the light of this independent advice, I propose to accept such undertakings instead of referring the matter to the Competition Commission.

As the Enterprise Act 2002 requires, I have today published these undertakings for public consultation. For the sake of transparency, I have also published all the advice that I have received from Ofcom and the OFT, together with correspondence between myself and News Corporation and a time line for the process I have followed, including details of all meetings I have held. I hope that hon. Members will have time to study these undertakings during the formal consultation that will start today. However, it may help if I outline the main points.

The undertakings would ensure that Sky News is spun off as an independent public limited company. The shares in that company would be distributed among the existing shareholders of BSkyB in line with their existing shareholdings. News Corp would therefore retain a 39.1% stake in the new company, although it will not be allowed to increase this shareholding for 10 years without the Secretary of State's permission. In other words, even if the proposed News Corp/Sky merger goes ahead, News Corp's shareholding in Sky News will remain the same as at present.

The new company would have a 10-year carriage agreement and a seven-year renewable brand licensing agreement with the newly merged News Corp/Sky so as to ensure its financial viability. Unlike the board to which Sky News currently reports, the chairman would be required to be an independent director. Unlike at present, the board would have a corporate governance and editorial committee to ensure compliance with the principles of editorial independence and integrity in news reporting. For the first time, the requirement for the company to adhere to Ofcom's broadcasting code would be enshrined in the new company's articles of association.

In short, the editorial independence of Sky News will be better protected not only than it would have been had Sky News formed part of the buy-out of Sky shares, but even than it is right now. The principles of the arrangements are clear and set out in the proposed undertakings. There are still some detailed provisions of carriage, brand licensing and certain operational agreements that need to be finalised, and the terms ensure that such agreements need to be approved by me. In deciding whether or not to approve them, I will again take the advice of Ofcom and the OFT as appropriate. The merger cannot, of course, go ahead until I have been satisfied on all these matters.

### back to top

I also want to draw the House's attention to the long-term sustainability of these undertakings. The OFT has said that the undertakings are likely to be practically and financially viable in the short and medium term, but expressed concerns about whether they would be viable over the longer term. It stated, however, that the appropriate time frame in this market was for me to decide, with Ofcom's advice.

Ofcom has considered the impact of a 10-year carriage agreement in the context of the media industry, and it has expressed the view that, in a rapidly changing media and technological environment, a carriage agreement of 10 years is a long-term measure. I agree with its independent view about the difficulties of predicting with any certainty how the plurality issues will develop over a longer time frame. However, I will of course reach a final conclusion on that and other aspects of the undertakings only after the consultation is complete.

Consequently, on the basis of the independent advice I have received, I have concluded that a referral to the Competition Commission would not be merited at this stage, and instead I propose to consult on the undertakings in lieu, the final version of which has also been placed in the Libraries of both Houses and on my Department's website.

In line with the legislation, I am opening a consultation period, during which time all interested parties will be able to express their views on the undertakings. Once I have considered representations, I will reach a decision on whether I still believe that the undertakings should be accepted in lieu of a referral. If, after consultation, I am still of the view that the undertakings address the concerns about media plurality, I will accept them and not refer the merger to the Competition Commission.

I should add that, quite separately to my consideration of the merger, I have carefully noted Ofcom's point that there is a potential weakness in the current public interest test with respect to media plurality—namely, that it can be applied only when there is a commercial transaction to consider. That wider question is one that I intend to consider in the context of the forthcoming review of communications regulation which I announced earlier this year.

Throughout the process, I have been very aware of the potential controversy surrounding the 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 in which the decision has been taken, I have sought and published independent advice at every step of the way, even when not required to by law. After careful consideration, I have followed that independent advice. The result is that, if the deal goes ahead, Sky News will be able to continue its high-quality output with greater protections for its operational and editorial independence than those that exist today. For those people who have concerns about the plurality of news provision, I hope that that will be a welcome step forward. As such, I commend this statement to the House.

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**[Back to main](#)**

**[Next >](#)**

**[Back to top](#)**