[GB] Minister Intends to Accept Undertakings to Permit Merger of News Corporation and BSkyB to Go Ahead

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The Secretary of State for Culture, Olympics, Media and Sport has announced that he intends to accept undertakings from News Corporation on their proposed merger with BSkyB rather than referring the merger to the Competition Commission (see IRIS 2011-2/4; IRIS 2011-3/22). The minister took advice from Ofcom, the communications regulator, and from the Office of Fair Trading, the competition authority, before doing so, and allowed 18 days for consultation on the proposed undertakings. The use of undertakings avoids the delay of six-eight months that referral to the Competition Commission would entail, which might have resulted in BSkyB becoming too expensive for News Corporation to succeed in its bid. The merger was already approved by the European Commission on competition grounds (IRIS 2011-2/4) and the current process only relates to issues of media plurality, in particular in relation to news provision.

The undertakings would involve Sky News being 'spun off' as an independent public limited company. The shares in the new company would be distributed amongst existing BSkyB shareholders in line with their shareholdings, so shareholdings in Sky News would remain as if the merger had never happened and News Corporation would retain a 39.1% 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 with no other News Corporation interests. At least one board member must have senior editorial and/or journalistic experience. News Corporation would not be allowed to increase its shareholding in the new company without permission from the Secretary of State for ten years. The new company would have a ten-year carriage agreement and a seven-year renewable brand licensing agreement to ensure its financial viability.

Department for Culture, Media and Sport, 'News Corp-BSkyB merger update', 3 March 2011

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

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