[GB] Bid to Merge BSkyB and News Corp Withdrawn after Phone-Hacking Scandal

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Tony Prosser
University of Bristol Law School

The long-running story of the bid by News Corporation to purchase the whole of BSkyB (see IRIS 2011-2/4, IRIS 2011-3/22 and IRIS 2011-5/25) has reached a surprising conclusion with the withdrawal of the bid as a result of the effect of the UK phone-hacking scandal on the reputation of News International.

In March, the Secretary of State for Culture, Media and Sport had announced that he intended to accept undertakings from News Corporation as an alternative to referring the bid to the Competition Commission for a full investigation on plurality grounds. The undertakings would have involved Sky News being “spun off” as a separate company, with a number of special protections for its editorial independence. After consultation, revised undertakings were published for final consultation in June. It was assumed that after this consultation the undertakings would be accepted by the Secretary of State so that the merger could be implemented.

However, at the beginning of July it was found that journalists from the News of the World, a News International paper, had engaged in widespread illegal phone-hacking. This had included hacking into the voicemail of a murdered schoolgirl during the police search for her and the deletion of messages on her voicemail by journalists. As a result of public revulsion, the News of the World (the UK’s best-selling Sunday newspaper) was closed by News International; political fallout was widespread and resulted in the resignations of the Commissioner and Assistant Commissioner of the Metropolitan Police due to links with News International and the failure of an earlier police investigation. The events will also result in major changes to the regulation of the press in the UK, with the Prime Minister having announced the end of the self-regulatory Press Complaints Commission and the establishment of two inquiries into the police investigation and the culture, practices and ethics of the press.

The consultation on the undertakings received no fewer than 156,000 electronic submissions, largely by internet campaigns against the merger; reading them would have delayed the process even further. On 11 July the Secretary of State referred to the serious public concern that News Corporation should be able to take control of what would become Britain’s biggest media company and News Corporation withdrew its undertakings, thereby forcing a reference of the bid to

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the Competition Commission on plurality grounds. Two days later News Corporation announced that the bid was withdrawn.

This may not be the end of the story. There is speculation that the bid may be renewed when the political climate has eased. However, Ofcom, the UK communications regulator, has announced that it is considering whether News Corporation is a "fit and proper person" to hold a broadcasting licence, as required under the Broadcasting Acts. Should it find in the negative, this could force the divestment of News Corp's existing 39% stake in BSkyB.

Department for Culture, Media and Sport, 'News Corp - BSkyB Merger Update', Press Release, 30 June 2011

http://www.culture.gov.uk/news/news_stories/8259.aspx

Department for Culture, Media and Sport, "News Corp - BSkyB Merger to be Referred to the Competition Commission", Press Release, 11 July 2011

http://www.culture.gov.uk/news/news_stories/8286.aspx

Ofcom, Letter to John Whittingdale, MP, Press Release, 8 July 2011

http://media.ofcom.org.uk/2011/07/08/letter-to-john-whittingdale/

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