



ASSOCIATED  
NEWSPAPERS



NORTHCLIFFE MEDIA

Trinity Mirror plc

telegraphmediagroup



18 JAN 2011

Rt Hon Danny Alexander MP  
House of Commons  
London  
SW1A 0AA



CRSIS

16 December 2010

Dear Mr Alexander,

I am writing to you on behalf of BT, Guardian Media Group, Associated Newspapers, Trinity Mirror, Northcliffe Media and Telegraph Media Group with regard to the proposed takeover of British Sky Broadcasting ("BSkyB") by Rupert Murdoch's News Corporation. Weber Shandwick is working with this group, and providing secretariat support.

As you may be aware, on 4<sup>th</sup> November Business Secretary Vince Cable MP issued an intervention notice and referred News Corporation's proposed acquisition to Ofcom to "investigate and report [to Dr Cable] on the media plurality issues that may arise from this proposed acquisition". The deadline for Ofcom to complete its report is 31<sup>st</sup> December 2010 and Dr Cable has until 15<sup>th</sup> January 2011 to decide whether to refer the case to the Competition Commission for a full inquiry.

Our clients believe that the evident threat to the plurality of news provision and the democratic process presents a compelling case for the takeover to be subject to full and independent scrutiny by the Competition Commission. The group has submitted a detailed case to Ofcom outlining the evidence for this, and some companies have also chosen to make individual submissions. I am pleased to enclose a summary of the key arguments for your information.

We hope that Dr Cable will refer the case to the appropriate competition authorities and would welcome your support in ensuring that the Secretary of State is made fully aware of the issues at stake.

If you require any more information or would be interested in a telephone or face-to-face briefing, please don't hesitate to get in touch on the numbers below.

Yours sincerely,



Chairman  
Weber Shandwick Public Affairs

*On behalf of BT, Guardian Media Group, Associated Newspapers, Trinity Mirror, Northcliffe Media and Telegraph Media Group*



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**Summary of arguments to Ofcom against the proposed NewsCorp/BSkyB merger**

- News Corporation does not already control BSkyB - currently it only owns 39% of shares.
- Purchasing the remaining 61% will give News Corporation outright control. BSkyB's operations could then be directed for the financial and/or political benefit of News Corporation.
- The proposed takeover would give News Corporation complete control of one of only two commercial television news providers in the UK. And in addition to Sky News, BSkyB also provides the news content for Channel 5 News and virtually all commercial radio news.
- News Corporation is already by far the largest supplier of newspapers in the UK, with 37% of total newspaper circulation. The news outlets supplied by the merged entity will reach at least 52% of the adult population.
- This is an evident threat to the plurality of news provision in the UK. Any properly functioning democracy relies on a wide range of independent news providers.
- Combining the largest newspaper group with the key commercial broadcast news provider will also distort the fair and objective reporting of stories between media. BSkyB would have a commercial incentive to favour stories featured in News Corporation newspapers, reducing the ability of other sources to contribute to the wider news agenda.
- The merged business would have a strong incentive to offer consumers a “bundle” of Sky TV and a News Corporation newspaper/online subscription. Such a strategy would place severe financial pressure on competing newspapers, threatening their survival or, at the least, weakening their ability to contribute to the news agenda. This in turn would reduce plurality even further.

**Please turn over for a more detailed analysis of these arguments.**

### **News Corporation does not already control BSkyB**

Currently, the fact that News Corporation is only a minority shareholder in BSkyB means that the directors of BSkyB legally cannot seek to favour News Corporation over other shareholders. Independent directors are able to act as a constraint on News Corporation's influence on BSkyB at a boardroom level. If News Corporation owned 100% of BSkyB these constraints would be removed and BSkyB's operations could then be directed for the financial and/or political benefit of News Corporation.

The House of Lords Select Committee on Communications reported that News Corporation's Chairman and Chief Executive, Rupert Murdoch, "exercises editorial control [over wholly owned News Corporation outlets] on major issues – like which Party to back in a general election or policy on Europe." Indeed, it has been reported that the editors of all 175 significant News Corporation titles were supportive of the decision to go to war in Iraq, a degree of consistency which shows not just the dominant force of the proprietor but the limits on internal plurality. In contrast, it is clear that News Corporation does not and cannot currently control Sky News – indeed, Mr Murdoch has expressed his frustration at his inability to influence Sky News, openly telling the Committee that the only reason Sky News was not more like Fox News was that "nobody at Sky listens to me". The Competition Commission has previously confirmed that News Corporation does not currently control Sky News.

### **The takeover combines two key news sources**

News Corporation is by far the largest UK newspaper supplier, with a circulation of almost 8 million amounting to 37% of total newspaper circulation in the UK. If the takeover is allowed to proceed, the merged entity would additionally control one of only two commercial suppliers of television news (ITN, supplying ITV and Channel 4, being the other) and virtually all commercial radio news.

News Corporation and BSkyB are two of the strongest and largest voices in the UK news media – with unrivalled financial and editorial resources. It is estimated that between them News Corporation and BSkyB have an editorial staff of over 2,100 – which is almost as many as all the other national newspapers combined (estimated at around 2,650). Applying a standard advertising measurement of reach, the news outlets supplied by the merged entity would reach at least 52% of the adult population. Therefore, the takeover would seriously and immediately reduce plurality by combining the two of the largest and strongest news providers in the UK.

### **How the news agenda is set in the UK**

There is a clear relationship between different forms of media; they do not report news independently of one another. Rolling TV news plays a key role in setting the real time news agenda. Conversely, newspapers rely on broadcasters reporting their stories to get coverage beyond their direct readership. In a market with a wide number of independent news sources this cross-fertilisation of news and ideas gives consumers exposure to a more diverse news agenda. However, the process relies on objective reporting of each platform's output by the other.

This is clearly threatened when there is cross-ownership of important outlets in both newspapers and TV e.g. BSkyB will have a direct commercial incentive to favour stories in News Corporation newspapers thereby reducing the diversity of the news agenda. As a result, the takeover will further reduce plurality by restricting third parties' ability to influence the agenda.

### **The commercial impact on other news providers**

The merger will give News Corporation increased power to push consumers towards its other media outlets. For example, the merged business would have a strong incentive to offer consumers a bundle of Sky TV and a News Corporation newspaper subscription (whether print or online or both). Such a bundling strategy would translate directly into greater financial pressure on competing newspapers, threatening their survival or, at the least, weakening their ability to compete.

### **No obvious remedies**

There is no obvious remedy to address the plurality concerns; in particular, editorial independence undertakings alone would be ineffective. Therefore, it is essential that any concerns identified by OFCOM are subject to a full investigation by the Competition Commission.

**From:** Wronka, Richard - HMT  
**Sent:** 18 January 2011 18:34  
**To:** Office, CST's - HMT; [REDACTED]  
**Cc:** CBIS, Team Leaders - HMT; [REDACTED] Chancellor's, Info - HMT;  
[REDACTED] HMT; Goldsworthy, Julia - HMT; Perm Sec, Info - HMT; [REDACTED]  
HMT; Special Advisers - HMT; Neal, Lewis - HMT; Schofield, Peter - HMT; Bates, Liz -  
HMT [REDACTED] HMT  
**Subject:** [RESTRICTED] RE: Proposed takeover of BSkyB . McLeod to CST

This is a nil response - the issue is solely for the DCMS SoS and the relevant competition authorities

Thanks

DIGITAL, AVIATION & WATER  
Transport, Regulation and Competition Team HM Treasury

Tel: [REDACTED]  
E-mail: [REDACTED]

-----Original Message-----

**From:** Office, CST's  
**Sent:** 18 January 2011 18:28  
**To:** [REDACTED]  
**Cc:** CBIS, Team Leaders; [REDACTED] Chancellor's, Info; [REDACTED]  
Goldsworthy, Julia; Office, CST's; Perm Sec, Info; [REDACTED] Special Advisers  
**Subject:** [RESTRICTED] Proposed takeover of BSkyB McLeod to CST

Please find attached correspondence received by the Chief Secretary's office.

If a draft response or submission is required, it should be sent to CST action within 10 working days, or at least 2 working days before any deadline, with the original correspondence attached.

If another official is better placed to handle this correspondence then please reply as soon as possible so it can be redirected.

Thanks

Chief Secretary's Office

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