

Department for Culture, Media and Sport
Rt Hon Jeremy Hunt MP
Secretary of State

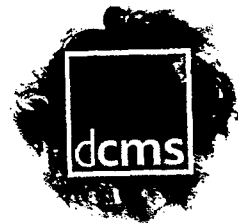
2-4 Cockspur Street
London SW1Y 5DH

Tel [REDACTED]
Fax [REDACTED]
www.culture.gov.uk

CONFIDENTIAL

CMS 166464/asg

James Murdoch
Chairman and Chief Executive
News Corporation
3 Thomas Square
London
E98 1EX



department for
culture, media
and sport

15 February 2011

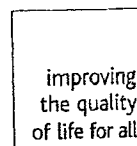
Dear James

NEWS CORP/BSKYB MERGER

In a letter to me of 18 January from Allen & Overy, you sent me a set of proposed undertakings which News Corporation would be willing to give in lieu of my making a reference to the Competition Commission. I announced on 25 January that I would consider undertakings in lieu in respect of the above merger. I also indicated that I would ask OFT and Ofcom to consider the proposed undertakings in lieu with a view to advising me as to whether they considered that they would address concerns about plurality and be workable.

I have now received reports from both regulators which I enclose. It is clear from the reports that OFT and Ofcom have considered the proposals in some detail and worked with News Corp in relation to them. Progress has been made in discussion with Ofcom and the OFT in regard to concerns about plurality. There are nevertheless a number of substantive issues outstanding which mean that neither Ofcom nor the OFT have been able to give a definitive recommendation.

If the substantive issues are not resolved, I do not consider that it would be appropriate for me to accept such undertakings and as such I will refer the matter to the Competition Commission. If, on the other hand, the substantive issues identified by Ofcom and OFT have been dealt with, I believe that I would be in a position to give serious consideration to accepting them.



There are therefore four critical matters which need to be resolved if I am to consider accepting your undertakings:

- The Board of Newco would need to be independently chaired. I agree with Ofcom's assessment that, without such an undertaking, the Newco Board could appoint a Chairman who is affiliated with News Corporation which would undermine the spirit and potentially the practical effect of undertakings designed to address concerns about plurality.
- There needs to be a non-reacquisition commitment as set out by the OFT. Whilst I understand that it is proposed that this could lapse after 10 years, I quite understand the OFT's concern that there should not be a "carve-out" in the event of a third party bid for Newco.
- The key contracts would need to be approved by me. At a minimum this would cover the carriage agreement and the brand licensing agreement. I would anticipate asking Ofcom and the OFT to advise me on these contracts at the appropriate time.
- There needs to be more clarity around the definition of "material transactions" (as identified in para 8.11 of the OFT report) and the assets to be transferred (paragraph 9.7-9.14).

There are also a number of other important issues where there is agreement in principle, or a large measure of agreement, and these too would need to be agreed and incorporated into the undertakings in lieu.

If you are unwilling to agree to the necessary changes, I will refer the merger to the Competition Commission. If, on the other hand, you will accept that in principle these changes can be made, and confirm that to me within 24 hours, I will formally ask Ofcom and the OFT to continue their discussions with News Corp with a view to producing as soon as possible a set of finalised undertakings in lieu which I can consider. If I then propose to accept those finalised undertakings in lieu of a reference, they can then be published and consulted on as the legislation requires.



Rt Hon Jeremy Hunt MP
Secretary of State for Culture, Olympics, Media and Sport