

# Murdoch drops bid for British Sky Broadcasting

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(AP) -- In a stunning retreat, Rupert Murdoch's News Corp. media empire dropped its bid Wednesday to take over full control of British Sky Broadcasting amid a political and legal firestorm over phone hacking at one of its British newspapers.

Murdoch stepped back from making potentially his biggest, most lucrative acquisition, accepting that he could not win British government acceptance of the takeover since the country's major political parties had united against it.

"It has become clear that it is too difficult to progress in this climate," News Corp. deputy chairman and president Chase Carey said in a brief statement to the London Stock Exchange.

Shares in BSkyB dived 4 percent lower after the announcement, but quickly rebounded to trade around 1 percent down.

Hours earlier, Prime Minister David Cameron announced he was putting a senior judge in charge of an inquiry into [phone hacking](#) and alleged police bribery by one of Murdoch's British tabloids, News of the World. The British leader also vowed to investigate an allegation that a U.K. reporter may have sought the phone numbers of 9/11 terror victims in a quest for sensational scoops.

"There is a firestorm, if you like, that is engulfing parts of the media, parts of the police, and indeed our political system's ability to respond,"

Cameron said in the House of Commons. He said the focus must now be on the victims - police say they will be contacting over 3,700 people in the probe - and making sure the guilty are prosecuted.

It is a bitter irony for Murdoch that News of the World, his first British acquisition in 1969, sabotaged his ambitions to control the nation's most profitable broadcaster. The media baron had shut down the 168-year-old muckraking tabloid Sunday and flew to London in a desperate scramble to keep the BSkyB bid alive.

The scandal cost another media executive his job. News International, the British unit of News Corp., said its legal director, Tom Crone, had left the company. Crone had led an internal inquiry that concluded only two people at the News of the World had been involved in phone hacking of celebrities, politicians, top athletes and murder victims - a stance that collapsed as numerous revelations tumbled out this year.

"This is a victory for people up and down this country who have been appalled by the revelations of the phone hacking scandal and the failure of News International to take responsibility," said Labour Party leader Ed Miliband, who had mobilized all of Britain's major parties to unite behind a motion urging Murdoch to back off the BSkyB bid.

Murdoch had hoped to gain control of the 61 percent of BSkyB shares that his News Corp. doesn't already own.

"People thought it was beyond belief that Mr. Murdoch could continue with his takeover after these revelations," Miliband said.

Outrage has grown and Murdoch's News Corp.'s share price has fallen since a report last week that his News of the World tabloid hacked into the phone of teenage murder victim Milly Dowler in 2002 and may have impeded a police investigation into her disappearance. That was

followed by claims of intrusion into private records by Murdoch's other U.K. papers, The Sun and The Sunday Times.

Police have arrested eight people so far in their investigation, including Cameron's former communications director Andy Coulson, a former editor of News of the World. No one has been charged.

Dowler's family met with Cameron at 10 Downing Street on Wednesday. Mark Lewis, a lawyer for the family, said they were pleased that politicians reacted "so quickly in response to the outrage of the public."

Cameron appointed Lord Justice Brian Leveson to lead the inquiry, which will be able to compel witnesses - including government figures - to give evidence under oath.

Leveson will first investigate the culture, practices and ethics of the press, its relationship with police and the failure of the current system of self-regulation. That inquiry is expected to last up to one year. Only then will the inquiry focus shift to what went wrong at the News of the World and other papers, Cameron said.

The judge said some aspects of his work would have to wait until the criminal investigation is complete.

"The press provides an essential check on all aspects of public life. That is why any failure within the media affects all of us," Leveson said. "At the heart of this inquiry, therefore, may be one simple question: who guards the guardians?"

The suggestion that 9/11 victims may have been targeted surfaced Monday in the Mirror, a British competitor of The Sun. It quoted an anonymous source as saying an unidentified American investigator had rejected approaches from unidentified journalists who showed a

particular interest in British victims of the terror attacks. It cited no evidence that any phone had actually been hacked.

In Washington, Sen. Jay Rockefeller, a Democrat from West Virginia, urged an investigation into whether Murdoch's News Corp. had violated U.S. law because of the British paper's activities.

If there was any hacking of phones belonging to 9/11 victims or other Americans, "the consequences will be severe," said Rockefeller, chairman of the Senate Committee on Commerce, Science and Transportation.

A report Wednesday in The Wall Street Journal, which is part of [News Corp.](#), said Murdoch has met with advisers over recent weeks to discuss possible options, including the sale of his remaining British newspapers - The Sun, The Times and The Sunday Times.

The Journal, citing unidentified people familiar with the situation, said there didn't appear to be any buyers given the poor economics of the newspaper division.

Still, a defiant mood was evident at one News International paper, The Sun tabloid, which slapped the headline "Brown Wrong" across its front page in response to claims by former Prime Minister Gordon Brown that the paper had obtained confidential medical records of his younger son.

Brown accused Murdoch's papers, including The Sun and The Sunday Times, of obtaining his confidential bank accounts, tax records and even health information about his son, Fraser, who suffers from cystic fibrosis, using fraudulent, criminal means. But, the newspaper insisted it learned of the boy's ailment from the father of another child with the same condition, and that it contacted the Browns, who consented to the story.

"We are not aware of Mr. Brown, nor any of his colleagues to whom we spoke, making any complaint about it at the time," The Sun said.

News International responded to Brown's accusations by asking him for any information that would help to investigate them.

Police in the U.K. are pursuing two investigations of News International, one on phone hacking and the other on allegations that the News of the World bribed police officers for information.

Hugh Orde, president of the Association of Chief Police Officers, urged News International to come clean about any payments.

"Let's not play around with legal games here: If they have names, dates, times, places, payments to officers, we would like to see them so that we can lock these officers up and throw away the key," Orde told the British Broadcasting radio.

Police officials have indicated the bribery investigations involve about half a dozen officers.

London Mayor Boris Johnson said Wednesday that he had been informed that his telephone had been hacked, but he decided not to take legal action.

"Why on earth should I go through some court case in which it would have inevitably involved going over all the pathetic so-called revelations that the News of the World had dug up?" Johnson said.

"Why should I, when the police had made it clear to me when they had abundant evidence?" he added.

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