

UK regulator finds BSkyB 'fit and proper' (Update)

September 20 2012, by Robert Barr

(AP)—British Sky Broadcasting is a "fit and proper" company to hold an operating license, U.K. regulators said Thursday in response to the phone hacking scandal that engulfed the parent company. But it criticized the former CEO and chairman, James Murdoch, for poor management.

The company's license was called into question because of the scandal at a newspaper owned by News Corp., which effectively controls BSkyB through a 39 percent shareholding.

If the company had not be found "fit and proper" it could have been stripped of the license that yielded a net profit of \$1.4 billion in the year ending June 30.

The Office of Communications, known as Ofcom, concluded that James Murdoch was not complicit in a cover up at the tabloid News of the World, but his failure to initiate appropriate action on a number of occasions was "difficult to comprehend and ill-judged."

The report also found no evidence that Rupert Murdoch, James' father and CEO of News Corp., "acted in a way that was inappropriate in relation to phone hacking, concealment or corruption by employees" of his British newspapers.

Though Ofcom said it might review the situation if there are further revelations, the decision removed any immediate threat of BSkyB losing its license. The company's shares were up 0.9 percent at 733.5 pence in

late morning trading in London.

"After a lengthy review process, we are pleased that Ofcom has now reached its conclusion and we look forward to continuing to develop our business for the benefit of customers and shareholders alike," BSkyB said in a statement.

News Corp. also welcomed the regulator's decision but contended that some statements about James Murdoch were "not substantiated by evidence."

James Murdoch became executive chairman of News Group Newspapers—publisher of The Sun and the now-defunct News of the World—and its parent company News International—which also owns The Times newspapers—in January 2008 and held the position until February this year. Both companies are ultimately owned by News Corp.

The phone hacking scandal, along with other allegations, has spawned investigations by a Parliamentary committee, a formal inquiry led by a judge, criminal charges against some journalists—including Rebekah Brooks, former chief executive of News International—and civil suits which forced the company to pay large settlements.

Public outrage following reports that the phone of a young murder victim had been hacked also led to News Corp. deciding two years ago to drop its bid to take full control of BSkyB.

Ofcom noted contradictory evidence by James Murdoch and two former senior employees about when Murdoch became aware that phone hacking at the News of the World went far beyond the company's long-standing claim that it involved a single rogue reporter and a private detective.

However, it said there was no evidence that he knew of "widespread wrongdoing or criminality" at News of the World.

The regulator limited itself to criticizing James Murdoch's actions as company director.

"We consider James Murdoch's conduct, including his failure to initiate action on his own account on a number of occasions, to be both difficult to comprehend and ill-judged."

Since February, James Murdoch has been a non-executive director of the company, and one of only four people on the 12-member board with connections to News Corp.

In May, the House of Commons' Culture, Media and Sport Committee concluded that Rupert Murdoch was "not a fit person to exercise the stewardship of a major international company." That conclusion, on a partisan split of 6-4, had no practical effect, however.

In its statement, News Corp. said it was pleased that Ofcom found that evidence related to misdeeds at the newspapers "does not provide any basis to conclude that News Corp. and Rupert Murdoch acted in a way that was inappropriate, and that there is similarly no evidence that James Murdoch deliberately engaged in any wrongdoing."

"We disagree, however, with certain of the report's statements about James Murdoch's prior actions as an executive and Director, which are not at all substantiated by evidence," News Corp. said.

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