

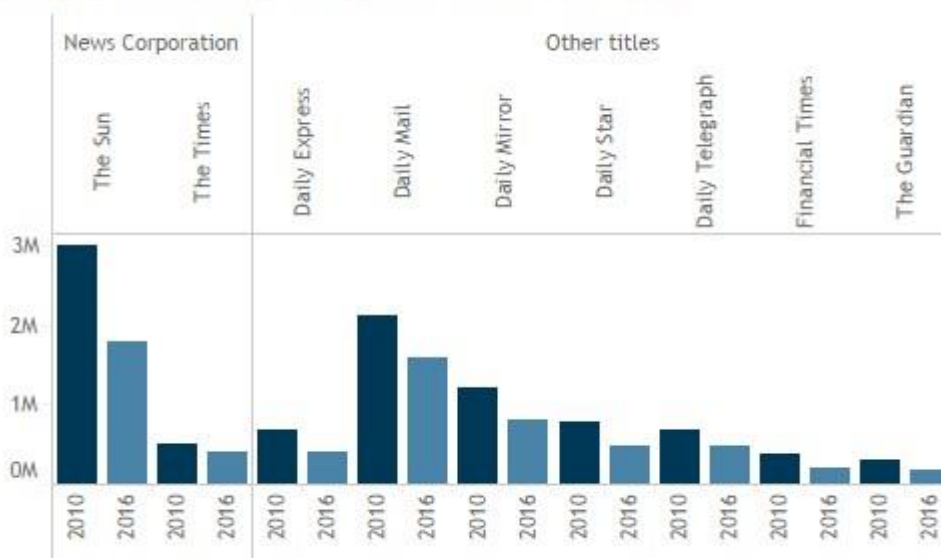
Murdoch reaches for the Sky - will he fall flat again?

Blog post by Senior Adviser Geoffrey Norris, 01 December 2016

Following yesterday's formal confirmation of 21st Century Fox's bid to take control of Sky, UK Culture Secretary Karen Bradley will soon need to decide on whether to launch a public interest investigation into the takeover. There is a strong sense of déjà vu with News Corporation's ill-fated bid for BskyB in 2010.

For the Murdoch family - the owners of Fox - Sky is unfinished business. News Corporation first launched a bid to take full control of the then BskyB in 2010 but withdrew in the face of the controversy over phone hacking by journalists at News Corporation titles. The regulatory process was hugely controversial. Back in 2010, the UK media regulator Ofcom's view was that the merger could pose a plurality problem in combining Sky's news broadcasting with News Corporation's UK newspaper titles. In 2016, there are some reasons to think things may be different. Both 21st Century Fox and the media landscape are different to 2010. How much will this matter for politicians and regulators?

Average daily newspaper circulation (Jan-10 and Jan-16)



Source: ABC

Most immediately, Sky is a different business to BskyB: alongside Sky in the UK, it now also includes Sky in Germany and Italy, though the UK business still dominates revenues. The bidding Murdoch business is also different: News Corporation has now been split into a separate print media company, News Corp, and the TV and film company, 21st Century Fox. One consequence is that some of the concerns about the 2010 bid, such as the ability to cross-subsidise for anti-competitive purposes from one side of the business to another, are unlikely to apply to this bid.

The media landscape has changed rapidly in ways which may influence the position of Ofcom. Firstly, UK newspaper circulation has shrunk dramatically and, while it remains the UK's leading newspaper group, News Corp's share has shrunk, most notably the Sun has lost 41% of its readership.

Secondly, traditional forms of media have been increasingly challenged by alternative sources of news content, often distributed via online news aggregators such as Google and Facebook. Should the decision be referred to Ofcom, it is likely to reassess its dismissive approach from 2010 that the "multitude of internet sites" were merely a route to "access" news, rather than providing new sources of news.

This changed environment may explain the comparatively muted political reaction to the merger and the bullish attitude from James Murdoch, CEO of Fox, who has claimed that "no meaningful concessions will be needed". However, the changed circumstances may not prove sufficient to avoid a formal regulatory process if political calculus requires it. The alleged power of Rupert Murdoch over politicians has been a source of controversy for decades and as Karen Bradley, and no doubt Prime Minister Theresa May, ponder what to do, they are likely to see wisdom in involving the independent regulator Ofcom in approving the takeover, rather than it just being seen as a rubber stamp. At a time when the government has committed itself to "stand up to the powerful", this political sensitivity should not be underestimated.