

J R J Murdoch
First Statement
JRJM 1 to JRJM 13
16 April 2012

**IN THE MATTER OF THE LEVESON INQUIRY INTO THE CULTURE,
PRACTICES AND ETHICS OF THE PRESS**

WITNESS STATEMENT OF JAMES RUPERT JACOB MURDOCH

I, **JAMES RUPERT JACOB MURDOCH**, of 1211 Avenue of the Americas, New York, NY 10036 **WILL SAY** as follows:

1. **Please state who you are and provide a brief summary of your career history.**
 - 1.1 I am Deputy Chief Operating Officer of News Corporation.
 - 1.2 I was born in the United Kingdom in 1972. My family moved to the US in 1975. I attended Harvard University from 1992 to 1995. When I left college, I spent the first two years of my working life as a founder and partner in a New York-based hip-hop record label.
 - 1.3 I started my News Corporation career in New York in 1996, working in various corporate capacities, including with respect to the company's early involvement in digital and online media. I became the Chairman and Chief Executive Officer of STAR Group Limited in Asia in 2000, at which time I moved to Hong Kong. STAR TV is a broadcasting business with primary operations in India, greater China and South East Asia, comprising entertainment, news and sports broadcasting channels, primarily at the time in Hindi, Mandarin and Cantonese.
 - 1.4 In late 2003 I was appointed to British Sky Broadcasting Group plc ("BSkyB"), a publicly listed entity in the UK, as its Chief Executive Officer. At that time, I resigned all of my associated positions with News Corporation. BSkyB is a UK-based pay TV, internet services and communications company. Its primary operations are in England and Scotland. It has more than 18,000 permanent employees and a further 4,000 contract staff and had revenues of £6.6 billion for the 12 months to 30 June 2011. News Corporation owns 39.1% of BSkyB's issued share capital and its voting rights are capped contractually at 37.19%.
 - 1.5 In December 2007, I resigned as Chief Executive Officer of BSkyB and was appointed by the BSkyB Board of Directors as non-executive Chairman. I rejoined News Corporation as Chairman and Chief Executive Officer for Europe and Asia at that time. I oversaw subsidiaries, affiliates and joint ventures including our interests in BSkyB, Sky Italia, Sky Deutschland, STAR TV, News International, Fox Turkey and companies in eastern Europe and Russia (which have since been sold) and a range

of investments and joint ventures in the Middle East and Asia. My role was a multi-regional one. My primary focus has been television and digital businesses. The nature of this role required significant travel outside the UK. In a role like this, I believe it is essential to select strong leaders of individual operating businesses and to give them the degree of autonomy necessary to respond to local conditions and meet customer and audience needs.

- 1.6 As part of my role as Chairman and Chief Executive, Europe and Asia, I became Executive Chairman of News International in December 2007. Previously, Les Hinton, had been Executive Chairman of News International and ran the company on a daily basis before he moved to New York to become Chief Executive Officer of Dow Jones & Company.
- 1.7 In March 2011 I was appointed Deputy Chief Operating Officer and Chairman and Chief Executive Officer, International, of News Corporation. I retained my responsibility for Europe and Asia. I also took on a broader mandate as deputy to the company's Chief Operating Officer, Chase Carey.
- 1.8 It was intended that I would move to News Corporation's headquarters in New York following these appointments. The move was completed earlier this year.
2. **Please provide a full, including historical, account of your role(s) in relation to the commercial interests of Rupert Murdoch in the UK or any part of it. This should include (but is not limited to) any interest or role within, or related to decision-making about, Sky, BSkyB, all newspaper interests and any interests in the education sector. In describing your role(s), please give a full account of:**
 - (a) **the nature of your functions, powers and responsibilities;**
 - (b) **the origin and sources of your functions, powers and responsibilities, whether formal or informal;**
 - (c) **to whom, and by what means, you were accountable for the exercise of your functions, powers and responsibilities;**
- 2.1 As a preliminary point in response to this question, my roles do not relate to the "commercial interests of Rupert Murdoch" but to the interests of News Corporation. News Corporation is a publicly-listed company, with its headquarters in New York. Together with shares that my father may be deemed to beneficially own through certain trusts, my father has an approximate 40% voting interest in News Corporation.
- 2.2 I have explained in my answer to Question 1 my roles in respect of News Corporation and BSkyB.
- 2.3 As Chairman and Chief Executive, Europe and Asia, for News Corporation, I was responsible for the strategic development of News Corporation's television, newspaper and related digital assets in Europe, Asia and the Middle East. During my time in this role, I oversaw the reorganisation of the STAR Group, expanded the company's television businesses in India, Turkey, Germany and the Middle East, strengthened the performance of the Sky-branded pay-TV platforms, developed our pay model for digital journalism and oversaw the disposal of businesses in eastern

Europe and Russia. Given the scope of my responsibility, it was not my role to be involved in the day-to-day business decisions at the operational level in any of these operating companies. Rather, my role was to oversee the strategic development of business, review and approve budgets proposed by operational executives, ensure best practices are shared across the group and source and execute business development opportunities. On an informal basis I encouraged collaboration among diverse parts of the business and assessed and developed executive talent across the group.

2.4 As Deputy Chief Operating Officer of News Corporation, I continue to have strategic oversight over the Europe and Asia businesses, as well as a broader mandate where I work with the executive team in the New York headquarters to strengthen and evolve businesses, extend the company's brands and build new franchises, with a particular focus on international television and digital businesses. With the exception of News International, I have retained direct responsibility and reporting relationships for the same major operating units in Europe and Asia.

2.5 In the context of my functions, powers and responsibilities as Chief Executive Officer of BSkyB, I was primarily responsible for the formulation of strategy, its execution and general leadership of the company on behalf of all shareholders. I reported to the Board of Directors of BSkyB. My role involved the following duties, as set out in BSkyB's Memorandum of Corporate Governance:

"The Chief Executive shall be responsible for the daily operation and running of the Company and its businesses, supported by the management team. The Chief Executive's role shall include the following:

- to be responsible and accountable to the Board for the management and operation of the Group;
- to prepare and implement plans and programmes for the attainment of approved objectives and to recommend such plans and programmes to the Board as appropriate;
- to provide leadership in the Group's commitment to attaining high business standards generally;
- to create the conditions within the Group for the efficient operation of all business units;
- to establish and maintain relationships with shareholders and potential shareholders, and major external bodies;
- to keep the Board informed on all matters of material importance; and
- to chair meetings of the Executive Committee."

2.6 With respect to BSkyB, my role as non-executive Chairman (which I have since resigned as of 2 April 2012) involved the following duties, as set out in BSkyB's Memorandum of Corporate Governance:

"The Chairman shall be responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chairman's role shall include the following:

- to preside at meetings of the Company's shareholders and the Board;
- to ensure (via liaison with the Company Secretary) that the Directors receive accurate, timely and clear information;
- to encourage and ensure effective communication with shareholders, and ensure shareholder views are communicated to the Board as a whole;
- to facilitate a structure so as to allow the effective contribution of all Directors, and of non-executive Directors in particular;
- to create an environment which engenders constructive relations between executive and non-executive Directors;
- to implement processes so that the views of shareholders are communicated to the Board as a whole;
- to organise the business of the Board so that it can be carried out effectively and efficiently;
- to lead the Board in discussions regarding the Company's strategy and in the achievement of its objectives;
- to ensure Board Committees are properly established, composed and operated; and
- to enhance the Company's public standing and image overall."

In addition, as a former Chief Executive Officer and close adviser to the senior executive team, I assisted in the formation and execution of strategy. I took these responsibilities seriously and I executed them to the best of my ability during my chairmanship.

- (d) **your personal approach and practices in relation to the exercise of your functions, powers and responsibilities – including your approach and practices to systems, record keeping, consultation and delegation in such exercise;**

2.7 My personal approach to the exercise of these functions is discussed in response to Question 6 below.

- (e) **the governance relationship between yourself and your father Rupert in relation to these roles, and whether this takes the form of informal or formal arrangements.**

2.8 My father is the Chairman and Chief Executive Officer of News Corporation. I do not report directly to him, but rather, in my role as Deputy Chief Operating Officer, I

report to Chase Carey, who is the Chief Operating Officer of News Corporation. As Chief Executive Officer, Europe and Asia, of News Corporation, I also reported to the Chief Operating Officer of News Corporation. When I was Chief Executive Officer of BSkyB, I reported to the Board of Directors, a majority of whom were independent directors. Of course, over the years I have regularly discussed a range of commercial issues with my father, and I continue to do so.

Please describe any other commercial interests you have, have had, or have actively considered in the UK.

- 2.9 I have no personal commercial interests of my own in the UK, and have never had any or considered any. With regard to the company, the company considers various commercial transactions, acquisitions and disposals of media interests from time to time. I understand that relevant details have been submitted by News Corporation in conjunction with my father's witness statement. I have, or have had, certain outside directorships which are matters of public record, but I do not consider these to be commercial interests.
3. **The Inquiry is particularly interested in the detail of your role in the process by which News Corp sought to expand its holding in BSkyB in 2010 and the part played in that process by government decision-making. Please provide copies of all relevant documents, including any notes of meetings, relating to this process. That documentation should in particular include copies of all formal and informal representations made on your behalf to the government.**
- 3.1 To the extent that there are documents relating to the company that are relevant to this question, they have been submitted by News Corporation in conjunction with my father's witness statement. My answer is therefore confined to my own role in the process. The process was a proposal to make an offer under paragraph 2.4 of the Takeover Code.
- 3.2 The internal consideration to acquire the outstanding shares of BSkyB that News Corporation does not own began in 2009. News Corporation wanted to expand its holding in BSkyB in order to simplify the operating model of the business, to have fewer, bigger businesses, and to focus on cash flow and invest in upstream content and creative industries. It was intended to consolidate BSkyB with our interests in the other Sky businesses around the world to create the first state of the art, global, 21st century, digital pay television business, which would have been centred in the UK. The proposed deal was driven by considerations relating to the way television is made and consumed around the world and the benefits of consolidation. We see competition increasingly on an international scale and our aim was to combine our interests in a number of our Sky businesses in order to compete more effectively with multinational telecoms companies and large technology businesses that have begun to distribute audio-visual programming, and enjoy certain benefits of scale and scope that the individual Skys might not.
- 3.3 In June 2010, News Corporation approached BSkyB regarding its interest in acquiring the publicly owned shares of BSkyB. I refer to certain key events below.
- 3.4 On behalf of News Corporation I led the team managing the potential transaction and worked closely with them in relation to the process of obtaining regulatory clearance.

Chase Carey led News Corporation's approach to BSKyB and the negotiations that followed. Naturally, I was recused from BSKyB's decision making on the proposed transaction throughout this process.

- 3.5 From the outset, we were aware of the possibility of a plurality intervention by the Secretary of State for Business, Innovation and Skills, but neither we nor our advisers considered that the proposal actually raised any plurality issues because we did not think that the transaction resulted in there being an "insufficiency of plurality", which is the standard required for a public interest intervention. Precedent supported this view. A plurality intervention had previously occurred when BSKyB sought to acquire shares in ITV. In that instance, the Competition Commission carried out a review and concluded that the acquisition did not raise plurality concerns. The approach of the Competition Commission was endorsed by the Court of Appeal. We believed that given News Corporation's existing shareholding in BSKyB, and the fact that the Office of Fair Trading ("OFT"), Ofcom and the Competition Commission had all considered that News Corporation controlled BSKyB for purposes of the ITV review, the proposed transaction would not give rise to any plurality concerns. Indeed, we thought the possibility of an intervention remote if judged on the merits, but recognised there was a risk of commercial and political opposition.
- 3.6 I also note that shortly after our proposal was announced, Richard Desmond's Northern & Shell, a major newspaper group, moved to acquire Channel 5, a licensed terrestrial broadcaster, and the Department for Business, Innovation and Skills ("BIS") took no action.
- 3.7 I attach as Exhibit JRJM 1 an internal note from BIS which the company has obtained under the Freedom of Information Act, which shows BIS to have been originally of the view that no intervention was necessary. BIS officials commented, in paragraph 9 of the note, prepared on 25 June 2010, after the proposal had been announced, that "Our initial view is that there is no reason to make a public interest intervention since it appears to involve no change in practice to the extent to which people have access to a wide range of views and opinions." In paragraph 10, the note continued: "We have spoken about the transaction with colleagues at Ofcom, DCMS and the OFT. Ofcom indicate that while the transaction may give Newscorp increased influence over BSKyB's output, they already treat Newscorp and BSKyB as one entity for the purposes of the media ownership rules provided under the Communications Act 2003." From this, it would appear that BIS, Ofcom and the Department for Culture, Media and Sport ("DCMS") all preliminarily concurred, at that time, that substantively and legally there were no reasons for intervention.
- 3.8 In the late summer of 2010, a coalition against the proposed transaction was formed by the Guardian Media Group, the Telegraph Media Group, Trinity Mirror, Daily Mail and General Trust, the BBC, Channel 4 and BT. I believe that the coalition was advised jointly by the law firm Slaughter and May, the public relations and public affairs firm Weber Shandwick and at least indirectly the consultants at Enders Analysis. The coalition (as well as the Financial Times) lobbied for a plurality review, sending legal submissions to the Secretary of State for Business, Innovation and Skills and publishing a number of articles, opinion-pieces and leaders in their newspapers in support of this position. I attach as Exhibit JRJM 2 some examples, including two from the *Observer*, dated 12 September 2010, which referred to my father's alleged "malign influence" on British life, and stated that "the conclusion of any worthwhile

plurality review is almost foregone, one of the reasons NI is so adamantly opposed to the referral." I also attach a leader from the *Financial Times*. Various other members of the coalition took a similar line.

- 3.9 Notwithstanding the fact that the business rationale for the transaction related to building a bigger international television business, it was my view that the coalition's members were seeking to protect their perceived commercial interests. This view was later borne out by a letter I received from Aidan Barclay of the Telegraph Media Group on 4 April 2011. Mr Barclay said in his letter that the Telegraph had not been supportive of the proposed takeover for "what we believe were and are genuine commercial concerns." I attach as Exhibit JRJM 3 a copy of Mr Barclay's letter.
- 3.10 The proposal required competition clearance by the European Commission because of the size of the combined businesses. The European Commission, having considered various theories of harm, cleared the merger at the first stage (Phase 1) on 21 December 2010.
- 3.11 The Secretary of State for Business, Innovation and Skills issued a European Intervention Notice on 4 November 2010 requesting Ofcom to investigate and report by 31 Dec 2010 on the public interest consideration of sufficient media plurality. The OFT was also required to report on whether the Secretary of State had jurisdiction to refer the matter to the Competition Commission on plurality grounds.
- 3.12 News Corporation requested the opportunity to meet with the Secretary of State for Business, Innovation and Skills, Vince Cable, to explain the rationale for the transaction and our analysis relating to plurality. These offers were not accepted. Mr Cable was later replaced in the process by the Secretary of State for Culture, Media and Sport, Jeremy Hunt, on 21 December 2010 after Mr Cable was reported as saying that he had "declared war on Mr Murdoch".
- 3.13 Ofcom's response to the Secretary of State on 31 December 2010 advised that "the proposed acquisition may be expected to operate against the public interest" and, on that basis, it recommended a reference to the Competition Commission for a further in depth review.
- 3.14 On 7 January 2011, the Secretary of State for Culture, Media and Sport wrote to News Corporation stating that he intended to follow Ofcom's non-binding advice and to refer the matter to the Competition Commission. We disagreed with the Ofcom report, which was the basis for the Secretary of State's position, and submitted a rebuttal to the Ofcom report which I attach as Exhibit JRJM 4 . Under the applicable statutory regime, the merging parties are allowed to offer undertakings in lieu of a reference to the Competition Commission, to address the concerns that had been raised by Ofcom. News Corporation wanted to avoid the delay of a full Competition Commission investigation, which can last up to 32 weeks. Therefore, on 18 January 2011, News Corporation submitted a proposed undertaking to spin-off Sky News into a publicly listed entity, with an identical shareholding and governance structure to BSkyB's existing arrangements. We believed that the undertaking preserved the existing status quo with respect to News Corporation's indirect interest in Sky News and therefore was sufficient to remedy any concerns that could possibly arise from the transaction. The Secretary of State consulted with the OFT and Ofcom on the proposed remedy and, as a result, News Corporation entered into lengthy discussions and

correspondence with Ofcom and the OFT to address any concerns that they had over the details of the undertakings. After the OFT and Ofcom both provided their opinion that the undertakings addressed the plurality concerns initially raised by Ofcom, the Secretary of State announced, on 3 March 2011, that he was minded to accept the undertakings. He then launched a public consultation which received more than 40,000 responses, a substantial number of which were linked to an online petition run by the pressure group Avaaz. Revised undertakings were submitted in response to concerns raised in the consultations and additional discussions with the OFT and Ofcom ensued. The Secretary of State considered that the revised undertakings were strengthened in a number of areas and a second consultation was launched on 30 June 2011 for a period ending on 8 July 2011.

- 3.15 On 5 July 2011, the *Guardian* ran a front-page story alleging that *The News of the World* had hacked the phone of Milly Dowler, deleted voicemail messages that gave the Dowler family false hope and interfered with the work of the police. I understand that on 12 December 2011, the *Guardian* published a correction saying that its reporting relating to the deletion of messages was unlikely to have been correct. On the morning of 11 July 2011, the *Guardian* posted a story saying that News International papers targeted Gordon Brown and obtained information from the former Prime Minister's family's medical records. The *Guardian* subsequently apologised to *The Sun*, saying the article incorrectly reported that the newspaper had obtained information on the medical condition of Gordon Brown's son from his medical records.
- 3.16 By 11 July 2011, it was apparent that any substantive question of plurality had been subsumed by outcry over the voicemail interception allegations concerning *The News of the World*, and the offer of undertakings in lieu was withdrawn, as a result of which the Secretary of State announced that he would be referring the matter to the Competition Commission on plurality grounds.
- 3.17 On 13 July 2011, shortly before the House of Commons was due to debate a motion from Labour calling on News Corporation to rescind its proposed offer, News Corporation announced that it would be withdrawing the proposal. The House of Commons later passed the motion unanimously. As I said on 15 July 2011 in a note to staff at News International, "This is a strong signal that our top priority in the UK is to address the issues facing News International."
- 3.18 Naturally, I had discussions throughout the process with a range of interested parties about the proposal to acquire the remaining shares in BSkyB. In my discussions, I talked about the many benefits that BSkyB and this transaction would bring to the UK as a major employer and the largest commercial investor in the creative industries in the country. I also explained that, from a substantive perspective, the transaction did not give rise to plurality concerns. Our public affairs, finance and legal representatives also had conversations and meetings with the relevant authorities (DCMS, Ofcom and the OFT) and other interested parties with respect to obtaining support for and clearance of this transaction. We were concerned with the process and the relevant authorities' proper attention to the strength of our substantive arguments.

(a) Did you or your representatives at any stage discuss, or seek to discuss, the BSkyB bid with the Prime Minister or the Chancellor of the Exchequer? If so, please give full details of these exchanges.

3.19 I recall speaking briefly to the Prime Minister on one occasion about the proposal. This was on 23 December 2010, at a dinner hosted by Rebekah and Charlie Brooks and attended by a number of other people. It took place two days after responsibility for the matter had passed to the Secretary of State for Culture, Media and Sport, Jeremy Hunt, from the Secretary of State for Business, Innovation and Skills, Vince Cable. On 21 December 2010, the Prime Minister's office had issued a statement saying that "The Prime Minister is clear that Mr Cable's comments were totally unacceptable and inappropriate." I recall concurring with that view, and believe I would have appreciated assurances that the process would be handled objectively in the future.

3.20 I recall one conversation with the Chancellor of the Exchequer, George Osborne, about the bid. My diary records an appointment with Mr Osborne on 29 November 2010, but I cannot recall whether that was the date on which I had the discussion with him. I believe we discussed a number of matters, and that I expressed my concern at the slow progress with the regulatory process, my view that the investment would be good for Britain and also my view that there were no plurality issues raised by our proposal.

(b) Did you or your representatives at any stage discuss, or seek to discuss, this bid with the Secretary of State for Business, Innovation and Skills, Vince Cable? if so, please give full details.

3.21 I had one conversation with the Secretary of State for Business, Innovation and Skills, Vince Cable, about the proposal. I telephoned Mr Cable on the day the proposal was announced, as a courtesy, to inform him of the proposed transaction. I offered to meet with him or his representatives to allow us the opportunity to explain what we were seeking to achieve by making the proposal. Mr Cable did not take up that offer or subsequent requests to meet. However, our public affairs executive was directed by one of Mr Cable's advisers to discuss the proposal with Lord Oakeshott, Chair of the Business Advisory Group, and I met with him and made my case that the relevant legal tests should be applied. I also met with David Laws MP, the Chief Secretary to the Treasury. At the time, I was told that Mr Cable had met personally with the coalition of interests who were trying to stop the proposal, or with their representatives.

(c) Did you or your representatives at any stage discuss or seek to discuss, this bid with the Secretary of State for Culture, Media and Sport, Jeremy Hunt, his junior ministers or political advisers? If so, please give full details.

3.22 I had a number of discussions with Jeremy Hunt. As he was the Secretary of State for Culture, Media and Sport, I spoke to him about a number of issues relevant to the business and to the media industry generally.

3.23 In the context of the proposed offer, my diary records contact with Mr Hunt on the following occasions:

- 3.23.1 On 10 November 2010 and 15 November 2010 I have a record of telephone conversations with Mr Hunt. I do not recall whether the proposal related to BSKyB was discussed on these calls.
- 3.23.2 On 21 December 2010 I telephoned Mr Hunt. He had just been given responsibility for reviewing the transaction after it had been removed from Mr Cable. I believe I probably raised my concern with respect to Mr Cable's public statements, the pace of the regulatory review and my concerns about the process so far, and sought assurances that no such bias would continue in the process. I also offered to meet to explain the company's position on the plurality test.
- 3.23.3 On 6 January 2011 I attended (with other News Corporation representatives) a meeting with Mr Hunt and others at DCMS. Notes of this meeting are available on the DCMS website and I attach them as pages 1 - 3 of Exhibit JRJM 5. The minutes accurately reflect in paragraph 4(iv) News Corporation's position on the process, which was that "News Corp wanted a robust process but questioned the robustness of the process so far."
- 3.23.4 On 20 January 2011 I attended (with other News Corporation representatives) a meeting with Mr Hunt and others at DCMS. Notes of this meeting are also available on the DCMS website and I attach them as pages 4 ... 7 of Exhibit JRJM 5.
- 3.24 The company's representatives were speaking to Mr Hunt and/or Mr Hunt's advisers in the course of the proposed offer. As I have said above, we were concerned with the process and with our ability to communicate the strength of our substantive arguments to the relevant authorities – particularly given the way the matter had previously been handled.
- 3.25 I also had two meetings with Ofcom about the proposed transaction, and the company's representatives had meetings with Ofcom and the OFT.
- (d) Did you or your representatives at any stage discuss, or seek to discuss, this bid with any other government minister? If so, please give full details. In particular, was the BSKyB bid discussed when you met the Education Secretary Michael Gove, in October 2010 and January 2011?**
- 3.26 I do not recall discussing the proposal with any government minister other than those set out in the list submitted to the Inquiry in conjunction with my father's witness statement. From time to time, various executives at News Corporation's companies generally will speak to politicians and the issue may have come up, but I am not aware of anything substantive. My expectation was that anything said by any of the company's representatives would be in accordance with the public stance that the company and I had taken.

Please in particular confirm whether you sought or received any assurances from any representative of the government, at any stage, as to whether the bid would be referred to the Competition Commission. Please explain why the proffered undertakings in lieu were withdrawn on 11 July 2011. Please explain why the bid was eventually withdrawn.

- 3.27 As explained above, we strongly believed that the intervention was not appropriate, and that the remedy that we offered was a robust cure to any perceived plurality issues. We made our position known publicly and privately. However, we did not seek any "assurances" as to whether the bid would be referred to the Competition Commission, nor did we ask for any favours.
- 3.28 I have explained above why the undertakings in lieu were withdrawn on 11 July 2011 and why the proposal was later withdrawn. Essentially, the opposition to the proposal, which had nothing to do with its legality, indicated to us that this additional investment in the UK at that time was not viable.
4. **On 17 November 2010 you gave a widely reported speech to a conference in Barcelona in which you said that the government needed to assess the benefits of "a digital TV business that is a world leader centred in the UK market place with all the things it brings versus potentially jeopardising an £8 bn investment in the UK with a prolonged plurality process". Please explain your purpose in making those remarks and the effect you sought to achieve. Did you at any stage put these points directly to any members of the Government?**
- 4.1 These remarks were made at a Morgan Stanley Technology Media & Telecoms conference in Barcelona, in response to a question from the investment community about the regulatory environment surrounding the transaction. I believed that inadequate attention was being paid to the economic merits of this transaction and I hoped to restore balance to a debate which had largely neglected to cover the benefits to the UK and the company of the deal. My purpose in making the remarks was to contrast the regulatory situation in the UK with that of other jurisdictions, having just given a number of examples to the conference of progress that the company was making in other markets. It was the case at that time that News Corporation's bid to buy the shares in BSkyB that it did not already own was going through regulatory consideration by the European Commission and Ofcom (at the request of BIS). These were the "multiple layers of regulation" I referred to after the words quoted in the question above.
- 4.2 The remarks were widely reported as a "threat" or a "warning" to the Government, but those reports mischaracterise them. It is self-evident that a lengthy and unpredictable regulatory process is a disincentive to invest, especially when billions of pounds are at stake. I was simply commenting that multinational businesses have numerous investment opportunities, and the UK government may wish to take that into account when it made regulatory policy decisions as lengthy and uncertain regulatory processes are unattractive to businesses, investors and shareholders. As is clear from my response above, the regulatory process in this case did take a long time. Similar points have been made by other businesspeople about their own businesses, particularly in the financial sector, and the Better Regulation Executive accepts on its website that "unnecessary red tape can stifle growth" and that "reducing it is critical to making the UK the best place to start and grow a business." I note that many countries around the world are specifically targeting the attraction of investment in the creative industries as part of their economic policy.
- 4.3 I cannot recall whether I spoke to any members of the Government about these remarks specifically, but my views on this issue were well-known. I have spoken about them in other contexts, and concerns about excessive regulation have been

raised in various consultation responses. For example, in News Corporation's response in June 2011 to the open letter published by the Secretary of State for Culture, Media and Sport, "A Communications Review for the Digital Age", the company stated that:

- "the axiom of the new Act should be to deregulate where possible, protect only where necessary";
- the growth of the communications sector "will only be safeguarded if the environment for communications in the UK is open, competitive, and viewed by investors as a place where imagination, creativity and innovation are rewarded, not constrained by unnecessary regulation and legislation"; and
- the forthcoming Communications Bill should respect consumers' freedom of choice by "reducing the role of the state in communications, and placing respect for consumers at the heart of policy."

- 4.4 I do not consider, in this context, that the remarks I made were controversial. News Corporation, together with BSkyB, is a significant British employer, with more than 26,000 employees and jobs located through the country. BSkyB is additionally the single largest commercial investor in the creative industries in this country. As the Chairman and Chief Executive Officer, International, for News Corporation, and a non-executive Chairman of BSkyB, the economic and regulatory environment facing the business was naturally of concern to me.
- 4.5 The proposed transaction would have brought enormous benefits to industry, to the Sky business and its consumers and to the wider economy. We had hoped to combine our interests in the Sky businesses in the UK, Italy, Germany, India and New Zealand to build a world class company, with its headquarters in the UK. I am aware that some people in the UK thought that Sky was too big, but we felt that it would be helpful to be bigger in order to compete with other international companies such as Google, Apple and large telecoms companies, all of whom are much larger than BSkyB and have been investing in the audio-visual business heavily on a global rather than national basis.
- 4.6 From News Corporation's perspective, our rationale was to diversify revenues outside the US and to obtain a higher percentage of revenues from subscriptions. There was, however, little said in debates or media coverage on the proposal about how beneficial it would be for the UK.
- 4.7 I made these points publicly and reiterated them from time to time in conversations with interested parties. I believe that business leaders should advocate the benefits of a proposed investment using available avenues.
5. **The Inquiry is also particularly interested in the detail of your role in the process by which News Corp has explored or developed interests in the UK education sector, including but not limited to any interest in the establishment of one or more free schools – and the part played in that process by government decision-making. Please provide copies of all relevant documentation, including notes of any relevant meetings, relating to this process. That documentation should in particular include copies of all formal and informal representations made on**

your behalf to the government. It should also include a full account of all interactions relevant to this process with Education Secretary Michael Gove, whether before or since his appointment to that office, and all other interactions with members of the current government.

- 5.1 I understand that my father was asked a similar question and that News Corporation's position on this issue and relevant documents have been submitted by News Corporation in conjunction with his statement. My only involvement with the education sector in the UK was related to whether News International should sponsor an Academy school in east London. I was supportive of this proposal, and was shown the site in Newham one day en route to an event at the Olympic Park, but that was the limit of my involvement. I was awaiting a further briefing on the proposal, but I understand that nothing further was done about it.
6. **Please set out your aims, objectives, philosophy and practice in the way in which you have undertaken your roles in relation to how the business interests of Rupert Murdoch in the UK are acquired and run. You should in particular give a full explanation of your responsibilities in relation to the governance structure of the UK operations in which you have or have had a leadership role, including details of (financial, legal and other) risk management systems, the powers and accountabilities within your senior staff structures, in so far as this has not already been submitted to the Inquiry by News International. The Inquiry is interested in your personal approach to leadership; please explain how you communicate your personal vision, commercial and ethical expectations, employment practices and cultural values within your sphere of influence.**
- 6.1 I repeat my comment made in paragraph 2.1 that the business interests I have served are those of News Corporation.
- 6.2 Businesses often overestimate satisfaction with the status quo. My philosophy is the opposite. When I came to the UK from Hong Kong, one of the issues facing me was whether BSkyB could continue to grow, but I couldn't believe that customers wouldn't want something better. I consistently challenged my staff to create better content and services and I set aspirational targets for the company to strive for. That was the reason for our substantial and sometimes controversial investment in content, products, technology and customer service from 2004 that expanded our customer base and has allowed us to return £3.6 billion to shareholders during the period and in the process create 10,000 new permanent jobs. This conviction that we must constantly make things better for customers has been consistent with my philosophy at STAR TV and the other businesses that I have had responsibility for. This is embodied in BSkyB's brand promise to customers: "Believe in better".
- 6.3 My aims, objectives and philosophy have been stated many times in communications with employees, customers and other stakeholders, and I attach as Exhibit JRJM 6 some extracts from the BSkyB Annual Reports, The Sky Story and the Bigger Picture Review which reflect these views. I believe that effective internal and external communications are an essential part of any high-performance business as it is important to communicate at a high level vision, values and behaviours that will make an enterprise successful.

- 6.4 The way companies do business is important. I have always believed that enterprise has a role to play in society. Our approach at BSKyB has involved a strong sense of responsibility, sustainability and social contribution in the way we do business. Making a broad contribution to society is a key element of durable commercial success, and there was considerable third-party validation for what we were doing. For example, BSKyB is listed in the Dow Jones Sustainability Index and in the FTSE4Good index.
- 6.5 BSKyB's approach to corporate responsibility and community engagement is called "The Bigger Picture". As its Review for 2011 states, the key areas are operating responsibly and with regard to the needs of stakeholders, fostering a culture of doing the right thing throughout the business, providing products and services that customers can trust, contributing positively to the community and involving stakeholders. I was active in moving BSKyB to carbon neutrality in 2006, and began a similar initiative at News Corporation which led to the company being ranked number one among consumer-facing companies in the S&P 500 for disclosure of CO2 emissions by the Carbon Disclosure Project for the past two years. I attach two articles I have written about environmental policy and business responsibility as Exhibit JRJM 7.
- 6.6 I have spent considerable time communicating vision, direction and values to my businesses. For example, at BSKyB we employed a wide range of means to do this including direct communications via email, the Sky Forum, where employees from across the business met, informal face-to-face sessions with every part of the business and a regular set of weekly meetings with the executive team to discuss priorities. I also created major events called "What's Next" where my executive team and I would cascade industry dynamics, our vision and strategy to hundreds of the top employees in the business. I sought to foster an open management culture in which top executives would share information, and a set of management practices designed to make the company accountable, to empower executive decision-making and to set the tone and the rules of conduct. I believe in engaging openly with supporters and detractors, and taking care to explain my opinions on various topics.
- 6.7 Throughout my career at STAR, BSKyB and News Corporation, I have always believed that culture and values are a fundamental part of a high performing business. Where I have been Chief Executive Officer I have communicated vision and values directly to colleagues via various means, often face to face and tried to create an open management culture. In each of the businesses I have overseen I believe significant progress has been made. Since joining News Corporation in my regional role, I have encouraged the Chief Executive Officers of the operating companies to do the same, because I believe that dialogue and a positive culture are fundamental to a healthy business.
- 6.8 Appropriate governance structures are an important part of doing business well. From my first time as a Chief Executive Officer at STAR TV in Asia, I, along with my legal team, implemented various corporate governance improvements, including establishing our Standards of Business Conduct in multiple Asian languages for the first time, as well as enhancing staff training on anti-bribery. Shortly following my appointment as Chief Executive Officer of BSKyB in 2003, I supported the establishment of a corporate governance committee of the Board, comprising a majority of independent non-executive directors, to consider any changes that it

would be appropriate to make to the composition and processes of the Board of BSKyB and its committees. This review resulted in the adoption by BSKyB in 2004 of its first Memorandum on Corporate Governance, enshrining the key principles of the Combined Code on Corporate Governance.

- 6.9 When I started my role as Chairman and Chief Executive, Europe and Asia for News Corporation in December 2007, a key priority was to simplify the business and to introduce an additional level of corporate oversight in the region by establishing a small team of finance, legal and corporate affairs executives to oversee the strategic development of News Corporation's businesses in Europe and Asia. Activities included enhanced reporting and management of business KPIs, regular meetings with business unit leaders discussing key issues, a more focused presence on board seats, CEO compensation standardisation, long term incentive redesign and a stronger central legal and finance function.
- 6.10 Since the summer of 2011, I have led efforts at the companies under my responsibility to further enhance corporate governance throughout the group, including the following efforts:
- 6.10.1 We have trained more than 1,000 employees at Star India, Fox Turkey, News International and other businesses throughout the region on News Corporation's anti-corruption policies and procedures.
- 6.10.2 We have created a risk register, which involves senior News Corporation executives meeting with individual businesses to discuss their operations, areas of compliance risk and the establishment of appropriate measures to mitigate risks that are identified.
- 6.10.3 We have established formal quarterly business update sessions with executives across the key functions, including legal, financial and corporate affairs, to meet and discuss issues of importance at the operational level.
- 6.10.4 News International has substantially overhauled its compliance efforts, as reflected in the evidence given to the Inquiry by Tom Mockridge and Susan Panuccio. I attach as Exhibit JRJM 8 a copy of a letter I wrote to the Culture, Media and Sport Committee on 20 February 2012 setting out some updated information on compliance.
- 6.11 While work in this area is continuing across the company, I believe that the company has already made very substantial progress in strengthening its governance and oversight and addressing past issues, as I have publicly committed we would do.
7. The Inquiry is particularly interested to understand your view of your responsibilities for the part your media interests (or the media interests in the UK with which you have been associated) can and should play as aspects of a free press within the UK democratic system. In what way do you consider the media organisations in which you have or have had a role, to have responsibilities for, and to contribute to, the public interest in freedom of expression, and in promoting public political accountability in the UK? Please give examples. Are you aware of any possible tensions between your commercial

interests and the public interest in this respect? If so, how are they resolved in your mind and managed in practice?

- 7.1 I believe that a strong, free and independent media is essential to a healthy democratic society. I have expressed this view publicly in speeches, in conversation and in publications from time to time. A democracy can only be effective and judicious if its decisions are clear to the general public, debated, challenged and scrutinized. All media interests in the UK have an important role to play in this process.
- 7.2 That does not mean that the media should have the right to say whatever it wishes. There are always judgements to be made. But there is an overwhelming public interest in having a free, independent, robust media which seeks to ensure that public figures are held to account and which campaigns on issues of public policy and practice on behalf of readers.
- 7.3 News International's titles have a record of holding the powerful to account, and campaigning on behalf of readers. Examples of high-profile stories or campaigns include *The Sun's* campaigning on behalf of the "Help for Heroes" charity, *The News of the World's* story on the Pakistani cricket scandal, *The Sunday Times* investigations on peers' expenses and the recent cash for access story, and the campaign by *The Times* to open up the reporting of proceedings in family courts.
- 7.4 I believe the titles should always seek to approach issues on behalf of readers, and news coverage should be driven by a desire to inform readers of the facts and provide them with context and insight. An editor may approach a news story with a view to how readers may feel about it, and that may determine how they structure the coverage, but should not colour the basic reporting of the facts.
- 7.5 The titles employ a range of commentators who express their views, sometimes robustly. I believe there are diverse voices within the various News International publications. I believe it is healthy for readers to see and compare differing views, and that News International is an important contributor to a national debate.
- 7.6 On a more general level, I have long held the belief that the rise of nearly ubiquitous digital connectivity, the mass adoption of digital equipment used for creating and consuming news, information and entertainment, and new forms of aggregating and reaching mass audiences, such as multi-channel television platforms and social media like Facebook, Google+ and Twitter, render it folly to believe that any individual or organisation could either dominate or control the news.
- 7.7 I believe we have already entered an era of what will become ultimate plurality where the consumer is ever increasingly empowered and in control. Put simply, the disappearance of boundaries between formerly distinct sections of the media - such as newspapers, television news, scripted and reality productions, blogs, Twitter feeds and Facebook pages, radio and user generated video – means that they all now coexist and compete for attention, interaction and engagement on a single, collapsed digital plane. This has profound implications for the work and reflections of this Inquiry.

8. **The Inquiry also wishes to understand specifically your approach to editorial governance in the various press organisations within which you have or have had a leadership role. Please describe your role in the processes of appointing and removing editorial staff, and the nature of your working relationships with editors during the currency of their tenure. How often would you meet with or speak to editorial staff and for what purpose? How far are or were you involved in indicating, and managing, the limits of editorial self-determination? Your answer should cover both the general approach, cultural expectations, brand definition, and any specifics of editorial content. It should in particular address the issue of the allegiance of press titles to the prospects or policies of specific political parties – including but not limited to the part played by editorial stance during and in the run-up to democratic elections within the UK, and the expression of opinion by your titles about the appointment and performance of individual government ministers. There are undertakings in place in respect of the editorial independence of the Times and the Sunday Times – does this lead to a different relationship with the editors of those titles compared to the other News International titles?**
- 8.1 When I was the Chief Executive Officer of BSkyB, I had no role in this area. The Competition Commission stated, in its December 2007 report into the acquisition by BSkyB of 17.9 per cent of the shares in ITV that: "BSkyB told us that all editorial decisions regarding the content of BSkyB's various news services were taken by the Sky News editorial staff. BSkyB board's role was to consider the competitive strategy and funding of BSkyB's news content at a high level; it had no role in the day-to-day editorial control of Sky News content on television or online. We received no evidence from third parties to suggest that senior executives at BSkyB or its parent companies exerted influence on the Sky News agenda." (para 5.57) This accurately reflects the position.
- 8.2 After rejoining News Corporation, editors reported to me directly only for a short period of time, from December 2007 when I became Executive Chairman of News International, until June 2009 when Rebekah Brooks took over as Chief Executive Officer of the company. The only editorial staff member appointed during that time was Dominic Mohan, who became editor of *The Sun* when Mrs Brooks left that role. On that occasion, Mrs Brooks recommended Mr Mohan for the post, and he went to see my father about it. I was supportive of his appointment, but the decision was made by Mrs Brooks in consultations with my father and with my support.
- 8.3 During the time that editors reported to me, I was not ordinarily involved in the editorial decision-making process. I liked to be updated by the editors, but not all the time. Although from time to time I had conversations with the editors and their staff about the editorial agenda for the following month, I saw it as their job to make the decisions about what went into the paper. The editors had been carefully selected, in consultation with my father, and, in the case of *The Times* and *The Sunday Times*, subject to what I say in 8.8 below, and were trusted to run their titles responsibly, with a monthly reporting at the title meeting and executive meeting. My major focus was on digital strategy, budgets and commercial issues. At the title meeting, discussion topics would generally include circulation, general performance, advertising revenue, the editorial agenda and proposed supplements, amongst other subjects. The editors

did not typically involve me in decisions to run stories or to cover them in a particular way.

- 8.4 I would occasionally praise an editor or a journalist if there was a particularly good story or campaign that the paper was running. From time to time I would comment on a paper's approach to an issue. For example, I thought that *The Times* would benefit from strengthening its coverage of science issues and we subsequently launched Eureka, a monthly science supplement. I was involved in approving funding for this project, but not in the editorial decisions about its content. I did not tell any editor what position to adopt, and if an editor disagreed with my comments he or she was free to do so. If people sought to influence editors through me, I would refer them to the editor.
- 8.5 Generally, while I believe that editors need leeway to run their papers, there must be sufficient controls in place given the legal, financial and reputational risks involved in getting it wrong. As we have seen, problems with a relatively small part of a business can have serious consequences.
- 8.6 The Inquiry has also asked me about the allegiance of press titles to the prospects or policies of specific political parties. I have no knowledge of how the papers came to endorse the various political parties that they endorsed in 1997 and 2005. I am aware in particular that there has been a lot of attention paid to the decision in September 2009 by *The Sun* to switch allegiance to the Conservative Party, and this is an issue that has also been raised with my father by the Inquiry. In that case, I was part of the group which discussed the matter. Other members included the Editor, the political editor and Mrs Brooks. *The Sun* is a campaigning paper involved in many policy issues, and there were discussions about some of these issues. The paper had started moving away from the Labour party over lack of funding, supplies and support for British troops in Afghanistan after the government had committed to the conflict there. The consensus was reached after discussing a range of policies and effectiveness at implementing them and resulted in the decision to support a change in Government. I was not involved in any discussions of substance on editorial policy regarding political matters with the other titles.
- 8.7 I believe that news organisations should express a point of view about issues of public policy, and this includes expressing an opinion about who will govern in the best interests of readers. Over the years, the titles have supported individuals or political parties from across the political spectrum when they believed that those people or parties were acting in the best interests of readers. The titles do not choose whom to endorse at election time on the basis of commercial interest.
- 8.8 The relationship with the editors of *The Times* and *The Sunday Times* is different from the relationship with *The Sun* because of the Board structure of Times Newspaper Holdings Limited and the six Independent National Directors (a structure I have always respected). I did consider that the Board of Times Newspapers Holdings Limited should not only serve to preserve the editorial independence but also to function more like an advisory board for the business generally, and the company invited Kai Diekmann and Sir John Scarlett onto it in addition to those appointed by the Independent National Directors. This was part of an effort to revitalise and strengthen the Board. Regardless of the title, I would not necessarily expect the editor to agree with me on a matter, or change their coverage to reflect my views. This

applied equally to *The Sun* and *The News of the World* just as much as *The Times* and *The Sunday Times*.

9. The Inquiry would like to gain an understanding of your personal involvement with politicians over the period during which you have had commercial interests in the UK. How do you allocate your own personal time in this regard?

- 9.1 I believe that any business executive of a major company has a responsibility to shareholders to ensure that politicians are aware of the issues facing that company. As an executive, first at BSkyB, a major UK public company, and then in a global company with large investments in the UK, I have spoken publicly often on issues of importance to our businesses, and sometimes raised such issues directly with politicians as well.
- 9.2 Increasingly, people look to business to play a positive role in society and on a number of occasions I have offered constructive positions on issues that I thought were relevant. It is also customary to be asked to participate in events arranged by politicians and to be asked to be included in industry panels. For example, along with numbers of other people I have attended various round table discussions on such issues as spectrum policy, digital switchover, energy and climate policy, digital piracy, good business practices and the like.
- 9.3 Generally speaking, my view has been that, when asked and unless there is a good reason not to, an executive should be respectful and pay attention to senior politicians. There have been instances in which politicians have had projects for which they wanted private sector support. For example, it was suggested to me when I was at BSkyB that the company should move to the Olympic park in east London when the Olympic Games were over. The Mayor of London's office sought bids for the bicycle hire scheme, and so on. I think most executives in my position would have had similar experiences. Given the sphere of our activities is media, my main substantive engagement with Government is through the DCMS and Ofcom.
- 9.4 In terms of allocating my time, I significantly prioritise time within the business. Time spent with politicians is a very small portion of my time and I believe appropriate for the leadership roles I have held.

To this end:

- (a) Please describe the general nature of your personal relationship with successive UK Prime Ministers. How would you describe the similarities and differences in these relationships? What is the value of these relationships to you, and why is it important for you to meet personally or speak regularly with UK Prime Ministers? What is your understanding of the value of the relationship with you to them? To what extent is political support for any individual, party or policy discussed in such interactions? Please provide a complete list of all meetings, formal or informal, you have had with a British Prime Minister, indicating at whose initiative they were called and describing, by way of as specific a summary as possible, the content of these discussions.**

- 9.5 I have had a cordial relationship with each of Prime Minister Blair and Prime Minister Cameron and always sought a constructive relationship with Chancellor and later Prime Minister Brown.
- 9.6 A search of my diary indicates a number of meetings and social events with UK Prime Ministers, during their times as Prime Ministers, since November 2003, when I moved back to the UK from Hong Kong, and became Chief Executive Officer of BSKyB. These are set out in Exhibit JRJM 9.
- 9.7 I have not included business events at which many other people were present, such as round table discussions. Additionally, most of the social events were gatherings at which other people were present. As part of my diary is now only held in hard copy, printed from an electronic format, I cannot say with certainty that this list is complete as it not possible to see all appointments when there are many entries for a particular day. It is also possible that a Prime Minister may have attended an event that I attended, but was not specifically named in the diary. Some diary entries only record the name of the host of an event, and not all of the guests. I have not listed the News Corporation summer party, which were attended by many politicians every year. My diary does not show which specific politicians attended.
- (b) To what extent do you meet other senior politicians, including opposition leaders? How often do you meet them, and to what purpose? Please provide a complete list of all meetings, formal or informal, you have had with a British leader of the opposition, indicating at whose initiative they were called and describing, by way of as specific a summary as possible, the content of these discussions.**
- 9.8 A search of my diary indicates a number of meetings with David Cameron, as Leader of the Opposition, since November 2003, when I moved back to the UK from Hong Kong, and became Chief Executive Officer of BSKyB. These are set out in Exhibit JRJM 10. This list is also subject to the points made above about meetings with Prime Ministers.
- (c) If the issue of the support of any of your titles for a political party in the run up to a general election has arisen in the course of such discussions, to what extent has such support been – expressly or impliedly – conditional, and on what sort of decisions or contingencies?**
- 9.9 After a group at *The Sun* had decided that the paper would support the Conservative Party in the 2010 general election, I made David Cameron aware of this, as set out in Exhibit JRJM 10 to this statement. This was the only time that I conveyed support of the papers. However, from my own point of view there was not, and never has been, any issue of support being conditional on particular policies or contingencies.

10. **Please give, from the perspective of your roles and responsibilities, a full account of the part you played in the history of the phone hacking scandal at News International. In general terms, what was your personal knowledge and what actions did you take, at each stage? What was your involvement in the decision to close the News of the World? Please also give a full account of your involvement in News International's policy in relation to police interest in its activities from December 2005 to date.**
- 10.1 I answer the first part of this question in my answers to Questions 11 – 16. In this answer I will address my involvement in the closure of *The News of the World* and my involvement in News International's policy in relation to police interest from December 2005 to date.
- 10.2 The decision to close *The News of the World* was announced on 7 July 2011. Prior to that date, there had been discussions among News International and News Corporation executives (including me, my father and Chase Carey), prompted by the fact that the paper had been sullied by behaviour that was wrong. In light of this fact, and growing commercial and political pressure, we held ourselves to account and closed a profitable business, even at the expense of people's jobs. There was a high likelihood of further arrests, on information available to us at that time, and it was very difficult for the paper to continue to operate in that environment. I attach as Exhibit JRJM 11 a copy of the message which I sent to staff, and which was reported in the press. Mrs Brooks went to the newsroom to speak to the staff, and I was interviewed on television where I explained the decision.
- 10.3 In respect of police interest from 2005 to date, I should reiterate that I joined the company in December 2007, and, as I have explained in the answer to Question 11 below, I had no knowledge of the police interest in 2005 and 2006, other than a basic knowledge of the fact of the arrests and subsequent convictions that I learned through public sources. There was no more police involvement until the beginning of 2011, except for two statements made by the police which reiterated that no further investigations were necessary.
- 10.4 The first statement was made in July 2009 after the *Guardian* story was published, and it was made by Assistant Commissioner John Yates. He said that the original case had been "the subject of the most careful investigation by very experienced detectives", that no additional evidence had come to light and that no further investigation was required.
- 10.5 The second statement was made in 2010, after publication of the article by the *New York Times*. Mr Yates gave evidence to the Home Affairs Committee, and, when asked about the original investigation and whether it should be reviewed by the Inspectorate of Constabulary, said: "Two people were convicted of these offences; two people went to prison. We clarified the law in what was previously an unknown area of law, and as a result of the convictions a very significant deterrent message has been sent to all other people who may or may not be engaged in this type of activity in the future. You wouldn't believe it, but I still think the investigation was a success and if the Home Secretary decides the HMI ought to come and have a look at it, there would be no problem for us at all."

- 10.6 When the company became aware of evidence in the context of the Sienna Miller proceedings which suggested the involvement of another journalist in wrongdoing, it took such evidence to the police and as a result the police began Operation Weeting in January 2011. Subsequently, when further information was provided to the police, which I discuss below in my answer to Question 19, the police started Operation Elveden. In the spring of 2011, when I heard that relations with the police had deteriorated, I instructed management to be fully co-operative.
- 10.7 As I explain further below, the company's response to the police investigations is now handled exclusively by the Management and Standards Committee ("MSC") but, before the formation of that Committee, after which I had no direct involvement. It would have been, and is, my policy to co-operate with any relevant authorities in respect of wrongdoing. It had been the police themselves who said that they did not consider that there was anything further to investigate and who only reopened their investigation when new evidence was provided to them by News International.
11. **What was the specific state of your knowledge about allegations of illegal and unethical conduct when you took up your position as chairman of News International in 2007? Please answer with specific reference to:**
- (a) **the extent of your awareness of phone hacking issues at the News of the World;**
- 11.1 When I arrived at News International in December 2007, I was aware of the voicemail interception issue because it had been a matter of public record. However, the arrests and trial had taken place during my time at BSKyB, and I had not been personally involved in the issue, nor did I follow it closely.
- (b) **when and how you became aware of the arrest of Clive Goodman and Glenn Mulcaire;**
- 11.2 I was not at News International at the time of the arrest of Clive Goodman. I became aware of the arrest of Mr Goodman and Mr Mulcaire from media reporting at the time they were arrested.
- (c) **the response of the News of the World to Operation Caryatid, and specifically the allegations made by Detective Chief Superintendent Surtees to the Inquiry that the police search of Mr Goodman's desk turned into a "tense standoff" with News of the World staff who did not assist the police in carrying out their duties "in any way, shape or form";**
- 11.3 I have no knowledge of whether the allegations made by Detective Chief Superintendent Surtees to the Inquiry are correct or not. Certainly I had no knowledge that the company had done anything other than co-operate with the authorities, as had been asserted repeatedly over the years. If the alleged incident occurred as it was described, then I was surprised, having been shown the evidence given by DC Surtees to the Inquiry, that the police took it no further.
- (d) **the extent to which you were fully briefed on the trial and conviction of Mr Goodman and Mr Mulcaire, including the sentencing remarks of the judge;**

- 11.4 I did not receive a briefing on the trial and conviction of Mr Goodman and Mr Mulcaire or the sentencing remarks made by the judge, either prior to joining News International or when I arrived. My understanding in December 2007 was that it was an isolated issue in the past that had resulted in two people going to jail, and the editor at the time resigning, accepting accountability. I was given assurances that, following the introduction of a new editor at *The News of the World*, extensive training and procedures had been put in place to ensure consistent and thorough compliance with the PCC Code on journalistic practices. This, in conjunction with the completion of the police investigations and the closing of the case, gave me confidence that the matter was a settled one. There was nothing in the media in the first half of 2008 that brought the issue to my attention in any detail.
- (e) **your awareness of the wider information in the hands of the police in relation to wrongdoing at the News of the World;**
- 11.5 As the matter had been investigated by the police, I assumed that they would have brought all the relevant charges if there was evidence of further wrongdoing at *The News of the World*. I did not know that they had additional information that showed wider wrongdoing.
- (f) **your awareness of measures taken within the News of the World to investigate or prevent wrongdoing within the title;**
- 11.6 At the time I joined News International, I was not aware of measures taken to investigate wrongdoing. In the months following, I was given assurances that investigations had occurred and no further evidence of wrongdoing was discovered.
- (g) **any discussion you had, with Colin Myler, Rebekah Brooks or any other senior employee of News International in general or the News of the World in particular, relating to wrongdoing within the title prior to or at the time at which you took up your post.**
- 11.7 I did not discuss the matter with Mr Myler, Mrs Brooks or anyone else at News International or *The News of the World* prior to joining, or at the time I joined, News International.
- 11.8 For further information about my knowledge of this issue, I am attaching as Exhibit JRJM 12 a letter dated 12 March 2012 which I sent to the Select Committee which discusses this issue and also some of those addressed below.
12. **Please give a full account, and provide all relevant documentation, in relation to the steps you took on becoming Chairman of News International, to inform yourself further about the recent history of wrongdoing at the News of the World, and to satisfy yourself that any risk of further or continuing wrongdoing at the title was assessed, investigated, understood, and addressed for the future.**
- 12.1 As I have explained in my answer to Question 11, I understood, at the time I joined News International in December 2007, that the matter was an isolated issue in the past that had resulted in two people going to jail, and the editor at the time resigning, accepting accountability. I was given assurances that, following the introduction of a new editor at *The News of the World*, extensive training and procedures had been put

in place to ensure consistent and thorough compliance with the PCC Code on journalistic practices. This, in conjunction with the completion of the police investigations and the closing of the case, gave me confidence that the matter was a settled one. Nearly a year had elapsed between Messrs Goodman and Mulcaire being sentenced and my joining the company, and the company had had plenty of time to make whatever changes were considered necessary.

- 12.2 Having thought about the matter further while considering this statement, I recall being shown a list or chart of the new procedures and training that had been put in place. I do not have a copy of the document now and News International has not been able to locate it. I note that Mr Myler gave evidence to the Select Committee in 2009 about the new procedures he had put in place. I remember receiving an assurance that new practices had been put in place.
13. **To what extent did you personally cause or permit News International to take a public line to the effect that phone hacking had been carried out by only one "rogue reporter"? Please give a full account.**
- 13.1 News International's position on this issue was first made public early in 2007, before I joined the company in December 2007.
- 13.2 The company had written to the Press Complaints Commission on 22 February 2007 in response to certain questions posed by the PCC about the Goodman matter, stating that it was "an exceptional and unhappy event in the 163 year history of *The News of the World*, involving one journalist".
- 13.3 Similarly, the company told the Select Committee in March 2007 that it believed that Clive Goodman was the only person who knew what was going on, and the Committee noted in its report dated 3 July 2007 "the assurances of the Chairman of News International that Mr Goodman was acting wholly without authorisation and that Mr Coulson had no knowledge of what was going on."
- 13.4 Although I was not made aware of these specific statements when I joined the company, it was certainly my understanding that the company considered the matter closed.
- 13.5 I explain in my response to Question 16 my involvement with the Gordon Taylor settlement, which was the first time that the issue substantively arose after I joined the company. I did not appreciate, at that time, that the fact of Mr Taylor's claim meant that more than one journalist was involved in phone hacking. I understood that the claim related to the charges in respect of which Mr Mulcaire had pleaded guilty and that there was, for the first time, evidence linking his activities in respect of Mr Taylor with *The News of the World*. I have given extensive evidence to the Select Committee on this issue, and refer to the attachment at Exhibit JRJM 12.
- 13.6 When the matter came up again in 2009, the business continued to make assurances that the hacking activity had been limited to one reporter. This included evidence given by executives from the company to the Select Committee in July 2009. Additionally, the Metropolitan Police issued a statement saying that the original case had been "the subject of the most careful investigation by very experienced detectives". As the events involving Mr Goodman had happened before I joined the

company, I relied on the statements made by the company's executives and by the police, who had the evidence taken from Mr Mulcaire in their possession.

- 13.7 By the time the *New York Times* article appeared, the company had said that it had a zero-tolerance approach to any wrong-doing, and would take swift and decisive action if it had proof of any wrong-doing.
14. **Both the Guardian (in 2009) and the New York Times (in 2010) carried articles which alleged that phone hacking was not limited to a single rogue reporter. What steps, if any, did you take to investigate their claims?**
- 14.1 As I have explained in my response to Question 13, I received assurances from Mr Myler in July 2009 that investigations had been carried out, and that no evidence of extensive wrongdoing had been found. In addition, I received assurances that the police saw no need for a further investigation. The highest authority in my mind at the time was the police, and when they said immediately after publication of the *Guardian* article that no further investigation was necessary, I relied on that. I also relied on the statement made by the Director of Public Prosecutions on 16 July 2009 that "it would not be appropriate to re-open the cases against Goodman or Mulcaire, or to revisit the decisions taken in the course of investigating and prosecuting them." As I have said before, I regret that the company was too quick and too defensive in its response to the *Guardian*.
- 14.2 I was advised by executives at *The News of the World* that the *New York Times* article published in September 2010 contained little that was new about the matter after an apparently extensive amount of investigative work by the *New York Times* reporters. In addition, I was advised that the recording the *New York Times* included on its website was a not a News International employee at the time the conversation took place. Further, as I have stated above in response to Question 10, Mr Yates reiterated that the police thought the original investigation had been a success. As we said at that time, we had a zero-tolerance policy to wrong-doing, and asked for proof of wrong-doing, which was not provided.
- 14.3 In both instances, executives in the business said that there was no basis for the allegations that were being made. The company also affirmed at that time that it would not tolerate wrong-doing and would act on any evidence that came to light.
15. **To what extent did you keep yourself apprised of the ongoing Parliamentary investigation into the allegations of phone hacking? When did you become aware of the Culture, Media and Sport Committee's report published on 9 February 2010? What was your response to the Select Committee's findings?**
- 15.1 I was broadly aware of the Parliamentary investigation into the allegations. However, it seemed to me to be focused on what I believed at that time to be a settled historic issue. I became aware of the report at the time it was published, and I recall the Select Committee expressed their frustration by some of the answers that it said it had received from News International executives. However, I was advised that the report was combative and at least partially politically motivated.
- 15.2 As I have said to the Select Committee, I regret that the company moved into an aggressive defence so quickly. I think that News International should have taken a

more forensic look at the evidence that had been given to the Select Committee in 2009, and the Select Committee's conclusions and if I could do it again, I would direct the management of the company to do things differently.

16. **What was your personal role in relation to the Gordon Taylor and Max Clifford claims, based on allegations of phone hacking? Please give a full account, and provide all relevant documentation, in particular in relation to the handling of the claims at each stage and the authorisation of the settlement of the claims.**

Gordon Taylor claim

- 16.1 At around the beginning of June 2008, I became personally involved for the first time in subjects related to the voicemail interception issue. The only substantive conversation I can recall, as I have testified, is at a meeting in my office on 10 June 2008 with Mr Myler and Mr Crone, at which I was asked to agree to increase the amount of an offer already made to Mr Taylor. I am now aware that there are documents in existence which suggest that I was given information about the proceedings before that meeting.
- 16.2 The first document is an email from my secretary to me sent at 9.25 on 27 May 2008, stating that "Colin Myler would like 10 minutes with you today." I replied "OK" to this, shortly after it was sent to me.
- 16.3 The second document is a file note made by Julian Pike, a partner at the company's lawyers, Farrer & Co, which records a telephone call Mr Pike had with Mr Myler on 27 May 2008, in which Mr Pike records Mr Myler mentioning having spoken to me about the Taylor litigation. The note states:

"Spoke to James Murdoch

- not any options – wait for silks view

-one result of Goodman ... CG sprayed around

allegations. Horrid process, - IE, NW + SK

Ross Hall, IE Associate Ed, GM, Mulcaire

didn't believe culture in the newsroom ... Editor

didn't know a lot

have investigated into IE, NW, SK

RH reporter ... diligent reporter

- Assurances to PCC

- " made by CM to staff

- Les evidence to committee

- new contracts for emees + freelancers
 - seminars

 - info commissioner
 - CM my position as Editor --- cannot ignore
- it -- back to CG + - appealed agst his sacking
- failed to give direct evidence. --- had to be seen
- new editor cldn't be seen to dismiss their allegations –
- have email from member of staff
- Les no longer here – James wld say get rid
- of them – cut out cancer"

- 16.4 Although there is no record of a meeting with Mr Myler in my diary for this date, it seems clear from the email sent by my secretary that Mr Myler did want to speak to me that day, and I have no reason to doubt the accuracy of Mr Pike's note of his discussion with Mr Myler. The note suggests that the conversation with me was brief. It records the outcome of that discussion as being "wait for silks view", so it is likely that, if the conversation took place, I would have suggested postponing any further discussion until we had advice from the QC. This is consistent with my recollection that the decision was based on advice from external counsel.
- 16.5 Most of the note of 27 May 2008 made by Mr Pike appears to me not to be Mr Pike recording Mr Myler's description of his discussion with me, but Mr Pike recording broader comments by Mr Myler regarding the Clive Goodman matter, the allegations that had been made by Mr Goodman in his employment claim, the various statements made by the company to the PCC and the Select Committee and the steps the company had, according to Mr Myler, taken to investigate the matter and ensure that nothing similar could occur in the future. None of this was discussed with me at that time. As I wrote to the Select Committee on this subject, which is attached as Exhibit JRJM 12, I was interested to read the statement Mr Myler apparently made to Mr Pike, to the effect that I would have said "get rid of them" and "cut out the cancer". I interpreted this to mean that had I been given a full picture of the facts I would have insisted that people suspected of wrongdoing were held accountable. I believe this may be why I was given a narrower set of facts than I should have been given at the 10 June 2008 meeting.
- 16.6 Mr Myler himself has no recollection of a discussion with me on 27 May 2008.
- 16.7 The third document is an email from Mr Myler to me dated 7 June 2008, attaching an email chain and requesting a meeting on the following Tuesday, 10 June 2008. 7 June 2008 was a Saturday, and I had returned overnight from Hong Kong. Typically I would have received emails on my BlackBerry during the weekends in 2008, and, as I

have confirmed to the Select Committee, I have no memory of reviewing the full email chain at that time or afterwards. I did reply to Mr Myler just over two minutes after his email, stating that I was available for a meeting on the Tuesday afternoon, and that I would be at home that evening and most of the following day if he wanted to talk before then.

16.8 The email chain is as follows:

16.8.1 The first is an email (at the bottom of the chain) from Mr Pike at Farrer & Co to Mr Crone at NGN, dated 6 June 2008, recording a conversation between Mr Pike and Mr Taylor's solicitor, Mr Lewis, in which Mr Lewis had made a number of points. These included:

- (a) Mr Taylor wished to be "vindicated or made rich"
- (b) Mr Taylor wished to see NGN suffer
- (c) Mr Taylor wanted to demonstrate that what happened to him was "rife throughout the organisation" and wanted to correct statements made to a Parliamentary inquiry that this was not happening. Mr Pike's email noted, apparently for Mr Crone's benefit, "NGN's line having been that there was a rogue trade in CG". "CG" was a reference to Clive Goodman.

16.8.2 The email noted that Mr Lewis had not taken instructions on exactly how much Mr Taylor wanted following NGN's offer of £350,000 but had said that Mr Taylor had previously made clear that what he wanted to keep the matter confidential was a seven-figure settlement plus indemnity costs. This came to £1.2 million in total.

16.8.3 The second is an email from Mr Crone to Mr Myler dated 7 June 2008, forwarding Mr Pike's email and commenting on it. Mr Crone's email raised the possibility that the company would receive a claim from someone associated with Mr Taylor, as it appeared that her voicemail had also been intercepted.

16.8.4 The third is an email from Mr Myler to me dated 7 June 2008, forwarding Mr Crone's email and, in turn, Mr Pike's email. Mr Myler noted that the emails were an "update on the Gordon Taylor (Professional Football Association) case. Unfortunately it is as bad as we feared." Mr Myler asked for five minutes with me the following Tuesday.

16.9 As I said in my letter to the Select Committee, which is attached as Exhibit JRJM 12, this email chain has been widely misreported and misunderstood, as it was not, in any way, a warning by Mr Myler or Mr Crone that voicemail interception was widespread. Rather, the email was specifically about the claim brought by Mr Taylor, which Messrs Crone and Myler were both very keen to try to settle. Mr Myler's statement that "unfortunately it is as bad as we feared" relates to the likely amount of money it would take to settle the Taylor case, and not to voicemail interception generally - i.e. attempts had been made to settle it, those had not been successful and Mr Taylor continued to demand a great deal of money from the company. The "nightmare

scenario" mentioned by Mr Crone was not a warning that others were involved in voicemail interception, but a reference to the fact that there could be an additional potential claim by [redacted] an associate of Mr Taylor. In fact, the email from Mr Crone actually rebuts a significant piece of evidence supporting the allegations raised in the first email by Mr Taylor's solicitor. According to Mr Crone, the key piece of evidence, a recording of a journalist who was not Mr Goodman talking with Mr Mulcaire, the private investigator, is "not one of ours" – i.e. not a News of the World journalist. This, Mr Crone said, "can only be helpful".

- 16.10 As I told the Select Committee in my evidence, the meeting on 10 June 2008 with Mr Myler and Mr Crone was short, maybe 15 to 30 minutes. I was told at the meeting that we would lose the case, and that it could cost between £500,000 and £1 million (including the claimant's costs but excluding News International's own costs). In light of these figures, it was a reasonable decision to follow the unequivocal advice that had been received and settle.
- 16.11 Although the numbers discussed were not insubstantial, as far as I was concerned it was appropriate for me to rely on the executives involved to deal with the detail.
- 16.12 I do recall Messrs Crone and Myler mentioning that there was evidence that linked the interception of Mr Taylor's voicemail to *The News of the World* (that was, after all, the basis for the settlement), but they did not show that evidence to me or describe it in any detail. Nor did I ask to see it because I was content to rely on their telling me we were going to lose, and that conclusive evidence had been uncovered of the link with *The News of the World*. My clear understanding was that this case related to historic incidents involving voicemail interception that had been investigated by the police and that had led to prosecutions. My understanding was that this was a civil claim that followed from those earlier convictions.
- 16.13 The question of which reporter was involved in the Taylor story was not discussed. I knew a reporter and the private investigator had gone to jail. I do not believe I knew it was the royal reporter at that time.
- 16.14 Much of the commentary about the Taylor settlement has focused on an email which is known now as the "For Neville" email. I have never met Neville Thurlbeck to my knowledge and I do not recall any reference to him at the meeting, or a reference to (or being shown) the "For Neville" email, other than a reference to evidence linking Mr Mulcaire's activities in respect of the interception of Mr Taylor's voicemail to *The News of the World*. Of course, this evidence was in fact the "For Neville" email, but there was no reference at the meeting to wider criminal behaviour or wrongdoing. I was never shown any voicemail transcripts. On these matters I am certain. If there had been references to wider wrongdoing, I would not have let the matter stand. The meeting would have lasted a lot longer than the short time it did take, and there would have been follow-up meetings.
- 16.15 I was advised that the new evidence showed that the company would lose the Taylor case because it linked Mr Mulcaire's activities in intercepting Mr Taylor's voicemail to *The News of the World*. Until the evidence was received, the existence of the link was not clear.

- 16.16 Messrs Crone and Myler were very keen to settle. Indeed, I now understand that they had already attempted to do so at a number of financial levels. The records kept by Farrer & Co show that an offer of £50,000 was made on 2 May 2008 and rejected on 7 May 2008. A further offer of £150,000 was made on 9 May 2008, and an offer of £350,000 was made on 3 June 2008, although it is still unclear to me on whose authority that offer was made, as indeed it seemed unclear to Messrs Crone and Myler when they gave their evidence to the Inquiry.
- 16.17 It seems that if they had been successful, the matter would not even have crossed my desk. I note that Mr Myler told this Inquiry in December that "Mr Crone is a very, very experienced legal manager and lawyer, and, you know, had conducted negotiations like this for many years. Not, clearly, to this amount, which was the reason why we brought it to the attention of the chief executive." It is clear that their motivation in coming to see me was to enable them to offer more money to Mr Taylor, and not to alert me to wider wrongdoing, which they could (and should) have done when the evidence first became available to the company in April 2008.
- 16.18 I was told the company was going to lose and there was no reason to let the case proceed any further. I do not recall any discussion about the consequences of what might happen if the case did not settle, but clearly it would only have brought up the whole matter again which would not have been in the company's interest. We already had had an arrest, a prosecution, a jail sentence and the police saying they were satisfied that they had prosecuted the relevant people. It should also be remembered that the allegations that wrongdoing was more widespread within News International, which I now understand were made by Mr Goodman in his employment appeal proceedings the previous year, were not known to me at that time. There was therefore no reason for me to question whether this evidence linking the Taylor hacking to *The News of the World* was also evidence of more widespread wrongdoing. It has been suggested that the reference to another potential claim was evidence, but, as that claimant was connected to Mr Taylor, it did not indicate to me that there was another journalist involved. Rather, the connection between them suggested that the same person was responsible for both interceptions.
- 16.19 I believe that the Inquiry already has a copy of the documents relevant to my personal role in the Taylor litigation, which was limited to the events I have described above. The MSC is responsible for the company's records in respect of the litigation generally, although I understand that the company has not waived privilege over legal advice concerning Mr Taylor's claim against the company, other than the limited waiver which has resulted in the Inquiry obtaining the documents already received.
- 16.20 I also now understand that there was a concern by Mr Crone and others about certain documents from the Information Commissioner's "Operation Motorman" being produced in the Taylor litigation. Mr Taylor's solicitors had received these documents from the Information Commissioner, and had gone through them to find examples of News International staff using the private investigator Steve Whittamore for what were alleged to be illegal transactions. Mr Taylor's solicitors apparently proposed to include these details in their Amended Particulars of Claim to show a propensity on behalf of journalists at News International titles to engage in these types of activities, although as far as I am aware none of them involved voicemail interception. I have no recollection of this evidence being mentioned to me during the meeting either.

Max Clifford claim

- 16.21 In contrast to the claim by Mr Taylor, by the time Mr Clifford started his proceedings against the company, Mrs Brooks had taken over as Chief Executive Officer, and she was responsible for the conduct of those proceedings. I do recall her telling me that proceedings had been brought against the company and that an agreement had been reached on the basis that Mr Clifford would start working with the company again, which would be a benefit to the company's newspapers. He had previously declined to do so for some time. Mr Clifford was one of the original charges to which Mr Mulcaire had pleaded guilty.
- 16.22 As I had no role in respect of the handling of this claim, there are no relevant documents I can disclose. The MSC is responsible for the company's records in respect of the litigation generally, although I understand that the company has not waived privilege over legal advice concerning Mr Clifford's claim against the company.
17. **Please provide all relevant documentation and give a full account of your role in relation to the formation and execution of News International's policy as to the conduct of more recent litigation in the civil courts. Your account should include details of your responsibilities, and the steps you have taken, in relation to:**
- (a) **The management of the litigation;**
 - (b) **Decision-making on the timing and terms on which the claims have been settled; and**
 - (c) **News International's public stance and commentary on these claims.**
- 17.1 The Chief Executive Officer of News International, Mrs Brooks, was responsible for conduct of the more recent litigation until the MSC took over upon her departure in July 2011. I have had no direct responsibility for the terms of settlement or the company's conduct with respect to these areas.
18. **Please explain your role, if any, in the decision to set up the Management and Standards Committee, in the determination of its remit and in its operations.**
- 18.1 In the summer of 2011 a group of executives within News Corporation considered how best the company could investigate the various allegations being made against it, deal with new allegations that might arise, if any did, and deal with the various inquiries that were being suggested. I was part of this group. There was a view that creating an autonomous body would be the best way forward. Having taken some advice about who should chair the MSC, I agreed to approach Lord Grabiner as a potential Chairman. Once it was established, however, I did not sit on the MSC and had no further involvement with it, as the whole purpose of the MSC was to be independent of News International. It reports to Joel Klein, who in turn reports to Viet Dinh. Respectively they are a director and independent non-executive director of News Corporation and both former Assistant Attorneys General of the United States. I understand that the remit of the MSC has been provided in the documents supplied to the Inquiry by my father.

19. **Please explain your role in the formation and execution of News International's policy in relation to Operation Elveden. To what extent did you share the views expressed by Trevor Kavanagh in *The Sun* on 13th February 2012, in which he levelled serious criticisms at Operation Elveden. Were you aware of this piece prior to its publication?**
- 19.1 My only involvement with News International's policy in relation to what is now known as Operation Elveden was prior to the MSC being formed. In January 2011 Operation Weeting was started by the police after certain evidence related to voicemail interception was given to them by News International, and the company's investigations into exactly what had gone on continued. This resulted in the discovery of the file of emails that I understand had been considered by Harbottle & Lewis. Lord Macdonald was asked to review these, and I authorised the company following the advice given by Lord Macdonald in respect of the disclosure to the police of those emails. After that disclosure, the police formed Operation Elveden to look into issues raised by the emails. Once the MSC was formed, I had no further involvement in the company's policy in respect of Operation Elveden.
- 19.2 I was not aware of the article written by Mr Kavanagh before it was published but I understand the frustration that may have prompted him to write it. However, payments to police are wholly wrong.
20. **Please explain your role, if any, in relation to the decision in February 2012 to launch a Sunday edition of *The Sun*, and the lifting of the suspension of journalists who had been arrested for alleged unlawful payments to the police and other public officials.**
- 20.1 The decision to launch a Sunday edition of *The Sun* was made by my father, in conjunction with the management of News International. There had previously been discussions about a Sunday paper, but the timing of the launch, the pricing of the paper and the reinstatement of the journalists were all decisions made by my father and the management of News International.
21. **You will be aware that the Metropolitan Police have announced that they will review the Daniel Morgan murder in the light of information that the News of the World hired a private investigator with links to one of the murder suspects to conduct surveillance on the senior officer in charge of the investigation. Please set out your understanding of events relevant to this review, and of your role in determining the assistance to be given by News International to the police in this context.**
- 21.1 I have only become aware of the Daniel Morgan case recently. I now realise the relevance of Tom Watson MP's reference to Alex Marunchak at the Select Committee hearing which my father and I attended in July 2011. I knew nothing of the underlying allegations when he made that reference, however. The MSC are in charge of the company's response to the police in respect of the review. As I have explained, I have no role in relation to the MSC, but note that it has co-operated with the other police investigations currently under way.
22. **In relation to the civil claims, please respond to the comments of Mr Justice Vos that, in response to requests for documents from claimants, senior executives at**

News International implemented a "pre-conceived plan to hide emails." Mr Justice Vos added that News International should be treated as "deliberate destroyers of evidence." Please give an account in full, supported by all relevant documentation, of your role and responsibilities in relation to any such plan.

- 22.1 I can confirm that I was not one of the "senior executives" referred to by Mr Justice Vos in his quoted comments. The company upgraded its email system last year and I was aware that that was happening and supportive of the implementation of more reliable systems, but I was not aware of any "pre-conceived plan to hide emails" or to "destroy evidence". On the contrary, I assumed that any new change to the system would ensure that anything relevant to voicemail interception at *The News of the World* would be kept.

As you are aware, the editor of The Times, James Harding, has informed the Inquiry that information relating to the unlawful interception of an email by The Times was withheld from Mr Justice Eady in the NightJack hearing. Please give a full account, supported by all relevant documentation, of your role and responsibilities in relation to any investigations by News International of the extent to which the unlawful interception of emails was or is prevalent, and any steps taken to ensure that no News International publication misleads the court in future.

- 22.2 I had no role or responsibilities in relation to any investigations by News International into the matter or into whether the interception of emails was or is prevalent. Investigations into a number of matters are being carried out by the MSC. The Inquiry has been provided with details of changes to various governance policies which are aimed at ensuring that such conduct does not occur again.

23. **When the Sun on Sunday was launched, Rupert Murdoch said that "we have vowed to do everything we can to get to the bottom of prior wrongdoings in order to set us on the right path for the future. That process is well under way. The practices Sue Akers described at the Leveson Inquiry are ones of the past, and no longer exist at The Sun. We have already emerged a stronger company." Please give a full account, supported by all relevant documentation, of your role and responsibilities in relation to any past practices or culture involving News International employees making unlawful payments, the investigation of the extent of such practices or culture, the steps taken to change any such past practices or culture, and the emergence of News International as a stronger company having learned the lessons of the past.**

- 23.1 I believe I have answered this question in my answers above. To re-iterate, I was not aware, at the time, of past practices which involved making unlawful payments. As I have said in my answer to Question 19 above, when relevant evidence emerged in the context of the company's investigations into voicemail interception, it was passed to the police. The MSC is now responsible for handling the company's relationship with the police in respect of this matter. The Inquiry has, I believe, already been supplied with details of updated compliance procedures.

24. In 2009, you gave the MacTaggart lecture, entitled "The Absence of Trust." The lecture ended with your views on the importance of independence in news media, and how to obtain it. You said as follows:

"Above all we must have genuine independence in news media. Genuine independence is a rare thing. No amount of governance in the form of committees, regulators, trusts or advisory bodies is truly sufficient as a guarantor of independence. In fact, they curb speech. On the contrary, independence is characterised by the absence of the apparatus of supervision and dependency. Independence of faction, industrial or political. Independence of subsidy, gift and patronage. Independence is sustained by true accountability – the accountability owed to customers. People who buy the newspapers, open the application, decide to take out the television subscription – people who deliberately and willingly choose a service which they value. And people value honest, fearless, and above all independent news coverage that challenges the consensus. There is an inescapable conclusion that we must reach if we are to have a better society. The only reliable, durable, and perpetual guarantor of independence is profit."

The Inquiry would be grateful for a fuller understanding of this part of your lecture, and in particular what views you intended to convey in relation to internal governance and press regulation. Have your views changed, and if so, how?

- 24.1 This statement was only a part of the lecture, and is best understood when read in the context of the lecture as a whole, which I attach as Exhibit JRJM 13. The lecture reflected a view I have expressed before, which is the importance of trusting and empowering consumers of media, rather than regulating excessively, penalising the poorest in society with regressive taxes and policies, promoting inefficient infrastructure like digital terrestrial television and creating unaccountable institutions, like the BBC Trust and Channel 4. My point in the lecture was that it is not rational for the authorities to try and manage the media industry in the way that they do, and that a reorientation of the regulatory approach was necessary if dynamism and innovation were going to be central to the UK media industry. The paragraph quoted above stressed the importance of independence in news media, and my view that elaborate governance structures were not the way to achieve this. Rather, independence is sustained by accountability to customers. Indeed, it is the self-sustaining nature of profit that in part can empower the news media to take on the challenge of questioning and reporting on powerful institutions such as government.
- 24.2 I was not making any points about internal governance in the lecture. I have explained in my answers to earlier questions my views on that subject. Nor was I specifically addressing press regulation, which does not contain the impartiality requirements of broadcast news. However, my point about regulation is that it cannot guarantee independence, and that independence is key for news media. A lack of independence means that media outlets are constrained in what they can say or do. Some will rely on the government for their funding, in whole or in part, which further weakens their ability to challenge the status quo. Only those organisations which are self-sustaining can be truly independent, relying on no-one else.

- 24.3 Profit is not the only metric that a media organisation should be concerned about. Nor should independence be equated with a lack of accountability. If the lecture has been cited in support of either of those propositions, then it has been misunderstood. The closure of *The News of the World*, which I discuss above in my answer to Question 10, is a good example of a situation in which profit did not protect the paper, and in which accountability was very much an issue. The paper had breached its trust with its readers and advertisers, who decided that they no longer wished to be associated with it, and the decision was therefore taken to close it. No organisation is perfect, but excessive regulation does not bring an organisation closer to that goal.
- 24.4 I am fortunate to have held a range of leadership positions in our industry at News Corporation and BSkyB, both around the world and in the United Kingdom, and to have been able to create and grow businesses and compare and contrast the environments in which this has taken place. At this time of seismic change in the creation, distribution, consumption and engagement with news and entertainment, the United Kingdom is blessed to have one of the world's longest and proudest histories of a free press. We know that the industry is changing rapidly, however, and that the newspapers of the past may be unrecognisable to future generations. As this change takes place, I am committed to seeing that our company and colleagues continue building on the actions already taken to ensure that we operate to the highest ethical standards.

I believe that the facts stated in this witness statement are true

James Murdoch

16 April 2012

