

Statement to Parliament: Update: Media Mergers

Mr Speaker, with permission, I would like to make a statement about the proposed merger between Comcast and Sky, and the proposed merger between 21st Century Fox and Sky.

In my quasi-judicial role I have considered these mergers separately, on their own merits, and want to set out my decisions taken on the basis of the relevant evidence.

Mr Speaker, I would first like to update the House on Comcast's proposed acquisition.

On 7 May Comcast notified an intention to acquire Sky. As Secretary of State, I am required to consider whether the merger raises public interest concerns that meet the threshold for intervention, as set out in Section 58 of the Enterprise Act 2002.

As required, I considered:

- The need for a sufficient plurality of people with control of media enterprises
- The need for a wide range of high quality broadcasting
- And the need for a genuine commitment to broadcasting standards

Last month I informed the House I was minded not to intervene in the merger on the basis that it does not meet the threshold for intervention.

I gave interested parties time to make representations and I received no further representations.

As a result, I have concluded that the proposed merger does not raise public interest concerns and so I can confirm today that I will not be issuing an intervention notice.

Turning to Fox's proposed acquisition of Sky.

In March 2017 my predecessor issued an Intervention Notice on public interest grounds, due to concerns about media plurality and the genuine commitment to broadcasting standards.

The Intervention Notice triggered Phase 1 investigations by Ofcom and the CMA.

In September, having considered these reports, along with further advice from Ofcom, she referred the proposed merger to the CMA for a Phase 2 investigation on both grounds.

The CMA published its interim report in January, and provided its final

report to me on 1 May.

I have today published this report, and deposited a copy in the Libraries of both Houses.

The report confirms, as previously set out, that the proposed merger does pass the threshold for a relevant merger situation, and provides recommendations on both public interest tests.

On broadcasting standards, the CMA carried out a thorough and systematic assessment, taking into account:

Fox and Sky's approach to broadcasting standards, both in the UK and outside.

And the approach of Fox and News Corp to wider regulatory compliance and corporate governance.

The CMA concluded in line with its interim findings that the merger may not be expected to operate against the public interest on the grounds of a genuine commitment to broadcasting standards.

And Mr Speaker, I agree with this finding.

On the question of media plurality, the CMA's final report confirms its interim findings that the proposed merger may be expected to operate against the public interest.

The CMA found cause for concern in two areas.

First, the potential erosion of Sky News' editorial independence which could in turn lead to a reduction in the diversity of viewpoints available to and consumed by the public.

And second, the possibility of an increased influence of the Murdoch Family Trust over public opinion and the UK's political agenda.

The CMA has used a clear and logical approach, and taken into account Ofcom's media plurality framework.

They have taken great care to obtain a wide range of written and oral evidence.

And Mr Speaker, I agree with this finding too. Where the CMA makes a finding that a merger is likely to operate against the public interest, they are then required to consider what remedy would be appropriate.

To address the media plurality concerns, the CMA considered a range of options, including those proposed by the parties.

Specifically, these were:

First, a firewall of behavioural commitments to insulate Sky News from the influence of the Murdoch Family Trust;

Second, a ring fence, where Sky News would be separated structurally from Sky, but still owned by Fox. Along with the same behavioural commitments;

Third, divesting Sky News to a suitable third party;

And fourth, prohibition of the transaction as a whole.

I have considered the CMA's detailed assessment and their conclusions on how effective and proportionate the different remedies are.

I agree with the CMA that divesting Sky News to Disney, as proposed by Fox, or to an alternative suitable buyer, with an agreement to ensure it is funded for at least ten years, is likely to be the most proportionate and effective remedy for the public interest concerns that have been identified.

The CMA report sets out some draft terms for such a divestment, and Fox has written to me to offer undertakings on effectively the same terms.

The proposals include significant commitments from Fox. But there are some important issues on the draft undertakings which still need to be addressed.

I need to be confident that the final undertakings ensure that Sky News:

- remains financially viable over the long-term
- is able to operate as a major UK-based news provider
- and is able to take its editorial decisions independently, free from any potential outside influence

As a result, I have asked my officials to begin immediate discussions with the parties to finalise the details with a view to agreeing an acceptable form of the remedy, so we can all be confident Sky News can be divested in a way that works for the long term.

Under the legislation, I am required to consult formally for 15 days on the undertakings.

Subject to the willingness of the parties to agree the details, I aim to publish this consultation within a fortnight.

I am optimistic that we can achieve this goal, not least given the willingness 21st Century Fox has shown in developing these credible proposals.

However, if we can't agree terms at this point, then I agree with the CMA that the only effective remedy now would be to block the merger altogether. This is not my preferred approach.

Mr Speaker, we have followed a scrupulously fair and impartial process, based only on the relevant evidence and objectively justified by the facts.

I would like to thank Ofcom, the CMA, the parties, my predecessor and my fantastic team at DCMS for all of their hard work. I hope we can reach a final agreement very soon.

Mr Speaker, I want to see a broadcasting industry in Britain that is strong and effective and competitive. And I commend this statement to the House.