

Murdoch's Impossible Situation

His **latest testimony** in front of the Culture, Media and Sport Select Committee showed that James Murdoch is in an impossible situation. To Parliament he basically has to say he knew very little of the industrial scale illegal intrusions on privacy that we now know were going on at News International. To his shareholders however, he has to maintain that he and his executives were in control of the company. In his testimony he has now had to repeatedly claim that he forgot meetings, did not follow up on information given to him and in particular that he appears to have had a 'cavalier' approach to in signing off a number of out of court settlements that cost the company a total of several million pounds. The allegation is that the payments were knowingly made at such high levels in order to close down the story, but Murdoch has claimed throughout that he approved the astronomical payments without any knowledge of the wider implications of these cases to the company.

Given the situation he finds himself in, James Murdoch gave a reasonable performance. But Murdoch is not an elected politician, and the performance itself is a secondary issue for shareholders. They have to ask a range of questions: whether the testimony demonstrates that James Murdoch was in effective control of the company and continues to be and in particular whether his testimony makes it likely that there will be a significant change to the business and regulatory environment for the company. They will have to wait some while longer to find out what the implications for regulation are. The parliamentary committee Inquiry is really just an appetizer for a Judicial Inquiry that will take evidence over the next year. **Lord Justice Leveson** will have to decide whether the phone hacking scandal relates to isolated wrongdoing or something more structural in terms of the relationship between politicians and the press. If the judge recommends that News International's dominant market position permitted it to act with impunity like a 'Mafia' as MP Tom Watson alleged, it may be that he recommends a new approach to competition regulation and the breaking up of News International interests. He is likely to take seriously calls for a much tougher approach to self regulation of newspapers which is sure to add to their costs. But shareholders might not be inclined to wait for that news. They might look at this mess and want to avoid any more of it. One way is to pressure News International to exit UK newspapers altogether. Another would be to sell up: some shareholders may also be asking ethical questions about whether they want to continue to be involved in the company.

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