Oral Evidence Taken before the Culture, Media and Sport on Tuesday 19 July 2011

UNCORRECTED TRANSCRIPT OF ORAL EVIDENCE

Members present:

Mr John Whittingdale (Chair)
Dr Thérèse Coffey
Ann Coffey
Damian Collins
Philip Davies
Paul Farrelly
Cathy Jamieson
Alan Keen
Louise Mensch
Mr Adrian Sanders
Jim Sheridan
Mr Tom Watson

Examination of Witnesses

Witnesses: Rupert Murdoch, Chairman and Chief Executive Officer, News Corporation, and James Murdoch, Chairman, News International, gave evidence.

James Murdoch: Mr Chairman, I have a procedural question, if it pleases you. Our understanding was that we would be afforded the opportunity to make an opening statement, and we prepared on that basis. We would like the opportunity to make that statement. Would you allow us?

Q151 Chair: The Committee discussed that earlier. We feel that we have a lot of questions, and we hope that all that you would wish to say will come out during the course of questioning. If you feel that is not the case, you can make a statement at the end.

James Murdoch: In that case, we would also like to submit the statement in writing, if it pleases you.

Q152 Chair: That would be perfectly acceptable. [Interruption.] Could we please remove the people who are holding up notices?
After that brief interruption, we will begin. Good afternoon, everybody. This is a special meeting of the Culture, Media and Sport Committee. It is a follow-up to the inquiry that the Committee held in 2009 into press standards, privacy and libel, during which we took evidence on the extent of phone hacking that had taken place in the News of the World. In our report last year, we stated that we thought it was inconceivable that only one reporter had been involved. In the last few weeks, not only has evidence emerged that I think has vindicated the Committee's conclusion, but abuses have been revealed that have angered and shocked the entire country. It is also clear that Parliament has been misled. We are very conscious on the Committee that there is an ongoing police investigation, and possible criminal proceedings to follow, and this Committee would not wish to jeopardise that. However, we are encouraged by the statements that have been made by all the witnesses this afternoon that they wish to co-operate with the Committee and help us to establish the truth.
As our first witnesses this afternoon, I welcome the Chairman and Chief Executive Officer of News Corp, Rupert Murdoch, and the Deputy Chief Operating Officer and Chairman and Chief Executive of News Corp International, James Murdoch. I also thank you for making yourselves available to the Committee this afternoon.

Rupert Murdoch: Thank you, Mr Chairman. We are more than prepared to.

Q153 Chair: Perhaps I might start with Mr James Murdoch. You made a statement on 7 July in which you stated that the paper had made statements to Parliament without being in full possession of the facts, and that was wrong. You essentially admitted that Parliament had been misled in what we had been told. Can you tell us to what extent we were misled, and when you became aware of that?

James Murdoch: First, I would like to say as well just how sorry I am, and how sorry we are, to particularly the victims of illegal voicemail interceptions and to their families. It is a matter of great regret to me, my father and everyone at News Corporation. These actions do not live up to the standards that our company aspires to everywhere around the world, and it is our determination to put things right, to make sure that these things do not happen again and to be the company that I know we

have always aspired to be.
As for my comments, Mr Chairman, and my statement, which I believe was around the closure of the News of the World newspaper—
Rupert Murdoch: Before you get to that, I would just like to say one sentence. This is the most humble day of my life.

James Murdoch: The statement around the closure of the News of the World newspaper, where I stated that we—the company—had not been in full possession of the facts when certain statements were made to this Committee, was referring to the emergence of new facts, largely that came about at the end of 2010, as the due process of a number of civil trials reached the point where document disclosure and evidence disclosure made it apparent to the company and to myself at that time that indeed there was reason to believe that potentially more people had been involved in News of the World illegal voicemail interceptions from before. That was new evidence or new information at the time, which postdated the 2009 hearings and that is what I was referring to.
Subsequent to our discovery of that information in one of the civil trials at the end of 2010, which I believe was the Sienna Miller case—a civil trial around illegal voicemail interceptions—the company immediately went to look at additional records around the individual involved. We alerted—the company alerted the police, who restarted on that basis the investigation that is now under way, and since then the company has admitted liability to victims of illegal voicemail interceptions, has apologised unreservedly, which I repeat today, to those victims, and the company also set up a compensation scheme independently managed by a former High Court judge to be able to deal with legitimate claims from victims of those terrible incidents of voicemail interceptions.
Those are the actions that were taken as soon as the new evidence emerged. When I made the statement about not being in full possession of the facts, it was of those facts that at that point were still in the future, and in the due process of the civil trial—the civil litigation process—evidence really emerged for us, and we acted. The company acted as swiftly and as transparently as possible.

Q154 Chair: When this Committee took evidence in 2009, we heard from the managing editor of the News of the World, Stuart Kuttner; the legal manger of News International, Tom Crone; the News of the World editor, Colin Myler; the former editor, Andy Coulson; and Les Hinton, the former chairman of News International. All of them told us that there had been a thorough investigation and no evidence had ever been found that anybody else was involved. That clearly was not correct. Were any of them lying to this Committee?

James Murdoch: Mr Chairman, the company relied on three things for a period of time up until the new evidence emerged. The company relied on a police investigation in 2007; I will recount this to try to take us back to that area. This is before I was involved. I became back involved in News Corporation and News International matters at the end of 2007. In the 2007 period, there was a police investigation; successful prosecutions were brought against two individuals, and the editor of the News of the World resigned.
The company relied on both the police having closed the investigation and repeated assertions that there was no new evidence for them to reopen their investigation. The company relied on the PCC, which had had a report and had said that there was nothing more to this at the time. The company relied on the legal opinion of outside counsel that was brought in related to those matters, who, with respect to their review, had issued a clear opinion that there was no additional illegality other than the two individuals involved before. The company relied on those facts, and for the company in 2008 and 2009, it was not clear that there was a reason to believe that those matters were anything other than settled matters, and in the past.

Q155 Chair: So is it your testimony to this Committee that none of the individuals who gave us evidence in 2009 knew at that time what had been going on?

James Murdoch: I do not have direct knowledge of what they knew and at what time, but I can tell you that the critical new facts, as I saw them and as the company saw them, really emerged in the production of documentary information or evidence in the civil trials at the end of 2010. The duration from 2007 to the end of 2010 and the length of time it took for that to come clear and for that real evidence to be there is a matter of deep frustration—mine. I have to tell you that I know and I sympathise with the frustration of this Committee. It is a matter of real regret that the facts could not emerge and could not be gotten to my understanding faster.

Q156 Chair: You have made clear that it is the case that information we were given was incorrect. Have

you established who, as well as Clive Goodman, was involved in phone hacking in the News of the World?

James Murdoch: I am sorry, Mr Chairman, can you repeat that?

Q157 Chair: Who, as well as Clive Goodman, was involved in phone hacking in the News of the World?

James Murdoch: As I think you made clear earlier, Mr Chairman, there have been a number of arrests of former News of the World employees. These are matters for current criminal investigations and, understandably, it is difficult for me to comment in particular about some of those individuals.

Q158 Chair: Have you carried out your own investigation since the discovery of this information to find out the extent of involvement in phone hacking in the News of the World?

James Murdoch: We have established a group in the company, co-operating very closely with the police on their investigation. Their investigation is broad, with respect to journalistic practices, in particular journalistic practices at the News of the World, and the policy and direction that the company has given them is to co-operate fully and transparently with the police; to provide information and evidence that the company believes and they believe is relevant to those investigations, sometimes proactively, sometimes in response to those requests. Again, I think the very fact that the provision of the new information to the police in the first place when there was no police investigation ongoing that then led to, in part, the re-opening, or this new investigation being established can, I hope, be testament to some proactive action and transparency with respect to getting to the right place to find out the facts of what happened, understanding all the allegations that are coming in and moving forward to aid the police in successful completion of the important and serious work that they are doing.

Q159 Chair: Was the departure from your company in the recent few days of Tom Crone, Rebekah Brooks and Les Hinton because any of them had knowledge of phone hacking?

James Murdoch: I have no knowledge and there is no evidence that I am aware of that Mrs Brooks or Mr Hinton, or any of those executives, had knowledge of that. Certainly Mrs Brooks' assertions to me of her knowledge of those things has been clear. None the less, those resignations have been accepted, but there is no evidence today that I have seen or that I have any knowledge of that there was any impropriety by them.

Q160 Mr Watson: Mr Murdoch senior, good afternoon, sir. You have repeatedly stated that News Corp has zero tolerance to wrongdoing by employees. Is that right?

Rupert Murdoch: Yes.

Q161 Mr Watson: In October 2010, did you still believe it to be true when you made your Thatcher speech and you said, "Let me be clear: we will vigorously pursue the truth—and we will not tolerate wrongdoing."?
Rupert Murdoch: Yes.

Q162 Mr Watson: So if you were not lying then, somebody lied to you. Who was it?

Rupert Murdoch: I don't know. That is what the police are investigating, and we are helping them with.

Q163 Mr Watson: But you acknowledge that you were misled.

Rupert Murdoch: Clearly.

Q164 Mr Watson: Can I take you back to 2003? Are you aware that in March of that year, Rebekah Brooks gave evidence to this Committee admitting paying police?

Rupert Murdoch: I am now aware of that. I was not aware at the time. I am also aware that she amended that considerably, very quickly afterwards.

Q165 Mr Watson: I think that she amended it seven or eight years afterwards.
Rupert Murdoch: Oh, I'm sorry.

Q166 Mr Watson: Did you or anyone else at your organisation investigate this at the time?

Rupert Murdoch: No.

Q167 Mr Watson: Can you explain why?

Rupert Murdoch: I didn't know of it, I'm sorry. Allow me to say something? This is not an excuse. Maybe it is an explanation of my laxity. The News of the World is less than 1% of our company. I employ 53,000 people around the world who are proud and great and ethical and distinguished people—professionals in their line. Perhaps I am spread watching and appointing people whom I trust to run those divisions.

Q168 Mr Watson: Mr Murdoch, I do accept that you have many distinguished people who work for your company. You are ultimately responsible for the corporate governance of News Corp, so what I am trying to establish is who knew about wrongdoing and what was involved at the time. If I can take you forward to 2006: when Clive Goodman was arrested and subsequently convicted of intercepting voicemails, were you made aware of that?

Rupert Murdoch: I think so. I was certainly made aware of when they were convicted.

Q169 Mr Watson: What did News International do subsequent to the arrest of Clive Goodman and Glenn Mulcaire to get to the facts?

Rupert Murdoch: We worked with the police on further investigation and eventually we appointed—very quickly appointed—a very leading firm of lawyers in the City to investigate it further.

James Murdoch: Perhaps I can help here—

Q170 Mr Watson: I will come to you in a minute, sir. Just let me finish my line of questioning and then I will come to you. What did you personally do to investigate that after Mr Goodman went to prison? You were obviously concerned about it.

Rupert Murdoch: I spoke to Mr Hinton who told me about it.

Q171 Mr Watson: Okay. In 2008, another two years, why did you not dismiss News of the World chief reporter Neville Thurlbeck, following the Mosley case?

Rupert Murdoch: I had never heard of him.

Q172 Mr Watson: Okay. Despite a judge making clear that Thurlbeck set out to blame two of the women involved?

Rupert Murdoch: I didn't hear that.

Q173 Mr Watson: A judge made it clear Thurlbeck set out to blackmail two of the women involved in the case.

Rupert Murdoch: That is the first I have heard of that.

Q174 Mr Watson: So none of your UK staff drew your attention to this serious wrongdoing, even though the case received widespread media attention?

Rupert Murdoch: I think my son can perhaps answer that in more detail. He was a lot closer to it.

Q175 Mr Watson: I'll come to your son in a minute. Despite the fact that blackmail can result in a 14-year prison sentence, nobody in your UK company brought this fact to your attention?

Rupert Murdoch: The blackmail charge, no.

Q176 Mr Watson: Do you think that might be because they knew you would think nothing of it?

Rupert Murdoch: No. I can't answer. I don't know.

Q177 Mr Watson: Do you agree with Mr Justice Eady when he said that the lack of action discloses a remarkable state of affairs at News International?

Rupert Murdoch: No.

Q178 Mr Watson: Mr Murdoch, a judge found a chief reporter guilty of blackmail. It was widely reported. He says it was a remarkable state of affairs—

Rupert Murdoch: Why didn't he put him in jail?

Q179 Mr Watson: Because it was a civil case.
Were you aware that News International commissioned an investigation into News International e-mails by Harbottle & Lewis?

Rupert Murdoch: Was I—

Q180 Mr Watson: Aware that News International commissioned an investigation into News International e-mails by the solicitors firm Harbottle & Lewis?

Rupert Murdoch: Yes. I didn't appoint them, but I was told of it happening.

Q181 Mr Watson: You claimed in The Wall Street Journal that Harbottle & Lewis had made a major mistake. Can I ask what mistake you were referring to?

Rupert Murdoch: I think maybe that's a question again for James, but there was certainly—well, we examined it, re-examined that. We found things that we immediately went to counsel with to get advice on how to present it to the police.

Q182 Mr Watson: In their written response to this Committee's questions, are you aware that News International stated that both Jon Chapman and Daniel Cloke reviewed these e-mails before forwarding them to Harbottle & Lewis?

Rupert Murdoch: No.

Q183 Mr Watson: So nobody in the company told you that two of your executives had reviewed the e-mails back then?

Rupert Murdoch: I was under the understanding that everything had been sent to them.

Q184 Mr Watson: Okay. You are aware that Lord Macdonald QC has since reviewed the e-mails again on behalf of News International, are you not?

Rupert Murdoch: Yes.

Q185 Mr Watson: You are aware that he stated he found evidence—

Rupert Murdoch: And he has reported to the whole board of News Corporation.

Q186 Mr Watson: He did. And you are aware that he stated to the board that he found evidence of indirect hacking, breaches of national security and evidence of serious crime in the Harbottle & Lewis file.

Rupert Murdoch: He did indeed.

James Murdoch: Mr Watson please, I can address these in some detail, if you will allow me.

Q187 Mr Watson: I will come to you, Mr Murdoch, but it is your father who is responsible for corporate governance. I want to ask about what he knew, but I will come back to you. Who was aware of the Harbottle & Lewis findings at News International?

Rupert Murdoch: It went to the senior officials of News Corp. Certainly the top legal officer.

Q188 Mr Watson: So Tom Crone or Les Hinton?

Rupert Murdoch: No. They were not the top legal officers.

Q189 Mr Watson: Who were the top legal officers?

Rupert Murdoch: You can answer that.

James Murdoch: Mr Jon Chapman was the top legal officer of News International. Mr Crone was the head of legal affairs at News Group Newspapers.

Q190 Mr Watson: Were you informed about the findings by your son, Mr Murdoch, or by Rebekah Brooks?

Rupert Murdoch: I forget, but I expect it was my son. I was in daily contact with them both.

Q191 Mr Watson: When were you informed about the payments made to Gordon Taylor and Max Clifford?

Rupert Murdoch: No.

Q192 Mr Watson: You were not informed?

Rupert Murdoch: No.

Q193 Mr Watson: At no point did you know that Taylor and Clifford were made payments?

Rupert Murdoch: I never heard of them—the first one.

Q194 Mr Watson: You never informed the chief executives of News Corp that you authorised payment of £500,000?

James Murdoch: Would you like me to answer the questions now Mr Watson?

Q195 Mr Watson: I would like you to tell me whether you informed your father that you had authorised payments to Gordon Taylor as a result of him being the victim of a crime.

James Murdoch: On the settlement with Mr Taylor, and I am happy to address the matter of Mr Taylor in some detail if you would like, my father became aware of it after the settlement was made in 2009, I believe, after the confidential settlement had become public, as a newspaper reported on the out-of-court settlement afterwards. Please understand that an out-of-court settlement of a civil claim of that nature and of that quantum is something that normally, in a company our size, the responsible executives in the territory or country would be authorised to make. That is the way the company has functioned; it is below the approval thresholds, if you will, that would have to go to my father as chairman and chief executive of the global company.

Q196 Mr Watson: There are other questions I could ask on this, but there are other colleagues who have specific questions for you, Mr Murdoch, about this issue, so I will move back to your father if I can. Mr Murdoch, at what point did you find out that criminality was endemic at News of the World?

Rupert Murdoch: Endemic is a very hard, wide-ranging word. I also have to be extremely careful not to prejudice the course of justice, which is taking place now. It has been disclosed. I became aware as it became apparent. I was absolutely shocked and appalled and ashamed when I heard about the Milly Dowler case, only two weeks ago, eight days before I was graciously received by the Dowlers.

Q197 Mr Watson: Did you read our last report into the matter, where we referred to the collective amnesia of your executives who gave evidence to our Committee?

Rupert Murdoch: I haven't heard that. I don't know who made that particular charge.

Q198 Mr Watson: A parliamentary inquiry found your senior executives in the UK guilty of collective amnesia and nobody brought it to your attention. I do not see why you do not think that that is very serious.

Rupert Murdoch: But you're not really saying amnesia, you're really saying lying.

Q200 Mr Watson: While it has been obvious to most observers from the summer of 2009 that phone-hacking was widespread, you knew for sure in January of this year that the "one rogue reporter" line was false. Is that right?

Rupert Murdoch: I forget the date.

Q201 Mr Watson: Why was Edmondson the only person to leave News of the World last January?

Rupert Murdoch: We have given all our files and all our knowledge and everything to the police. They have not given us the Mulcaire diaries, so we do not know what was in that, but there was a page that appeared to be addressed to him. Again, that is my son's—

James Murdoch: Perhaps it would be helpful to the Committee—if you would like to go through any of the particular detail around why decisions were made by the management team at News International and the precise chronology—if I could answer those questions. As the chief executive of the regional businesses across Europe, I have somewhat more proximity to it.

Mr Watson: I understand the detailed points, Mr Murdoch—

James Murdoch: I am simply offering to help to clarify these matters, Mr Watson.

Q202 Mr Watson: But your father is responsible for corporate governance, and serious wrongdoing has been brought about in the company. It is revealing in itself what he does not know, and what executives chose not to tell him. With respect to you, I will pursue my line of questioning and come back to you later.
Mr Murdoch, why was no one fired in April, when News International finally admitted that News of the World had been engaged in criminal interception of voicemails?

Rupert Murdoch: It was not our job to get in the course of justice. It was up to the police to bring the

charges and to carry out their investigation, which we were 100% co-operating with.

Q203 Mr Watson: But in April the company admitted liability for phone hacking, and nobody took responsibility for it then. No one was fired. The company admitted that they had been involved in criminal wrongdoing and no one was fired. Why was that?

Rupert Murdoch: There were people in the company who apparently were guilty. We have to find them and we have to deal with them appropriately.

James Murdoch: Mr Watson, if I can clarify: most of the individuals involved or implicated in the allegations that were there had long since left the company. Some that were still there—you mentioned one—exited the business as soon as evidence of wrongdoing was found. A process was set up in co-operation with the police to aid them with any of those things that they wanted to do, but many of the individuals that were potentially implicated in those civil litigations and potentially in these criminal matters had already left the building and were not in the News of the World at this time. In the current News of the World, our News of the World executives and journalists at the time—many of whom were not there in 2006 and 2007, so some of them had already left.

Q204 Mr Watson: Thank you. Mr Murdoch, why did you decide to risk the jobs of 200 people before pointing the finger at those responsible for running the company at the time of the illegality—your son and Rebekah Brooks?

Q199 Mr Watson: We found your executives guilty of collective amnesia. I would have thought that someone would like to bring that to your attention—that it would concern you. Did they forget?

Rupert Murdoch: No.

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Q204 Mr Watson: Thank you. Mr Murdoch, why did you decide to risk the jobs of 200 people before pointing the finger at those responsible for running the company at the time of the illegality—your son and Rebekah Brooks?

Rupert Murdoch: When a company closes down, it is natural for people to lose their jobs. We have in this case made—and I am making this continually—every effort to see that those people are employed in other divisions of the company, if they are not part of the small group—I do not know how big a group it was, but whatever group was involved with criminality.

Q205 Mr Watson: Did you close the paper down because of the criminality?

Rupert Murdoch: Yes, we felt ashamed at what had happened and thought we ought to bring it to a close.

Q206 Mr Watson: People lied to you and lied to their readers.

Rupert Murdoch: We had broken our trust with our readers; the important point was that we had broken our trust with our readers.

Q207 Mr Watson: Are you aware that there are other forms of illicit surveillance being used by private investigators, which were used by News International?

Rupert Murdoch: Other forms of?

Q208 Mr Watson: Illicit surveillance. Computer hacking, tracking on cars.

Rupert Murdoch: No. I think all news organisations have used private detectives, and do so in their investigations from time to time, but not illegally.

Q209 Mr Watson: If it can be shown to you that private investigators working for newspapers in News International used other forms of illicit surveillance like computer hacking, would you immediately introduce another investigation?

Rupert Murdoch: That would be up to the police, but we would certainly work with the police. If they wanted us to do it, we would do it. If they wanted to do it, they would do it.

Q210 Mr Watson: Finally, can I ask you, when did you first meet Mr Alex Marunchak?

Rupert Murdoch: Mister—?

Mr Watson: Alex Marunchak. He worked for the company for 25 years.

Rupert Murdoch: I don't remember meeting him. I might have shaken hands walking through the office, but I don't have any memory of him.

Mr Watson: Thank you.

Q211 Jim Sheridan: Mr Murdoch senior, I have a number of short questions for you. Why did you enter the back door at No. 10 when you visited the Prime Minister following the last general election?

Rupert Murdoch: Because I was asked to.

Q212 Jim Sheridan: You were asked to go in the back door of No. 10?

Rupert Murdoch: Yes.

Q213 Jim Sheridan: Why would that be?

Rupert Murdoch: To avoid photographers at the front, I imagine. I don't know. I was asked; I just did what I was told.

Q214 Jim Sheridan: It is strange, given that Heads of State manage to go in the front door.

Rupert Murdoch: Yes.

Q215 Jim Sheridan: Yet you have to go in the back door.

Rupert Murdoch: That is the choice of the Prime Minister, or his staff or whoever does these things.

Q216 Jim Sheridan: So was it under the Prime Minister's direct instructions that you came in the back door?

Rupert Murdoch: I was asked would I please come in through the back door.

James Murdoch: I do not think my father would have any direct knowledge of the arrangements that were being made for his entry to or exit from a particular building, with respect, Mr Sheridan.

Q217 Jim Sheridan: Again, Mr Murdoch, have you ever imposed any preconditions—

Rupert Murdoch: Which visit to Downing Street are you talking about?

Q218 Jim Sheridan: It was just following the last general election.

Rupert Murdoch: I was invited within days to have a cup of tea and to be thanked by Mr Cameron for the support. No other conversation took place. It lasted minutes.

Q219 Jim Sheridan: That is the one when you went in through the back door?
Rupert Murdoch: Yes. I had been asked also by Mr Brown many times.

Q220 Jim Sheridan: Through the back door?

Rupert Murdoch: Yes. And my family went there many times.

Q221 Jim Sheridan: Have you ever imposed any preconditions on a party leader in the UK before giving them the support of your newspapers?

Rupert Murdoch: I never guaranteed anyone the support of my newspapers. We had been supporting the Thatcher Government and the Conservative Government that followed. We thought it had got tired and we changed and supported the Labour party 13 years ago, or whenever it was, with the direct loss of 200,000 circulation.

Q222 Jim Sheridan: Did you ever impose any preconditions on either the Labour or Conservative party?

Rupert Murdoch: No.

Q223 Jim Sheridan: No preconditions whatever?

Rupert Murdoch: No. The only conversations that I had with them—with Mr Blair that I can remember—were arguing about the euro.

Q224 Jim Sheridan: Mr Blair visited you halfway round the world, before the 1997 election. Anyway, that does not matter.

Rupert Murdoch: That was something that Mr Cameron arranged—Campbell.

Q225 Jim Sheridan: It is understood that the FBI is investigating 9/11 victims. Have you commissioned an investigation into these allegations?

Rupert Murdoch: We have seen no evidence of that at all, and as far as we know, the FBI haven't, either. If they do, we will treat it in exactly the same way as we treat it here. I cannot believe it happened from anyone in America. Whether someone at the News of the World or Mr Mulcaire took it on himself to do it, I don't know.

Q226 Jim Sheridan: I will come back to you, James, in a minute. I just want to clarify, if these allegations are in any way true, will you commission an investigation into them?

Rupert Murdoch: Absolutely.

Q227 Jim Sheridan: You must be horrified by the scandal, and the fact that it has cost you the BSkyB transaction and led to the closure of the News of the World. Who do you blame for that?

Rupert Murdoch: A lot of people had different agendas, I think, in trying to build this hysteria. All our competitors in this country formally announced a consortium to try and stop us. They caught us with dirty hands and they built the hysteria around it.

Q228 Jim Sheridan: It was your competitors that blocked it, which stopped you—

Rupert Murdoch: No, I think a mood developed that made it really impractical to go ahead.

James Murdoch: Mr Sheridan, we have been very clear that serious allegations of wrongdoing have been levelled at the News of the World. We believed that the actions of some reporters and people some years ago have fundamentally tarnished the trust that the News of the World had with its readers. This is a matter of huge and sincere regret—mine, my father's, and the company's. The company's priority—very much so—is to restore that trust, operate in the right way, and make sure that the company can be the company that it has always aspired to be. The removal of the proposal to make an offer to the BSkyB shareholders who are not News Corporation is simply a reflection of that priority of moving forward.

Q229 Jim Sheridan: I have every sympathy with what you are saying, but do you understand that people who have been the victims of the News of the World, based on allegations, will find that a bit strange?

James Murdoch: It is our absolute priority to, with those— What happened at the News of the World was wrong. We and I have apologised profusely and unreservedly for that, and my father has as well. These are very serious matters and we are trying to establish the facts of any new allegations as they come up. We are working closely with the police to find out where the wrongdoing was and to hold people accountable. I think importantly as well, to the victims of illegal voicemail interceptions, not just have we apologised, but we have admitted liability—the company has admitted liability—and we have set up the appropriate third-party compensation schemes to do that. These are all matters that we are fully engaged in.

Q230 Jim Sheridan: May I just return to your father? I know that this is a very stressful time for yourselves, but Mr Murdoch, do you accept that ultimately you are responsible for this whole fiasco?

Rupert Murdoch: No.

Q231 Jim Sheridan: You are not responsible. Who is responsible?

Rupert Murdoch: The people that I trusted to run it, and then maybe the people they trusted. I worked with Mr Hinton for 52 years and I would trust him with my life.

Q232 Jim Sheridan: Are you satisfied that the cash payments that were made by the News Corporation companies to informants for stories were registered with the appropriate tax authorities?

Rupert Murdoch: I do not know anything about that. Perhaps James can answer.

Q233 Jim Sheridan: If people were given money in order to accomplish stories—

Rupert Murdoch: People were given money to—

Q234 Jim Sheridan: In order to get stories—did you notify the appropriate tax authorities about this?

James Murdoch: All of our financial affairs as a public company are transparent and audited. The tax jurisdictions that the company works in all around the world are worked with transparently and thoroughly. Tax compliance is an important priority for any business, and we comply—the company complies—with the laws.

Q235 Jim Sheridan: Would that also include people who are on regular monthly retainers registering their affairs with HMRC?

James Murdoch: I have no knowledge of separate people on retainers at the company and their own tax affairs, or their own tax arrangements. I can speak for the company's tax arrangements and, to the best of my knowledge, we are a company that takes tax compliance, regulatory compliance, and financial and regulatory transparency hugely seriously. It is something that we are very proud of.

Chair: We are coming on to some of these questions in more detail.

Q236 Jim Sheridan: Can I just turn to James? You will be aware of the situation of Tommy Sheridan, the former MSP, who is currently in prison. Bob Bird, whether deliberately or inadvertently, misled the jury in Tommy Sheridan's perjury trial. Your company has not disclosed internal e-mails that may aid the appeal of Mr Sheridan. Why is that?

James Murdoch: I do not have direct knowledge of that, Mr Sheridan. I apologise, but certainly if you have additional questions on that in the future, I am happy to supply written answers, but I do not have direct knowledge and I am not in a position to answer those questions.

Q237 Jim Sheridan: I have a couple more questions. James, can you please confirm or deny whether

any News Corporation company is the subject of an investigation by the Serious Fraud Office?

James Murdoch: I have no knowledge of that at this point.

Q238 Jim Sheridan: Can you also confirm or deny whether any News Corporation company is the subject of an investigation by the Financial Services Authority?

James Murdoch: I do not believe so. Not to my knowledge.

Q239 Jim Sheridan: Finally, please confirm or deny whether any News Corporation company is the subject of an investigation by HMRC.

James Murdoch: Not to my knowledge. We have ongoing dialogue with the HMRC and various subsidiaries here but, as far as investigations are concerned, I have no knowledge of one.

Q240 Dr Coffey: Mr Murdoch, who made the recommendation to close down the News of the World to the board of News Corp? I assume that it was a board decision that was made by News Corp.

Rupert Murdoch: It was the result of a discussion between my son and I, and senior executives. Miss Brooks one morning called the whole board of the News Corporation to seek their agreement.

Q241 Dr Coffey: You have already suggested that it is because you felt ashamed. It is not a suggestion that it was a commercial decision to decide to close the News of the World.

Rupert Murdoch: Far from it.

Q242 Dr Coffey: Moving on to the financial governance arrangements for the News Corp. Mr James Murdoch, you suggested earlier that the payments to Mr Taylor were not notified at News Corp level because of the finance threshold. Can you tell us a bit more about that? I understand that you had to agree for the payment to Mr Taylor. Was that made at a financial level or a managerial decision?

James Murdoch: I am very happy to discuss it. Thank you. It is a good question. I am very happy to discuss the matter of Mr Taylor. The out-of-court settlement with Mr Taylor was related to a voice mail interception that had occurred previously and was actually one of the counts, as I understand it, of the 2007 trial of Mr Mulcaire. It is important to think back to 2008 to understand what we knew then, what I knew then and what the information was and the context. The underlying interception was not a disputed fact.

Further to that, it was the advice and the clear view of the company that, if litigated, the company would lose that case, that it was almost certain to lose that case because the underlying fact was not in dispute. Thirdly, the company sought distinguished outside counsel to understand that, if the case were litigated and if it were to be lost, which was the great likelihood, what the financial quantum would be or what that would cost the company. It was advised that, with legal expenses and damages, it could be between £500,000 and £1 million or thereabouts. I do not recall the exact number of the advice. I think that it was £250,000 plus expenses, plus litigation costs—something like that.

Lastly, this was in a context in the first half of 2008 and it was my first real involvement with any of the issues where there was no reason at the time to believe that the issue of the voice mail interceptions was anything but a settled matter, and that it was in the past after the successful prosecution of the two individuals we discussed as well as the resignation of the editor. The out-of-court settlement was made in that context. It was within the authorities, as I understood it, of News International to be able to make those out-of-court settlements in due course without going to the global level company. At the time, I was the regional head of News Corporation for Europe and Asia, and I directed that it was all right to settle that, but did not get involved in any of the negotiations directly about the settlement. But I do recall, in 2008, that those were the things that were known.

Rupert Murdoch: Can I just add that my son had only been with the company for a matter of a very few weeks?

James Murdoch: For clarification, it was a few months. I had come back to the company at the end of 2007 in the middle of December, and this was sometime—I don't recall the exact date—in the first half of 2008.

Q243 Dr Coffey: Given you were new to the company—weeks, months, I do not want to have a father-son argument about that—what level of financial payments could other News International executives, people like Colin Myler or Tom Crone or Rebekah Brooks, have sanctioned without recourse to you as the chairman?

James Murdoch: Generally speaking, the way that the company will operate, as any company will operate, is within certain financial parameters from a financial planning perspective. We will look at a budget for a year, much like a house will manage its budget, and say, "How much money do we have to spend, and how much money does a particular company or part of the company or department have to spend?" As long as they stay within those guidelines, the belief is that they should be empowered to make those judgments, to spend those moneys and achieve the ends that they can. I do not have at the tip of my fingers the precise financial authorities in that, but I can discuss with you after the Committee hearing what exactly you would like to know and whether or not it is right to come back to you with that.

Q244 Dr Coffey: What level of financial pay-out would have it have taken to require an authorisation from the board of News Corp?

James Murdoch: I think that, for the full board, it is in some millions, but I do not know the exact answer there.

Q245 Dr Coffey: Do you know how much has been paid out to people, authorised by your executives?

James Murdoch: Paid out in what way, Dr Coffey?

Dr Coffey: Paid out as settlements.

James Murdoch: Legal settlements? I do not know the total number, but around the world it is customary to reach out-of-court settlements in civil litigations and civil matters, and, rather than go through the lengthy and sometimes expensive litigation process, with the risk that that often entails, it is customary to try to reach out-of-court settlements in many cases.

Rupert Murdoch: I should just add that we have a very strong audit committee at News Corporation, which would know about this. Neither of us are members of that. They are outside directors, and they review all these things.

Q246 Dr Coffey: Thank you. Building on that then, how is it possible to make payments to people if they do not invoice you or if they are not an employee of New Corps's subsidiaries?

James Murdoch: I am sorry, Dr Coffey?

Dr Coffey: How is it possible to transfer cash or some other form of remuneration to people who do not invoice you or who are not employees of News Corps's subsidiaries?

James Murdoch: I do not know the exact arrangements of that. I don't do that myself to tell you how that is done, but sometimes, in certain instances, it is appropriate for journalists or managers in a certain environment to have the ability to use cash in some instances. It is customary, however, for them to record those, and all of the cash expenses, as well as invoice expenses, should be looked at and recorded.

Q247 Dr Coffey: So things like use of petty cash—that could be quite big sums of money or small—at the moment you just record that the journalist gave it to somebody.

James Murdoch: Yes, and I don't have direct knowledge of all of those arrangements.

Q248 Dr Coffey: I was going to ask if payments could have been made to family members of those alleged to have been hacked and similar, but is it possible that other forms of remuneration can be used in your company apart from cash and bank transfers? I am talking of things like travellers cheques, vouchers and things that can be redeemed for cash.

James Murdoch: I don't have knowledge of that.

Q249 Dr Coffey: Just looking at some of your corporate governance—page 2 and page 4 of your own code—it mentions directors, employees and officers of News Corporation acting to the principles set forth, including consultants, agents, suppliers and business partners adhering to the standards. It says, "We may never ask a third party to perform any act that would violate these Standards." Can you tell me a little bit more, especially on the financial side, how you, as an organisation, try and make that happen?

Rupert Murdoch: How that would work is that each newspaper has an editorial manager—the titles vary. They have to approve the expenses claims of every reporter. A reporter has no authority to pay money on his own.

James Murdoch: Just to clarify, the managing editor's office often manages a lot of the expenses and budgets, and is directed to do so with propriety.

Q250 Dr Coffey: Do you require your executives to make annual statements that they have abided by your codes of conduct and ethics? I used to work for a family-owned company.

James Murdoch: Every employee, every colleague around the world of News Corporation receives the code of conduct. It is a pamphlet that has some detail in it—not too much, so that people read it. With respect to what ethical conduct is required—

Rupert Murdoch: We would be happy to make it available to you.

James Murdoch: We would be very happy to make it available to you. It is about ethical conduct, the law, breaking the rules and so on. Everyone who becomes an employee is required to do that. Our legal counsel also internally conducts workshops around the world with staff, from Mumbai to Manchester, around those rules and code of conduct. That is something we try hard to communicate as crisply as we can to everyone in the business.

Q251 Dr Coffey: I appreciate Mr Murdoch's statement at the beginning. Given that you have been in the media spotlight and perhaps, I expect, not appreciated the attention you have had, without wishing to suppress investigative journalism, will this make you think again about how you approach your headlines and targets in future? That could be people from Hillsborough 96 to celebrities to others. Will you think again about what your headlines will say in future?

Rupert Murdoch: I think all our editors certainly will. I am not aware of any transgressions. It is a matter of taste. It is a very difficult issue. We have in this country a wonderful variety of voices and they are naturally very competitive. I am sure there are headlines that occasionally give offence, but it is not intentional.

James Murdoch: It is important to say that one of the lessons, if you will, from all of this for us is, we do need to think as a business as well as an industry in this country more forcefully and thoughtfully about our journalistic ethics, about what exactly the codes of conduct should be, not just for News International, our UK publishing subsidiary, but the industry as a whole, and what sort of governance should be around the whole area.
We welcomed last week the Prime Minister's announcement of a judicial inquiry into both journalistic ethics and relationships with police and politicians. That is a really good thing for the country and for all of the interested parties to engage with fully. One specific action we have taken to try to be as proactive as we can around this, is to set up what we call the management and standards committee, that is outside the management of our publishing company and reports through the independent directors of our global public board, precisely to look at, first, the specific issues of how we co-operate with the investigations and deal with allegations of wrongdoing and get to the bottom of it.
It is also importantly about how we co-ordinate, co-operate and proactively engage with those judicial inquiries, and how we start to set a code of conduct and a code of ethics that we and it think can be both a paragon for all of our newspapers and all of the industry, but also something that has teeth and can hold the company to account. That management and standards committee is independently chaired, and we think it is going to be a much better way to go in future. We would like over the next six months and years, to be judged on the actions the company takes to put that right and put that in place.

Dr Coffey: Thank you.

Rupert Murdoch: I would just like to say, if I may, that it doesn't take away at all from what we have been saying about our apologies or our blame for anything, but this country does greatly benefit from having a competitive press and therefore having a very transparent society. That is sometimes very inconvenient to people. But I think we are better and stronger for it.

Q252 Chair: Before I bring in my next colleague can I just come back to something Thérèse Coffey raised, which was the closure of the News of the World? Is it your intention to launch a new Sunday tabloid newspaper?

James Murdoch: No, there are no—

Rupert Murdoch: We have made no decision on that.

James Murdoch: There's no decision on that.

Q253 Chair: So for the moment there are no plans to have a News International title coming out on

Sunday at the tabloid end of the market?

James Murdoch: There are no immediate plans for that.

Rupert Murdoch: But no guarantee that we won't.

Q254 Chair: Fine. You have talked in the past about moving to seven-day newsrooms. There was speculation that the title "The Sun on Sunday" had been reserved—

James Murdoch: I think we leave all those options open. That is not the company's priority now. In the last week it has come up in the company but my father's direction and my direction is that this is not the time to be worrying about that. The company has to move forward on all of these other actions and get to grips with the facts of these allegations and understand them as fully as we can.

Chair: Can I appeal both to the witnesses and, indeed, to Members to try to keep brief because we still have quite a lot to get through?

Q255 Mr Sanders: Good afternoon. This is to Mr James Murdoch: in your statement of 7 July 2011 you said, "The Company paid out-of-court settlements approved by me… I did not have a complete picture when I did so." What do you know now that you did not know then?

James Murdoch: Essentially the new information that emerged that is critical here is the information that came out of the ongoing process of civil litigations in 2010; and at the end of 2010 the presentation of evidence, which had not been in our possession previously from this civil litigation, widened the circle definitively, or at least made it very apparent that it is very likely that the circle was wider than the two individuals, Mr Goodman and Mr Mulcaire, from previously. It was that information that was really critical. If I can go back to my previous testimony just earlier today around the settlement with Mr Taylor, the commercial and legal rationality will around that settlement was very, very clear. The underlying fact was not in dispute. It was a known fact from a previous trial. The advice was very, very clear as to what sort of damages could be expected to be paid and it was quite clear and quite likely that if litigated, the company would lose that case. In the context of none of this other information—this is a full year before some of the new allegations in the press arose from afar, so there was no reason to believe at the time that it was anything other than in the past.
Now knowing then what I know now, would I have still directed to negotiate to settle that case? I would, actually, but I would have coupled it with the other actions that we have taken since the new evidence emerged at the end of September 2010. And that is to immediately go and look at whatever we can find internally around the individuals involved; to immediately contact the police about information that may be of great interest to them; to put in place the process, which took up a little while and we did it in the early part of 2011, around admitting liability to the civil litigants; putting a process in place to get to the bottom of what legitimate allegations there were; apologising unreservedly to the victims of those illegal voicemail intercepts, which were absolutely inexcusable; and having a system of compensation there. So if I knew then what we know now and with the benefit of hindsight we can look at all these things, but if I knew then what we know now we would have taken more action around that and moved faster to get to the bottom of these allegations.

Q256 Mr Sanders: Were the settlements paid by News International, by News Corp or by News Group Newspapers?

James Murdoch: I do not recall. I would imagine it was either News International or News Group Newspapers. I think it was News Group Newspapers, but I am sure we can provide you with that information.

Q257 Mr Sanders: What advice did Tom Crone and Colin Myler give you on the payment to Gordon Taylor?

James Murdoch: The advice from Mr Myler and Mr Crone was as I have described it. The underlying fact of the case was known because it had come up in the trial of Mr Mulcaire.

Q258 Mr Sanders: Were you aware that the case involved the criminal act of phone hacking?

James Murdoch: That was my understanding. The litigation was for damages for the illegal voice mail interceptions.

Q259 Mr Sanders: When did you get that advice?

James Murdoch: In the first half of 2008.

Q260 Mr Sanders: In 2009, Mr Crone and Mr Myler informed us that they decided to settle Mr Taylor's claim on the advice of the company's external legal advisers. Was that advice from Farrer & Co. solicitors?

James Murdoch: Farrer & Co. has done work for us. I do not know precisely which external counsel Mr Crone and Mr Myler engaged on that, but I can clarify it.

Q261 Mr Sanders: Did you see the advice, whether it was from Farrer & Co. or anyone else?

James Murdoch: No. I received the advice orally from Mr Myler and Mr Crone.

Q262 Mr Sanders: What was their advice?

James Murdoch: It was as I described it.

Q263 Mr Sanders: Simply to settle?

James Murdoch: And that outside legal advice had been taken on the expected quantum of damages. Their advice was that the case would be lost and that, in the absence of any new evidence—I was certainly not made aware of any new evidence—it was simply a matter related to events that came to light in 2007 and in the criminal trials before I was there. It was a matter in the past.
The police had also closed their case and said that there was no new evidence, so the context is of a case based on events that were a year old or more and on underlying activities prior to that. That is where we were.

Q264 Mr Sanders: Was part of the advice that a high payment would ensure the matter was kept confidential?

James Murdoch: No, not at all. Out-of-court settlements are normally confidential. I do not know of many out-of-court settlements that are not kept confidential, although I am sure there are some. There was nothing about confidentiality. I think I understand where you are going with this, Mr Sanders, but, no, the amount paid rested on advice from outside counsel on the amount we would be expected to pay in damages, plus expenses and litigation costs.

Q265 Mr Sanders: Did you question why such high payments were made to Mr Taylor and Mr Clifford? It has been suggested that the figures were £700,000 and £1 million respectively for invasions of privacy, but the record privacy damages awarded by a court remains £60,000, ironically against News of the World.

James Murdoch: I did question the amount, but not in relation to the £60,000. If you recall the chronology, and I am sure you do, the £60,000 award against News of the World, which I believe was the Mosley case, came after we sought advice from senior, distinguished outside counsel on the quantum of damages that we could be expected to pay to Mr Taylor and Mr Clifford. Their advice was that the damages could be £250,000 plus expenses and litigation costs, which were expected to be between £500,000 and £1 million. That is my recollection of it. The chronology is important, because afterwards we obviously would have had different information, but it was not afterwards, it was before.

Q266 Mr Sanders: You have since said that when you approved the Taylor settlement, you did not have all the facts. What do you know now that you did not know then?

James Murdoch: As I have testified, the key facts and evidence came to light at the end of 2010 as the lengthy due process on the civil litigations on the matters took its course. It was that process that unearthed the key evidence. It was really only after that that the police said that they should restart the investigation. As soon as we had that new information, at the end of 2010, which indicated to us that there was a wider involvement, we acted on it immediately.

Q267 Mr Sanders: Tom Crone said last week he did not know why he left News Group Newspapers. Can you clarify why he was asked to leave after 26 years of service?

James Murdoch: Last week—two weeks ago, I guess—the News of the World published its last paper. Mr Crone was very involved with News of the World matters over the years. The company believed and the management of the company believed that it was time to part ways. I was not involved in those direct discussions with Mr Crone, and I cannot comment on their nature or their content; I do not have knowledge of them.

Q268 Mr Sanders: The New Statesman carried a story last week that News International subsidised

Andy Coulson's wages after he left your employ. Can you shed any light on that?

James Murdoch: I have no knowledge of Andy Coulson's wages after he left the company's employment.

Q269 Mr Sanders: Finally, are you familiar with the term "wilful blindness"?

James Murdoch: Mr Sanders, would you care to elaborate?

Q270 Mr Sanders: It is a term that came up in the Enron scandal. Wilful blindness is a legal term. It states that if there is knowledge that you could have had and should have had, but chose not to have, you are still responsible.

James Murdoch: Mr Sanders, do you have a question? Respectfully, I just do not know what you would like me to say.

Q271 Mr Sanders: The question was whether you were aware—

James Murdoch: I am not aware of that particular phrase.

Q272 Mr Sanders: But now you are familiar with the term, because I have explained it to you.

James Murdoch: Thank you, Mr Sanders.

Rupert Murdoch: I have heard the phrase before, and we were not ever guilty of that.

Q273 Philip Davies: I am not sure whether you acknowledged this at the start or not, but certainly the Chairman did: when we had our inquiry in 2009, the evidence given by News International executives was rather hopeless. They came with a game plan, which was to tell us that they did not know anything, they could not remember anything and they did not know anybody who would know anything. I wonder, just so that we can get off on a reasonable footing, what sort of coaching you have had for today. Who has advised you on how to handle this session and what was their advice?

James Murdoch: With respect to today, after scheduling this appearance, we took some advice around the context of this sort of setting—it is my first time and, I think, my father's first time, in a Committee meeting like this—mostly on logistics, what sort of questions you would ask and so on. We were advised, fundamentally, to tell the truth, and to come and be as open and transparent as possible. That is my and my father's intent and intention, and we hope that we can show you that that is what is happening.

Q274 Philip Davies: Mr Murdoch senior, in answer to some questions from Mr Watson, you seemed to indicate that you had a rather hands-off approach to your company. The point you made was that the News of the World was less than 1% of your entire worldwide business, so you would not really be expected to know the ins and outs of what was going on. Could you just give us an illustration of how many times or how often you would speak to the editor of your newspapers—for example, how often you would speak to the editor of The Sun or to the editor of the News of the World?

Rupert Murdoch: Very seldom. Sometimes, I would ring the editor of the News of the World on a Saturday night and say, "Have you got any news tonight?" But it was just to keep in touch. I ring the editor of The Sunday Times nearly every Saturday—not to influence what he has to say at all. I am very careful always to premise any remark I made to him by saying, "I'm just inquiring." I'm not really in touch. I have got to tell you that, if there is an editor that I spend most time with, it is the editor of The Wall Street Journal, because I am in the same building. But to say that we are hands-off is wrong; I work a 10 or 12-hour day, and I cannot tell you the multitude of issues that I have to handle every day. The News of the World perhaps I lost sight of, maybe because it was so small in the general frame of our company, but we are doing a lot of other things too.

Q275 Philip Davies: I understand, but perhaps I can help you out here. If somebody had told me that you would speak to someone like the editor of The Sun at least daily and maybe twice a day, would you recognise that description or would that be—

Rupert Murdoch: No.

Q276 Philip Davies: You wouldn't historically—traditionally—have spoken to the editor of The Sun that number of times?

Rupert Murdoch: No. I'd like to, but no.

Q277 Philip Davies: You said you speak to the editor of the News of the World, maybe on a Saturday night before publication—not to influence what they have to say, I understand that. I am intrigued as to how these conversations go. I would have imagined that, to the editor of the News of the World, it would go something along the lines of, "Anything to report?" or "Anything interesting going on?" And the editor of the News of the World says, "No, no, it's been a standard week; we paid Gordon Taylor £600,000".

Rupert Murdoch: He never said that last sentence.

Q278 Philip Davies: Surely in your weekly conversations with the editor of the News of the World, with something as big as that—paying someone £1 million or £700,000—you would have expected the editor just to drop it into the conversation at some point during your weekly chat.

Rupert Murdoch: No.

Q279 Philip Davies: You wouldn't have expected them to say that to you?

Rupert Murdoch: No.

Philip Davies: So what on earth were you—

Rupert Murdoch: Let me say, I did not really call him weekly, but I would have called him at least once a month, I'd guess.

Q280 Philip Davies: What would you discuss with them? If things like that were not on the agenda, what was on the agenda?

Rupert Murdoch: I'd say, "What's doing?"

Philip Davies: Sorry?

Rupert Murdoch: I'd say, "What's doing?"

Q281 Philip Davies: And what sort of response would you expect?

Rupert Murdoch: He might say, "We've got a great story exposing X or Y" or, more likely, he would say, "Nothing special". He might refer to the fact that however many extra pages were dedicated to the football that week.

Q282 Philip Davies: But he wouldn't tell you about a £1 million payoff?

Rupert Murdoch: No.

Q283 Philip Davies: It is just interesting to somebody like me.

Rupert Murdoch: He would expect other people to tell me that, if anyone was to.

Q284 Philip Davies: James, would you acknowledge then that in your view you overpaid Max Clifford and Gordon Taylor?

James Murdoch: I can't speak to the arrangements with Mr Clifford, as I do not have direct knowledge, in terms of—I was not involved in that piece. With respect to the Taylor piece, I made a judgment given the advice of counsel and the advice of the executives involved. Going back and looking at what we knew in 2008, looking at that advice, remembering that advice and looking at the context of the time, if we step back those three years, it was a decision that, given that context, I would still stand by, I think.

Q285 Philip Davies: It just seems—

Rupert Murdoch: Apparently, there was a contract with Mr Clifford, which was cancelled by Mr Coulson.

James Murdoch: I don't know about that. I don't know if you have knowledge of that. Mr Davies, sorry: you were going on?

Philip Davies: It just seems strange to me that—

Rupert Murdoch: I don't know what was in the contract, but there was a particular break with Max Clifford.

Q286 Philip Davies: We might ask you to come back with details about that.
It seems odd to me as a layman that while we are talking about £600,000 or £1 million, Andy Gray had

his phone hacked and did not get £600,000, £500,000, £200,000 or even £50,000; he got £20,000. It seems bizarre that somebody can have their phone hacked and get £20,000 and somebody else gets their phone hacked and gets £600,000 or £1 million. Surely you can see that the distinction that most people draw is that one payment was made when it was all out in the open and everybody knew about all these things—Andy Gray—and the other was paid when it was trying to be kept rather quiet—£600,000. Do you not see that, to most people looking at that, it smells a bit?

James Murdoch: Mr Davies, I understand where you are coming from and I understand that these are big sums of money we are talking about—£100,000, £200,000, £600,000. That is a lot of money, and you look at that and say, "Why would a company do that?" I would go back to my answer to Mr Sanders's question, which was, just to be precise about the chronology—I am not a lawyer, and I apologise, but my understanding—

Philip Davies: I got your answer to—

James Murdoch: Mr Davies, I would like to answer this question. My understanding is that the £60,000 judgment in the Mosley case, which was after the advice given on the Gordon Taylor settlement, is an important chronology. Courts and judges have set a different standard here. What we knew, and what I knew, at the time was that we had senior distinguished outside counsel to whom we had gone to ask, "If this case were litigated, and if the company were to lose the case, what sort of damages would we expect to pay?" The company received an answer that was substantial.

Q287 Philip Davies: The answer was £250,000, so you settled for £600,000. We will move on—

James Murdoch: It is important to be clear, Mr Davies. I apologise, but it is important to be clear. The £600,000 or £700,000 included damages, legal fees and an estimation of what it would have cost otherwise, because the other side of the negotiation understands this. So it is damages plus cost that gets you to that number. Respectfully, it is important to be clear about that. I agree: they are big numbers.

Q288 Philip Davies: I want to concentrate on payments that you have made to your staff. Going back to the trial of Glenn Mulcaire and Clive Goodman, Clive Goodman pleaded guilty to phone hacking, a criminal offence. Did News International pay Clive Goodman's legal fees for his trial?

James Murdoch: I want to be clear about the chronology. First, I do not have first-hand knowledge of those times. Remember that my involvement in these matters started in 2008. In 2007, up until December, I was wholly focused in my role as chief executive of a public company. I was not involved in those things.

Q289 Philip Davies: Who would know?

James Murdoch: I can try to answer the first question first. It is customary, in certain instances of employees with litigations, to pay some legal expenses on their behalf to try to bring all the evidence to a court. That has all been done, since I have had any involvement and knowledge of this, in accordance with legal advice about the proper way to do things. But I cannot speak to the 2007 arrangements; I do not have first-hand knowledge of those.

Q290 Philip Davies: Again, I will try to help out. Clive Goodman employed the services of a QC called John Kelsey-Fry. I do not know whether you have come across John Kelsey-Fry or whether he is a lawyer whom News International uses a lot.

James Murdoch: He is not known to me.

Q291 Philip Davies: He is probably one of the most eminent lawyers in the country, certainly one of the most expensive ones. He is the sort-of go-to lawyer for celebrities; I think Steven Gerrard used him fairly recently. It seems odd to me that a journalist on the News of the World who is pleading guilty to a crime uses in mitigation probably the most expensive lawyer in the country, which obviously leads most people to suspect that his legal fees were not being paid by himself, but were being paid by News International. Given that he was pleading guilty to a criminal act—phone hacking—which presumably leads to summary dismissal over gross misconduct, why on earth would News International even think or dream about paying the legal fees of someone who was engaged in criminal activity and had committed something that was clearly gross misconduct?

James Murdoch: Mr Davies, I do not have any direct knowledge of the specific legal arrangements with Mr Goodman in 2007, so I cannot answer the specifics of that question. What I can say—because I

have asked the question as well, more recently than that, with respect to whom the company pays and what contributions to legal fees the company makes, and so on—is that I have been surprised that it is customary in here to sometimes make contributions to the legal costs of either co-defendants or defendants in related matters. This is legal counsel telling me this. I have no direct knowledge of the particular instance that you mentioned, and if you have any additional specific questions about that, perhaps, Mr Chairman, we can follow up with you on that. I am happy to do that.

Q292 Philip Davies: It is all very well, but these are issues that go back some time. I am surprised that you have not followed up on them already. Were any payments made subsequently to Clive Goodman and Glenn Mulcaire after their convictions? Did News International make any payments at all to those two people following their convictions?

James Murdoch: I would like to answer that question. I think it is a good question, and it is a specific question. To my knowledge, because allegations were made that legal fees had been paid after that time in 2007 to those people, I asked the question myself and I was very surprised to find that the company had made certain contributions to legal settlements. I do not have all the details around each of those—not legal settlements, sorry; legal fees. I was very surprised to find out that that had occurred.

Q293 Philip Davies: Who authorised them?

James Murdoch: They were done, as I understand it, in accordance with legal counsel and the strong advice—

Q294 Philip Davies: I did not ask who advised them. Who signed it off? Who at News International agreed to make those payments? Who signed the cheques? Who agreed to make those payments?

James Murdoch: I do not know who signed off those payments.

Q295 Philip Davies: Well, who would? We talked about corporate governance earlier—you talked about the managing editor. Would you expect the managing editor to have made that decision?
James Murdoch: It would have been the management of the legal cases, I would think. I am happy to go back and look at that, but it was not something that came to my attention for approval.

Q296 Philip Davies: But who would make that decision?

Rupert Murdoch: I would just like to say that figures of that amount would certainly not come before, or have anything to do with, the managing editors.

Q297 Philip Davies: It wouldn't? Would it have been above the managing editor or below the managing editor?

Rupert Murdoch: It would be above.

James Murdoch: This would have been on legal advice payments made about how to handle litigations. Again, I do not have direct knowledge or details about the current status of those, but I can tell you that I was surprised as you are to find that some of those arrangements had been made.

Q298 Philip Davies: Mr Murdoch senior, I seem to be getting further with you, for which I am grateful. Would it have been Les Hinton? Would he have had to sign that off?

Rupert Murdoch: It could have been.

Q299 Philip Davies: Would have been or could have been?

Rupert Murdoch: Could have been.

Q300 Philip Davies: Who else could it have been?

Rupert Murdoch: The chief legal officer. Are we talking about signing cheques or approval?

Q301 Philip Davies: Both.

Rupert Murdoch: Signing cheques could be the assistant CFO, or someone, but it would be on the instructions of the chief legal officer.

Q302 Philip Davies: James, you said that you were not involved in the decision to get rid of Tom Crone. Whose decision was that?

James Murdoch: The management of the company at the time.

Q303 Philip Davies: Who?

James Murdoch: Recently, the chief executive Mrs Brooks.

Q304 Philip Davies: It was her decision.

James Murdoch: She is the chief executive of the company, and senior-level personnel decisions are made by them.

Q305 Philip Davies: Stuart Kuttner left the company either the day, or the day after, allegations were made in The Guardian originally about phone hacking. Was that linked? Did he resign? Was he sacked? What happened to Stuart Kuttner, and how did he leave the company?

James Murdoch: That I don't know; that would have been at the time a matter for News of the World.

Rupert Murdoch: It is for you to ask him.

Q306 Philip Davies: Why did Les Hinton resign?

Rupert Murdoch: Les Hinton resigned, sadly, last Friday, following Rebekah Brooks's resignation, saying, "I was in charge of the company during this period that we are under criticism for, and I feel I must step down."

Q307 Philip Davies: Were either Rebekah Brooks or Les Hinton asked to leave, or did they ask to leave?

Rupert Murdoch: They both asked to leave.

Q308 Philip Davies: Why did you not accept Rebekah Brooks's resignation when she first offered it?

Rupert Murdoch: Because I believed her and I trusted her, and I do trust her.

Q309 Philip Davies: So why did you accept it the second time around?

Rupert Murdoch: In the event, she just insisted. She was at a point of extreme anguish

Q310 Philip Davies: Can you tell us how much all these characters have been paid off? How much have they been given as a financial settlement on their departure from News International?

Rupert Murdoch: No, I can't tell you, but in the case of Mr Hinton, it would certainly be considerable, because there would be a pension for 52 years' service, and a great deal of thanks.

Q311 Philip Davies: Would it be ten million? Five million? Rupert Murdoch: Those are pounds? I do not know—

James Murdoch: Those are confidential.

Rupert Murdoch: They are certainly confidential.

Q312 Philip Davies: Is there any confidentiality in their pay-off that means that they are not supposed to speak about what happened, their time at your company or what they know?

Rupert Murdoch: No.

James Murdoch: Mr Davies, in the settlement or compromise agreement when somebody resigns or leaves the business in circumstances like this, there are commercial confidentiality agreements, but nothing that would stop or inhibit the executive from co-operating fully with investigations, from being transparent about any wrongdoing or anything like that. It is important to note that these agreements are made on the basis of no evidence of impropriety. If evidence of impropriety emerges or was there prior to that departure, you would have a different piece. That is an important point to be clear about.

Q313 Philip Davies: It seems on the face of it that the News of the World was sacrificed to try and protect Rebekah Brooks' position at News International. In effect, instead of her departure being announced, the News of the World was offered up as an alternative to try to deal with the whole thing. Do you now regret making that decision? Do you regret closing the News of the World to try to save Rebekah Brooks? In hindsight, do you wish that you had accepted her resignation to start with, so that that paper with a fine tradition could continue and all the people who are now out of work or are struggling to find a job could still be in work?

Rupert Murdoch: I regret very much the fate of people who will not be able to find work. The two decisions were absolutely and totally unrelated.

Q314 Philip Davies: So when you came into the UK and said that your priority was Rebekah Brooks, what did you mean?

Rupert Murdoch: I am not sure I did say that; I was quoted as saying that. I walked outside my flat and had about 20 microphones stuck at my mouth, so I'm not sure what I said.

Q315 Philip Davies: You were misquoted, so to speak.

Rupert Murdoch: I am not saying that. I just don't remember.

James Murdoch: Mr Davies, it is important to remember that the closure of a newspaper with a history of 160-some odd years is a grave and serious matter of regret for us and for the company. But much more serious than that is the violation of privacy, and the hurt that certain individuals at News of the World caused to the victims of illegal voicemail interceptions and their families. I can tell you that I advocated at the time that this was the step that we should take. This was a paper and a title that had fundamentally violated the trust of its readers. It was a matter of great regret and real gravity, but under the circumstances and with the bad things that were done at News of the World some years ago, it was the right choice for the paper to cease publication.
It is important to note, and I want to be clear with the Committee on this, that the company is doing everything it can to make sure that we find re-employment, wherever we can, for journalists and staff at the News of the World who had nothing to do with any of these issues and who are completely blameless in any of these things. Many have done tremendous work journalistically, professionally and commercially for the business. The company is being as generous as we can under the circumstances, it is being as thoughtful and compassionate as we can for them and their families to get through this, but it is a very regrettable situation, and we did not take it lightly in any way.

Chair: You have made that clear. Members, I am going to ask for brevity. I don't want to cut anyone off, but we have some way to go.

Q316 Paul Farrelly: I want to return to how John opened the session and the evidence that was given to us previously. Mr Davies omitted to ask one key question. Mr James Murdoch, through all the civil actions, have you—not you personally, but your organisation—been paying Glenn Mulcaire's legal fees?

James Murdoch: As I said earlier in answer to a question from Mr Davies—[Interruption.]

Q317 Paul Farrelly: Let's keep it short. Yes or no? It is a yes or no question.

James Murdoch: I do not know the current status of this. You asked the question have I paid all Mr Mulcaire's legal fees.

Q318 Paul Farrelly: Have you been paying legal fees for Glenn Mulcaire during the course of the civil actions?

James Murdoch: I don't know the details of the civil actions, but I do know that certain legal fees were paid for Mr Mulcaire by the company. I was as surprised and shocked to learn that as you are.

Q319 Paul Farrelly: Can you understand that people might ask why a company might wish to pay the legal fees of a convicted felon, who has been intimately involved in the destruction of your reputation, if it were not to buy his co-operation and silence?

James Murdoch: No, it is not. I can understand that, and that is exactly why I asked the question—when the allegations came out, I said, "How can we? Are we doing this? Is this what the company is doing?" On legal advice—again, I do not want to be legalistic; I am not a lawyer, but these are serious litigations and it is important for all of the evidence from all of the defendants to get to court at the right time. The strong advice was that, from time to time, it is important, and customary even, to pay a co-defendant's legal fees. I have to rest on counsel's advice on some of these serious litigation matters.

Q320 Paul Farrelly: Is the organisation still contributing to Glenn Mulcaire's legal fees?

James Murdoch: As I said earlier, Mr Farrelly, I do not know the precise status of that now, but I do know that I asked for the company to find a way for those things to cease with respect to these things.

Q321 Paul Farrelly: Will you let us know?

James Murdoch: I am happy to follow up with the Committee on the status of

those legal fees.

Q322 Paul Farrelly: This is a serious question, Mr Murdoch senior. Is it not time for the organisation to say, "Enough is enough"? This man allegedly hacked the phone of the murdered schoolgirl, Milly Dowler. Is it not time for your organisation to say, "Do your worst. You behaved disgracefully. We are not going to pay any more of your costs."?

Rupert Murdoch: I would like to do that. I do not know the status of what we are doing, or indeed what his contract was and whether it still has any force.

Q323 Paul Farrelly: If the organisation is still paying his fees, will you give the instruction now that that should stop?

Rupert Murdoch: Provided that it is not in breach of a legal contract, yes.

Q324 Paul Farrelly: I want to return to the question of making statements to Parliament without being in full possession of the facts. During our 2009 inquiry, all the witnesses who came to us testified to being intimately involved in, in particular, a huge trawl of e-mails after the arrival of Colin Myler. It seems that, over the past few days, they have been rather quick to try to distance themselves from that investigation, according to some of the quotes in the newspapers. It was stated to us clearly that that trawl, that investigation uncovered no new evidence: it was still a lone rogue reporter. Mr James Murdoch, can you tell us about the file of e-mails, the so-called internal report that was discovered, allegedly—we read in the pages of The Sunday Times, a great newspaper—in the offices of Harbottle & Lewis. Can you tell us a bit more about when that was discovered, when you first came to know about it and what is in it?

James Murdoch: I first came to know about that earlier this year, in 2011.

Q325 Paul Farrelly: Can you be more precise about the time? You have a great grasp of knowledge.

James Murdoch: It would have been in the spring time. I do not remember the exact date when I was told about it.

Q326 Paul Farrelly: Before April?

James Murdoch: It would have been April or May. I can try to find meeting schedules and what not and come back, but it was a few months ago. I can speak a little bit to it, but as to the activity that was carried out in 2007, again I piece this back together from the past—it was before any of my involvement. At the company at the time that I think you are referring to, there was an unfair dismissal case that was brought by Mr Goodman and that was the basis for conducting—it was right about the time of the convictions. It was all in that period of time.

Q327 Paul Farrelly: That was what we inferred, as stated in our report last year, despite the assurances as to the other motivations.

James Murdoch: It was right at the time Mr Myler had come in. Codes of standard had been talked about—this was before my time—all of the 2007 business was there, and an investigation was done, or a fact-finding piece around this. Outside counsel was brought in—it was Harbottle & Lewis—by the company at the time. I understand that the legal executives—I think it was Mr Chapman at the time, along with Mr Myler, who testified to this effect—took a report. From then, the opinion was clear that as to their review, there was no additional illegality in respect of phone hacking in that file. As to their review, that opinion was clear. The company really rested on a number of things from then on. I certainly know that in 2009, when additional allegations came in the summer, the company really rested on a handful of things.

Q328 Paul Farrelly: We know this. I want to move right up to date to what was discovered in the offices of Harbottle & Lewis and when it was discovered.

James Murdoch: In 2010, after the civil litigations had put a spotlight on or unearthed, if you will, to us, to the company, additional new evidence and new information that had not been there before and the police investigation started off, one of the things that was gone back and looked at—I suppose it was in the spring, by senior people at News International—was that file. It was re-looked at; it was opened up and looked at, and it was very rapidly brought to our attention that this was something that would be—

Q329 Paul Farrelly: When did this happen? When was this looked at?

James Murdoch: Again, this is between May and—April, May and June in that period.

Q330 Paul Farrelly: Who looked at it first? It was reputedly Will Lewis.

James Murdoch: The people managing the work on behalf of News International from early this year have been led by Mr Lewis. That is correct.

Q331 Paul Farrelly: What is in that file? It has been reported as a collection of 300 e-mails, or a loose-leaf binder—what is it?

James Murdoch: As you know, there is an ongoing criminal investigation. I think it would be wrong of me to talk about specific information or evidence that is subject to and could make problems for the police in doing the important work that they are currently doing.

Q332 Paul Farrelly: I don't think it is going to cause problems for the police if you tell us whether it is A4, foolscap, e-mails, in a ring binder, loose-leaf—what is it?

James Murdoch: It is paper. I think there are some e-mails, some documents—

Q333 Paul Farrelly: Have you read it all?

James Murdoch: I have not read it all, but some e-mails, some things in it have been shown to me.

Q334 Paul Farrelly: What was your reaction? Was there an expletive that you used when you first read some of these e-mails?

James Murdoch: I try not to utter expletives.

Q335 Paul Farrelly: But when you do—occasionally, when you do.

James Murdoch: My reaction immediately was to agree with the recommendation of the executives involved, which was that this was something that we should bring to the attention of the police with respect to their ongoing investigations, and perhaps new ones.

Q336 Paul Farrelly: When was it given to the police? It has been reported as 20 June.

James Murdoch: I believe it was in June, after we informed the board of the company as well.

Q337 Paul Farrelly: That date is accurate.

James Murdoch: I believe it was June, yes.

Q338 Paul Farrelly: The Sunday Times—a great newspaper—painted a picture on 10 July, from this file, that a cabal of six so-called gatekeepers on the news desk dealt with Glenn Mulcaire. It named them as Alex Marunchak, Greg Miskiw, Clive Goodman, Neville Thurlbeck, James Weatherup and Ian Edmondson. Do you recognise that summary from the file that you have had a look at?

James Murdoch: Mr Farrelly, respectfully, I would ask you to please understand that detailed questions about any of the evidence or information that we have passed to the police in relation to their ongoing criminal inquiries are difficult for me to answer. I would appreciate it if we could allow the police to undergo the important work that they are undergoing. There is a process that is important. We are co-operating with it. We are providing information on a regular basis—the company is providing information on a regular basis, as needed by the police. I really believe that we have to allow the police to conduct their investigation and hold the people who did wrong to account in this area.

Rupert Murdoch: If we were to comment on anything now, it could result in guilty people—

Q339 Paul Farrelly: I fully understand that. I will respect that. Clearly, the descriptions in the press—they are on the record, including in The Sunday Times—mention that the e-mails implicate Andy Coulson in knowledge of payments to the police, but I would not expect you to comment on that. I will turn to the Harbottle & Lewis letter that was provided to us by Rebekah Brooks as evidence during our inquiry that this trawl of e-mails had produced nothing more. That letter from Lawrence Abramson, then senior partner of Harbottle & Lewis, mentioned that e-mails of Andy Coulson, Stuart Kuttner, Ian Edmondson, Clive Goodman, Neil Wallis and Jules Stenson had been reviewed and that nothing had come to light that contradicted that it had been a lone, rogue reporter working with Glenn Mulcaire. Knowing what you know now from the other evidence you have discovered, have you looked back in detail at the basis on which Harbottle & Lewis wrote that letter and why they gave such a clean bill of health?

James Murdoch: All I can say is that, having looked at some of the things in that and the advice of the senior people inside the company who looked at that more recently, it was the company's view, self-evidently, that it was right to bring this to the attention of the police and go forward. That opinion from the counsel was something that the company rested on. It was a clear opinion about a review that was done around those records, and in conjunction with the police continuing to say that there was no new evidence and that there was no reason to open a new investigation, and in conjunction with the PCC saying that it had done its review and its inquiry and that there was nothing new there, it was viewed that it was a settled matter. It was only when new evidence emerged that those three things began to be undermined.

Q340 Paul Farrelly: In a follow-up to the session, could you provide us with the instructions that were given to Harbottle & Lewis, as well as the extent of the information that was given to them out of the totality of information that was available? That information would help us conclude what really happened.

James Murdoch: If additional detail is required around those legal instructions, we will consult and come back to the Chairman with a way to satisfy you with the information that you'd like to have.

Q341 Paul Farrelly: Clearly, we spotted in our report that this view coincided not so much with Mr Myler's arrival, but with the timing of the industrial tribunal actions that Clive Goodman and Glenn Mulcaire were planning. That begged the question of why these six individuals were named in there. Do you know why it was limited to these six individuals?

James Murdoch: Why it was limited to those six individuals, I don't know. I was not there at the time and I cannot tell you the circumstances and the conversations that people had with Harbottle & Lewis or the terms of reference of that, but it had been viewed after the fact that it had been a thorough look at information, and based on that review, that opinion was issued.

Q342 Paul Farrelly: Neville Thurlbeck is one omission that immediately jumps out.

James Murdoch: Again, in hindsight we can all say, "If somebody had looked at this," or, "If somebody had known something that was not known at the time," but I cannot comment on why the terms and the scope were what they were.

Q343 Paul Farrelly: The proceedings by Goodman and Mulcaire for unfair dismissal, notwithstanding their criminal conviction, clearly never saw the light of day because they were settled beforehand, so we do not know what they were planning to serve on you. Do you know what sorts of allegations they were making? We can only imagine that they were saying that such-and-such a person knew and such-and-such a person knew. Have you satisfied yourself about what allegations they were making?

James Murdoch: Many of the individuals you mentioned are currently subject to criminal investigation and some of them have been arrested recently. These are important matters for the police. It is important that I do not stray into or that I am not lead into commenting specifically about individuals or allegations made in the past.

Q344 Paul Farrelly: The question was whether you had satisfied yourself about what Clive Goodman and Glenn Mulcaire were alleging in the discussions and negotiations that led up to the settlements, if they brought industrial tribunal proceedings against you. That was the question: not about what they were alleging, but whether you have satisfied yourself about what they were alleging.

James Murdoch: As to Glenn Mulcaire, I am not aware of allegations at the time and other things. As to Goodman—again, this was in 2007, before I was there—it is my understanding that that is what Harbottle & Lewis were helping to deal with, and that that opinion did satisfy the company at the time and we, the company, rested on that opinion for a period of time.

Q345 Paul Farrelly: I take it you would like to take the opportunity to withdraw this letter as an accurate portrayal of what really went on at the News of the World.

James Murdoch: Is that the letter of—

Q346 Paul Farrelly: It is the Harbottle & Lewis letter.

James Murdoch: I am glad you have asked about it, actually, because it is a key bit of outside legal advice from senior counsel that was provided to the company, and the company rested on it. I think it goes some distance in explaining why it has taken a long time for new information to come out. I would say, Mr Farrelly, it was one of the bases for, if you will, the sort of pushback that the company

made against new allegations. It was one of the pillars of the environment around the place that led the company to believe that all of these things were a matter of the past and that new allegations could be denied.

Q347 Paul Farrelly: Again, the question was different, Mr Murdoch. I asked you whether this letter, which is still lying on the record as evidence given to this Committee, has not, for whatever reason—no doubt, you will say it is to do with the criminal investigation—been withdrawn. Would you like to withdraw it?

James Murdoch: Respectfully, I am not aware of the legal technicalities of withdrawing that or of submitting it on the record. I think it is a relevant document in trying to understand how News International was thinking at the time.

Paul Farrelly: We will ask you the question when—

James Murdoch: I would say no, but I can come back after taking counsel and seeing if it is a better idea to do it.

Q348 Paul Farrelly: I want to wind up, but I have a few more questions. As you have described it, and as Colin Myler described it, the e-mail investigation was carried out by the IT department and it was overseen by the director of legal affairs, Jon Chapman, and the human resources director, Daniel Cloke. Is that your understanding?

James Murdoch: Pardon me, what was the question? Is it my understanding that—?

Q349 Paul Farrelly: The investigation itself, which you and Colin Myler have described to us, was carried out by the IT department and overseen by the director of legal affairs, Jon Chapman, and the human resources—personnel—director, Daniel Cloke. Is that an accurate description?

James Murdoch: That is my understanding.

Q350 Paul Farrelly: Can you tell us why Jon Chapman has left the organisation?

James Murdoch: Jon Chapman and the organisation decided it was in mutual interest to part ways. I think one of the pieces here as well is for the company to move forward—I think this is important—and even if there is no evidence of wrongdoing or anything like that, and no evidence of impropriety, many individuals have chosen that it is time to part ways. I was not involved with the discussions with Mr Chapman.

Q351 Paul Farrelly: You have no evidence of any complicity by Mr Chapman to cover up the existence of the file that was belatedly discovered.

James Murdoch: I do not have that.

Q352 Paul Farrelly: Can you tell us the employment status of Daniel Cloke?

James Murdoch: Mr Cloke left the company some time ago and I don't know what his employment is. He is not in the business. He was the director of human resources for a number of years—not that many, actually; I am not sure—but left over a year ago. I can follow up that status with you.

Q353 Paul Farrelly: Okay. Referring just very quickly to the witnesses who came to us, again in respect of the file that you discovered this year, regarding Les Hinton, when did he first become aware of this collection of e-mails and paper, as you called it, that clearly rendered the evidence given by him to us misleading? When did he know?

James Murdoch: I cannot speak to Mr Hinton's knowledge. Are you referring to 2011 or 2007?

Q354 Paul Farrelly: The document that was left—

James Murdoch: In 2007. I cannot speak to his knowledge, but I know that Mr Hinton was aware of the work that had been carried out, and I think he has testified to this Committee to that effect.

Q355 Paul Farrelly: Mr Murdoch senior, have you asked Les Hinton whether he knew about this document?

Rupert Murdoch: No.

Q356 Paul Farrelly: Why not?

James Murdoch: Which document are you talking about, Mr Farrelly?

Q357 Paul Farrelly: The document that you discovered in April or May in the offices of Harbottle & Lewis.

James Murdoch: I have not asked him, but I also think—as he has testified—that he, as Chief Executive of News International at the time, would not have been expected necessarily to read x-hundreds or thousands of emails, but would rely on the opinion of counsel about what they had done.

Q358 Paul Farrelly: Was Colin Myler aware of that evidence lying with Harbottle & Lewis?

James Murdoch: I cannot speak to other individuals' knowledge in the past. I simply don't know.

Q359 Paul Farrelly: Would Tom Crone?

James Murdoch: I simply cannot speak for them.

Q360 Paul Farrelly: And Stuart Kuttner?

James Murdoch: The same goes, Mr Farrelly. I simply can't speak for them.

Q361 Paul Farrelly: And Rebekah Brooks?

James Murdoch: I simply cannot speak for their knowledge. I know that Mrs Brooks, when she was Chief Executive, was one of the people who brought it to my attention as a new thing.

Q362 Paul Farrelly: I am just going to wrap up this questioning. We are left now in a situation where you, having looked into this affair and co-operated with the police, cannot tell us who lodged the file with Harbottle & Lewis, who was aware of its contents, and who kept you from being in full possession of the facts—evidence that is clearly now being submitted to the police, but that clearly contradicts all the assurances that we were given, not in one but two Select Committee inquiries. I hope you would agree that that, frankly, is unsatisfactory.

James Murdoch: Mr Farrelly, I can say that the company at the time engaged an outside law firm to review a number of these e-mails. They were provided to the law firm, as I understand it. They were reviewed and an opinion was issued to the company based on that review by a respected law firm. The opinion was clear and the company rested on that. I cannot speak to individuals' knowledge at different times, because I don't know. What I do know is that the company rested on that, rested on the fact that the police told us that there was no new evidence and no reason for a new investigation, and rested on the opinion of the PCC that there was no new information and no reason to carry it further. It was not until new evidence emerged from the civil litigations that were going on that the company immediately went to the police, restarted this, and the company has done the right thing in that respect.

Q363 Paul Farrelly: That was evidence lying in your lawyers' possession all the time. It is not simply evidence that emerged through litigation.

James Murdoch: The Harbottle report was re-looked at in conjunction with the new and restarted criminal investigation. These are serious matters and we take them seriously. When it was looked at and it was deemed that these things would be of interest to the police, we immediately brought in additional counsel—Lord Macdonald, whom you mentioned earlier, Mr Farrelly—to help advise the company on the appropriate way forward in terms of full transparency and co-operation with police investigations. The company took those matters seriously.

Q364 Paul Farrelly: I have two questions for Mr Murdoch senior. I have just painted a situation where we are now here not knowing who at News International and the News of the World was complicit in keeping that file containing however many bits of paper. We are nowhere nearer knowing who knew what and when about that file—evidence that clearly not only contradicts statements given to the Select Committee, but evidence that it would appear led your closest and trusted aide over many years, Les Hinton, to give misleading evidence. Do you find that a satisfactory state of affairs?

Rupert Murdoch: No, I do not.

Q365 Paul Farrelly: What do you think the company should do about it in a follow-up to this Select Committee inquiry?

Rupert Murdoch: Mr Chapman, who was in charge of this, has left us. He had that report for a number of years. It wasn't until Mr Lewis looked at it carefully that we immediately said, "We must get legal advice, see how we go to the police with this and how we should present it," etcetera.

James Murdoch: My understanding was that the file was with the lawyers—it was with the law

firm—and there would have been no reason to go and re-look at it. The opinion of it was very clear based on the review that was done. As soon as it was in a new criminal investigation, it was deemed appropriate to look at it and that was immediately done.

Q366 Paul Farrelly: Mr Murdoch, you either haven't grasped the point or you are not reading your own newspapers in the form of The Sunday Times. My final question: given the picture that has been painted of individuals on the news desk acting as gatekeepers for a private investigator, do you think it is possible at all that editors of your newspaper would not have known about these activities? Do you think it is remotely possible?

Rupert Murdoch: I can't say that, because of the police inquiries and, I presume, coming judicial proceedings. That is all I can tell you, except it was my understanding—I had better not say it, but it was my understanding—that Mr Myler was appointed there by Mr Hinton to find out what the hell was going on, and that he commissioned that Harbottle & Lewis inquiry. That is my understanding of it; I cannot swear to the accuracy of it.

Paul Farrelly: Thank you.

Chair: I appeal for brevity, because we have been going for two hours now.

Q367 Alan Keen: I will be as brief as I can. To James Murdoch, it is a mystery to us how Sunday newspapers are run. I am very familiar with the engineering industry. Could you try to paint a picture of a week's operation at the News of the World? At what period were you closely involved in controlling the News of the World?

James Murdoch: My involvement in the business is overseeing the region of Europe and Asia. Just to be clear, in 2008, starting in the middle of December 2007, I was chief executive for Europe and Asia, our European television business and our Asian television business as well as our UK publishing business, one title of which is the News of the World, so I cannot say that I was ever intimately involved with the workings of the News of the World.

Q368 Alan Keen: What results would come to you within seven days of publication? Presumably, the sales and the advertising income, and you would judge the newspaper on its profitability week by week. I know that Rupert Murdoch is far removed from that, but when you were in close proximity—

Rupert Murdoch: I certainly get that from all over the world, every week.

James Murdoch: These are enterprises; and sales, advertising figures and personnel numbers are relevant. Managers look at those things.

Q369 Alan Keen: We understand from questions that have been answered already that when it comes to legal issues—settlement of claims—that is taken outside the day-to-day management of the newspaper. That is right, isn't it?

James Murdoch: Each group of companies or titles will have their own legal executives who deal with things such as libel, or other things. They will try to check that something does not go into the paper that is going to be wrong; sometimes that is gotten right, and sometimes it is wrong. Each has its own legal resource and the managing editor's office is very involved in those things as well as the counsel's office in the newspapers.

Rupert Murdoch: To give you an example of my son's typical week, it could well have been a day in Munich, or a day in Sky Italia where he had a particularly difficult situation with a particularly tricky competitor, if I may say so. He had a lot on his plate.

Q370 Alan Keen: I will leave some of the more mundane issues. It became clear from the first couple of questions to you, Rupert Murdoch, that you have been kept in the dark quite a bit on some of these real serious issues. Is there no—

Rupert Murdoch: Nobody has kept me in the dark. I may have been lax in not asking more, but it was such a tiny part of our business.

Q371 Alan Keen: I understand that, but obviously you have come to this point—you would not be here if it was not extremely serious.

Rupert Murdoch: It has become extremely serious.

Q372 Alan Keen: Are there no written rules that certain things have to be reported straight to the very

top. It sounds as if there are no such rules; it is left to the trust—

Rupert Murdoch: Anything that is seen as a crisis comes to me.

James Murdoch: Mr Keen, may I? It is important to know that there is a difference between being kept in the dark, and a company that is a large company, the management of which is delegated to managers of different companies within the group, and so on and so forth. To suggest that my father or myself were kept in the dark is a different thing from saying that the management and the running of these businesses is often delegated either to the chief executive of a different company, an editor, a managing editor or an editorial floor, and decision making has to be there.
There are thresholds of materiality, if you will, whereby things have to move upstream, so something has to be brought to the attention. From a financial threshold point of view, we addressed that earlier with respect to the out-of-court settlement with Mr Taylor. But from the standpoint of things like alleged criminality, violations of our own code of conduct and things like that, those are things that the company's internal audit function—the audit committee, as well as the senior executives of the committee—expect to be made aware of, as they were in the case of the criminal prosecutions in 2007.

Q373 Alan Keen: Whatever efforts were made and whatever rules there were, News International has reached a crisis point, otherwise you would not be here today and the News of the World would not have been closed. Who really is responsible? Who do you hold responsible for that failure? You are saying that people should have told you. No, you are really saying to us now not that they should have told you, but that you let them get on and manage it, but they should have told you, shouldn't they? What has gone wrong?

James Murdoch: Mr Keen, that is a good question. But that is not to say that we are saying—and I am not saying—that somebody should have told me. To my knowledge, certain things were not known. When new information came to light with respect to my knowledge of these events—to my understanding, when new information came to light—the company acted on it. The company acted on it in a right and proper way, as best the company could, but it is difficult to say that the company should have been told something if it is not known that a thing was a known fact to be told.

I have been asked today about what other people knew when, and I can only rest on what they have told me or what they have told you in previous hearings. I understand completely your frustration about this. You can imagine my own frustration in 2010, when the civil litigation came to a point where these things came out, to suddenly realise that the pushback or the denial of the veracity of allegations that had been made earlier, particularly in 2009, had been too strong. That is a matter of real regret, because all the facts were not known when that was done. That is a matter of deep regret, and it is why we are here with you today, trying to be as transparent as we possibly can.

Q374 Alan Keen: This is, I suppose, really a rhetorical question—I am sure your answer will be what I expect—but it is admirable that you have had such long-term employees who, I am sure, have become very close friends over the years. Mr Rupert explained that with his determination to look after Rebekah Brooks, so it is admirable. There was a lot of criticism in the financial press at the time—this is not a criticism, James, of your ability—that it was nepotism to appoint you, in retrospect. That is why I say that it is a rhetorical question and I know what the answer will be. Do you regret, Mr Rupert, that it has become really a family organisation for all its—

Rupert Murdoch: Let me just go back over this. When the job became available of head of BSkyB, several people applied, including my son. He passed through all sorts of not just board committees but outside experts, etc. who made the conclusion that he was the right person. The press all had a field day. When he left to go to—when I promoted him to take charge of much wider responsibilities, we had calls from all the big shareholders, or many big shareholders, saying that it was a terrible thing to take him away because he had done such a great job.

Q375 Alan Keen: I was not disputing James's ability. But the fact that he did not know about so many of these criminal activities that went on, do you not think that was made more likely because of the sort of family history? I do not just mean James here. I am talking about people who were not direct members of your family but became friends. It is admirable, but you don't think that that has had an effect.

Rupert Murdoch: I don't think—

Q376 Alan Keen: You don't think that that is a factor in the mismanagement, because it

has been mismanaged.

Rupert Murdoch: I don't think Mr Hinton misled me for a minute, but you must find out for yourself and make your own conclusion. Other people who gave the same evidence may well have been misleading you but he certainly did not know of anything that happened.

Q377 Damian Collins: Before I address my questions to the hearing, I just want to make a short declaration of my own, which is something that I previously declared to the Committee. My wife is an employee of a company called Edelman, which has been engaged by News Corporation. She has never worked on this account and has no access to information relating to it. I wanted to share that with you before asking any questions.
Mr Rupert Murdoch, you said earlier that we live in a transparent society. Do you think it is right that people in public life can expect total privacy in a society like that?

Rupert Murdoch: No.

Q378 Damian Collins: Where do you think the limits of that lie? I noticed that in the Watergate investigation, for example, that personal banking and phone records were used, belonging to one of the witnesses, that were relevant to that investigation. To what extent do you think the use of confidential, private information, even phone records and phone hacking, is permissible in the pursuit of a news story?

Rupert Murdoch: I think phone hacking is something quite different. But I do believe that investigative journalism, particularly competitive, does lead to a more transparent and open society, inconvenient though that may be to many people. And I think we are a better society because of it. I think we are probably a more open society than even the United States.

Q379 Damian Collins: Where do you draw the line with that? Where are the boundaries of legitimate investigation? What is that about?

Rupert Murdoch: There was a great—well if we'd done it there would have been a terrible outcry. I'm sorry to say this and I don't know your circumstances or those of anyone else around here, but when the Daily Telegraph bought a series of stolen documents of all the expenses of MPs it caused a huge outcry, one which I feel has not been properly addressed. I think there is an answer to it and we ought to look at the most open and clear society in the world, which is Singapore, where every Minister gets at least $1 million a year, and the Prime Minister a lot more, and there is no temptation and it is the cleanest society you would find anywhere.

Q380 Damian Collins: Good luck in selling that idea.

Rupert Murdoch: I mean that seriously. It is ridiculous that people were reduced to doing what they did.

James Murdoch: May I help, Mr Collins? It is a very good question and I think it is a really important question. I understand it is going to be one of the subjects of the judicial inquiry which the Prime Minister announced last week, which as a company we immediately welcomed and look forward to. This question of public interest and the question of what is acceptable and what isn't in terms of investigative techniques is an important one. But let me be very clear, the codes of conduct of News Corporation globally, for our employees, journalists or otherwise, are very clear: breaking the law is a very, very serious matter. People who are lawbreakers should be held to account. In the matter of something like phone hacking or, topically, payments to police and things like that, we just don't think they should have any place in our business.

Q381 Damian Collins: So, James Murdoch, you would be very clear that within your company and within your organisation, senior people should have been very aware that phone hacking was not only illegal, but totally unacceptable.

James Murdoch: I think, particularly in light of the successful prosecutions and convictions of the individuals involved in 2007, it could not be taken more seriously. If new evidence emerges, as it has in cases, the company acts on it very, very quickly.

Q382 Damian Collins: To what extent do you think that you have a cultural problem? Rupert Murdoch, if I may? Do you think you have a cultural problem within your organisation in that people only tell you things that they think you want to hear and that even people who have been your trusted advisers and worked with you for years simply withhold information, because they want to curry favour?

Rupert Murdoch: No, not my trusted advisers certainly. You should hear the conversations in my office.

They are coming in all the time and arguing. Most people say I've got crazy ideas and fight against me.

Q383 Damian Collins: Forgive me, I am asking because a lot of your trusted advisers have left your company.

Rupert Murdoch: We are a very big company. I am sure there may be people who try to please me. That could be human nature, and it's up to me to see through that.

Q384 Damian Collins: To what extent do you think there is pressure on editors and senior managers to get scoops, to outdo each other and to win favour within the organisation that leads them to take risks and, clearly in the case of News of the World, push boundaries that broke the law?

Rupert Murdoch: Can you ask that again? I am sorry.

Q385 Damian Collins: Do you think there was a pressure on editors of your newspapers that leads them to take risks and break boundaries? In the News of the World, there was illegal action and wrongdoing, and people broke the law in order to get scoops.

Rupert Murdoch: No, I think that's totally wrong. There is no excuse for breaking the law at any time. There is an excuse, if I may say so, and I think rightful, for all newspapers when they wish to, to campaign for a change in the law, but never to break it.
I just want to say that I was brought up by a father who was not rich, but who was a great journalist, and he, just before he died, bought a small paper, specifically in his will saying that he was giving me the chance to do good. I remember what he did and what he was most proud of, and for which he was hated in this country by many people for many, many years, was exposing the scandal at Gallipoli, which I remain very, very proud of.

Q386 Damian Collins: I think that all students of history are well aware of that.

Rupert Murdoch: That just addresses the question of it being a family business. I would love to see my sons and daughters follow if they are interested.

Q387 Damian Collins: If I may, Rupert Murdoch, you said earlier on that you have had frequent meetings with Prime Ministers during your career.

Rupert Murdoch: I wish they would leave me alone.

Damian Collins: In the period after the arrest of Clive Goodman—you said earlier that you were aware of the situation when he was sent to prison and you were aware of the case at that stage—where there were numerous reports, investigations and hearings of this Committee, about which we have heard a lot today, did any senior politicians that you were in contact with during that period of time raise this as an issue with you, raise concerns about phone hacking or—

Rupert Murdoch: Absolutely never. The politician I met most in those days was Mr Brown when he was Chancellor of the Exchequer. His wife and my wife struck up quite a friendship, and our children played together on many occasions. I am very sorry that I am no longer—I thought he had great values, which I shared with him, and I am sorry that we have come apart. I hope one day that we'll be able to put it together again

Q388 Damian Collins: One final question, you said in your interview that you gave to The Wall Street Journal that you thought that your fellow executives at News Corporation had handled this crisis very well with just a few minor mistakes. Do you stand by that statement or do you believe the level of mistakes was far greater than that?

Rupert Murdoch: They seem very big now. What we did was terrible, but you're talking about handling the crisis—I am sorry, my son has just told me not to gesticulate. I don't believe that either he or Mr Hinton made any great mistakes. Were mistakes made within the organisation? Absolutely. Were people that I trusted or that they trusted badly betrayed? Yes.

Q389 Damian Collins: Finally, to James Murdoch, it was reported that when Rebekah Brooks spoke to staff to announce the closure of News of the World, she said that in a year's time they might understand why the paper had to close. I won't ask you to comment on what she thought in saying that, but what is the significance of the period of time of a year? Do you expect there to be significantly more revelations that, with hindsight, made the closure of News of the World inevitable?

James Murdoch: I can't speak to what she was specifically referring to. She made those comments herself when she was saying goodbye, sadly, to the staff. I can say that what happened at the News of

the World—the events leading up to the 2007 affairs and prosecutions and what we know about those things now—were bad. They are things that should not have any place in our organisation, and they are things that we are unreservedly and sincerely sorry for. We have not seen the end of this in terms of the ongoing police investigations. As you know, Mr Collins, a number of people have been arrested. We don't know what is going to happen in the future around those things, but given the breach of trust and given the allegations that were emerging at a rapid pace, it was clear to me, and the future will bear this out—without any specific knowledge of the future, obviously—that it was the right thing for the paper to cease publication.

Q390 Damian Collins: Your father said in his Wall Street Journal interview that you, Mr James Murdoch, "acted as fast as he could, the moment he could." Does that suggest that you were held back at any point? Have you been frustrated in this process over the past few weeks?

James Murdoch: As I said to the Committee earlier—I cannot remember to which Member; my apologies—this has been a frustrating process. My frustration—my real anger—to learn that new evidence was emerging as late as the end of 2010 was real, and is real. What I have done, and what the company has tried to do, is take new information, adjust our course, behave with propriety, behave quickly, behave in a humble way with respect to what has happened and with respect to trying to put it right. That is what we are trying to do.

It was enormously frustrating. That does not mean that I have any knowledge of anyone intentionally misleading me and the company. I don't, which makes it doubly frustrating. We are where we are. New information emerged through the legitimate due process of a civil trial. The company acted on it as fast as could possibly be expected. Actually, still new information, or new allegations are emerging, and we are trying to deal with them in as right a way as we can and in the best way possible.

Q391 Louise Mensch: The good news is that I am your last questioner. I would like to ask you a few very specific questions.

Starting with you, Mr James Murdoch, I know we have been over at length the differences in the size of the Taylor settlement and the other settlements of far less monetary value. Can you tell me whether the Taylor settlement included a confidentiality clause and whether the other settlement did not? [Interruption.]

Chair: The sitting is suspended for 10 minutes.

On resuming—

Chair: I understand that we are now broadcasting proceedings again. However, we are going to continue in private, with the press and others able to watch in the overflow rooms outside. May I at this stage say that both of you have been very co-operative to this Committee and we have appreciated that. You have answered questions for a long time and I would like to apologise on behalf of the Committee and Parliament for the way you have been treated. I will make a report to Mr Speaker, and I assure you that we will take action to try and find out how that was able to occur. But it is extremely good of you to agree to continue the session and to allow my colleague, Louise Mensch, to finish her questions.

Rupert Murdoch: Thank you very much, Mr Chairman.

James Murdoch: Thank you, Mr Chairman.

Louise Mensch: If I may start by saying, Messrs Murdoch, that I said on Sky News when discussing your initial appearance that it would show guts and leadership for you to show up today and answer questions. I must say that it shows immense guts, Mr Rupert Murdoch, for you to continue answering questions now under the circumstances and after such a lengthy evidence session. I thank you for it.

Rupert Murdoch: Thank you.

Q392 Louise Mensch: My questions will be just as tough as ever they would have been had that unfortunate incident not occurred. Mr James Murdoch, may I just take you back briefly to before we were so rudely interrupted and the question of the disparity between the settlements? Could you please tell me whether or not the Taylor settlement to your knowledge involved a confidentiality clause that was not present in the settlement for the lesser amount of money?

James Murdoch: I can tell you that the Taylor settlement was a confidential settlement. As to other settlements post that and more recent settlements, I believe that some have been confidential and some not. I don't believe any have been confidential settlements, but I can certainly follow up as to whether or not there have been any. It is customary in an out-of-court settlement of this nature for both parties to

agree. There is nothing unusual about an out-of-court settlement being made confidential and being agreed to be confidential, but it was—with respect to the basis of the question, which I think was about the disparity in the amount of money involved, there was nothing in the Taylor settlement, with respect to confidentiality, that spoke to the amount of money. The amount of money was derived, as I testified earlier, from a judgment made about what the likely damages would be and what the likely expenses and litigation costs would have been had the company taken the litigation to its end and lost.

Q393 Louise Mensch: Yes, you have been very clear about that. That is your explanation for the size of the settlement. I merely put it to you that an inference could be drawn if the larger settlements contained confidentiality clauses and the smaller settlements did not. Despite what you say about it being a pragmatic decision based on the costs to the company of not settling, an inference could be drawn that silence was being bought by the presence of the confidentiality clause in the larger settlements.

James Murdoch: And that inference would be false.

Q394 Louise Mensch: Okay, fair enough. Many people—I think this is the nub of it—will find it quite hard to believe that two executives, who nobody would regard as passive, had such little knowledge of widespread illegality at one of your flagship papers. Can I ask you very specifically—Mr James Murdoch first—when did you become aware that the phones not merely of celebrities and members of the royal family but of victims of crime had been hacked? When did you become aware that the phone of the murder victim, Milly Dowler, had been hacked?

James Murdoch: The terrible instance of voicemail interception around the Milly Dowler case only came to my attention when it was reported in the press a few weeks ago and it was—

Q395 Louise Mensch: So only when The Guardian reported it.

James Murdoch: I can tell you, it was a total shock. That was the first I had heard of it and became aware of it.

Q396 Louise Mensch: Is that the same for hacking of other victims of crime? In other words, have you been made aware prior to the Milly Dowler story breaking that your reporters hacked into the phones of any other crime victims?

James Murdoch: No, I had not been made aware of that.

Q397 Louise Mensch: Okay. Just for the record—though you answered my colleague, Jim Sheridan, earlier, you will be aware that it is of lively interest to regulators in the United States—the actor Jude Law is apparently alleging that his phone was hacked on US soil. Given that allegation, are you absolutely confident that no employee or contractor of News Corp or any of its properties hacked the phones of 9/11 victims or their families?

Rupert Murdoch: We have no evidence of that at all.

Q398 Louise Mensch: Have any credible allegations—? I see you hesitating, Mr James Murdoch.

James Murdoch: No, I was just going to say that those are incredibly serious allegations and they have come to light very recently. We do not know the veracity of those allegations and are trying to understand precisely what they are, and any investigations—I remember well, as all of us do, the September 11 attacks. I was in the far east, living there at the time, and it is just appalling to think that anyone associated with one of our papers would have done something like that. I am aware of no evidence about that. I am well aware of the allegations and will eagerly co-operate with any investigations or try to find out what went on at that time. These are very, very new allegations—just a few days old, I think—but they are very serious and that sort of activity would have absolutely no place; it would be appalling.

Q399 Louise Mensch: From the information provided to you so far—I noted that Mr Rupert Murdoch's answer was emphatic, but your answer, Mr James Murdoch, was somewhat more nuanced—have you received any information that gives you cause for concern that employees of News Corp or contractors of News Corp may have indulged in that kind of hacking?

James Murdoch: No. Not at this moment. We have only seen the allegations that have been made in the press—I think it was in The Mirror or something like that.

Q400 Louise Mensch: So no internal documents, records—

James Murdoch: We are actively trying to know exactly what those allegations are and how to understand anything about them.

Q401 Louise Mensch: You have seen no internal documents, memos or records or received any verbal reports that any employee of News Corp hacked into the phones of 9/11.

James Murdoch: No, definitely not.

Q402 Louise Mensch: Fine, thank you. Have you as a result of a wider review—clearly, this has been a shock to your corporate culture—heard from any of your employees of papers in other countries that phone hacking, blagging or illegal practices may have been happening in those territories, for example, in your Australian properties or in any territory, indeed, where New Corps owns media properties? Are you doing a global review and have you heard of any allegations of phone hacking in your other territories?

James Murdoch: I am not aware of any allegations in any of those other territories. I haven't heard of those allegations. But I would go back to the code of ethics and code of conduct that all of our colleagues at News Corporation globally—be they journalist or management—are required to have. When they join the company and are briefed on those things, it is a matter of real seriousness—the journalistic ethics of any of the newspapers or television channels within the group. Certainly, it is something that, on a global basis, we want to be consistent with and we want to be doing the right thing. When I say that illegal behaviour has no place in this company, that goes for the whole company.

Q403 Louise Mensch: Mr Rupert Murdoch, you are the Chairman and Chief Executive of News Corps. You are the head of the global company. The buck stops with you. Given these allegations, indeed, when you opened the session, you said that this was the most humiliating day of your life—

Chair: Humble.

Louise Mensch: Oh, I'm sorry—humble. I beg your pardon. That was a mistake. You said that it was the most humble day of your life. You feel humbled by these events. You are ultimately in charge of the company. Given your shock at these things being laid out before you and the fact that you didn't know anything about them, have you instructed your editors around the world to engage in a root-and-branch review of their own news rooms to be sure that this isn't being replicated in other News Corps papers around the globe? If not, will you do so?

Rupert Murdoch: No, but I am more than prepared to do so.

Q404 Louise Mensch: Thank you. Two final questions. The first is, you touched earlier, Mr James Murdoch, very briefly on the general culture of phone hacking, blagging and illegal practices that have in the past happened in this country. If I could put a couple of things to you. You do not appear to have asked Piers Morgan, who is now a celebrity anchor at CNN, any questions at all about phone hacking. As a former editor of the Daily Mirror, he said in his book The Insider recently that that "little trick" of entering a "standard four digit code" will allow "anyone" to call a number and "hear all your messages". In that book, he boasted that using that "little trick" enabled him to win scoop of the year on a story about Sven-Goran Eriksson. That is a former editor of the Daily Mirror being very open about his personal use of phone hacking. Yesterday, in Parliament, Paul Dacre—

Paul Farrelly: And News of the World.

Q405 Louise Mensch: And indeed he was a former News of the World executive. He was boasting about a story that happened when he was the editor of the Daily Mirror. Yesterday, Paul Dacre of Associated Newspapers said to a Committee of Parliament, in my view risibly, that the Daily Mail has never in its history run a story based on phone hacking or blagging in anyway. Yet Operation Motorman, of which I am sure your advisers, Mr James Murdoch, will have made you aware, found that the Daily Mail had 50 journalists paying for 902 pieces of information obtained by the private investigator, Steve Whittamore, who had been found to have used some—shall we say?—unorthodox methods. You told me earlier, Mr Murdoch, that your advisers in prepping you to come before the Committee had told you simply to tell the truth, which was excellent advice. Is it not the fact—the truth of the matter—that journalists at the News of the World felt entitled to go out there and use blagging, deception and phone hacking, because that was part of the general culture of corruption in the British tabloid press, and that they didn't kick it up the chain to you, because they felt they were entitled to use the same methods as everybody else? Isn't that the plain fact of the matter?

James Murdoch: Mrs Mensch, I am aware of those reports and the questions around other newspapers and their use of private investigators. But all I can really speak to in this matter is the behaviours and the culture at the News of the World as we understand it and how we are trying to find out what really happened in the period in question. Importantly, it is not for me here today to impugn other newspapers, other journalists or other things like that.

Q406 Louise Mensch: I am asking you if the News of the World felt inured to engaging in these illegal practices, particularly phone hacking, because it was so wide in British tabloid journalism. Did they see it as not as evil as it was because it was so widespread?

James Murdoch: Mrs Mensch, I don't accept that; if journalists on one of our papers, television channels or internet news operations feel that they don't have to hold themselves to a higher standard, I think it is important that we don't say, "Listen, everyone was doing it, and that's why people are doing this." At the end of the day, we have to have a set of standards that we believe in, and we have to have titles and journalists who operate to the highest possible standard. We have to make sure that, when they don't live up to that, they are held to account. That is the focus for us.

Q407 Louise Mensch: Mr Rupert Murdoch, have you considered suing Harbottle & Lewis? You said in the past—in one of your first answers to my colleague, Tom Watson—that the reason you did not do an internal investigation is that you relied on the investigation by the police, the investigation by the Press Complaints Commission and the investigation undertaken by your solicitors, Harbottle & Lewis, under whose care this enormous pile of documents was found. There is an old saying, that if you want something doing, you should do it yourself. In this case, you relied on three sets of people, all of whose investigations were severely lacking. Have you considered suing Harbottle & Lewis?

James Murdoch: Any future legal claims or actions in any matter are a matter for the future. Really, today is about how we actually make sure that these things do not happen again. I won't comment or speculate on any future legal matters.

Q408 Louise Mensch: Okay. The file of evidence: you were asked by my colleague Mr Farrelly whether you had read it yourself, and you said no. In the circumstances, where you have relied on other people and advisers and they have severely let your company down, do you not think, Mr Murdoch and Mr Rupert Murdoch, that you ought to take the time and read through everything in that folder personally?

James Murdoch: For clarity, Mrs Mensch, I did say that I did read some of the contents—they were shown to me—and what I saw was sufficient to know that the right thing to do was to hand them over to the authorities to help them with their investigations.

Q409 Louise Mensch: I understand that, but you were shown a representative sample, which can be tricky. In the circumstances and given the enormous reputational damage which I am sure you will be the first to admit has been done to News Corp, do you not think that, as senior executives of the company, you should take the time and read through the entire file, so that you are completely apprised of what happened and are not reliant on everyone else?

James Murdoch: I am happy to do so. I think I have seen a bit of it.

Q410 Louise Mensch: Okay. My last question is for you, Mr Rupert Murdoch. You said that your friend of 52 years I think, Les Hinton, had stepped down and resigned because he was in charge of the company at the time. In other words, he said that he was the captain of the ship, and therefore he resigned. Is it not the case though, sir, that you in fact are captain of the ship? You are the Chief Executive Officer of News Corp, the global corporation—

Rupert Murdoch: Of a much bigger ship, but yes.

Q411 Louise Mensch: It is a much bigger ship, but you are in charge of it. As you said in earlier questions, you do not regard yourself as a hands-off Chief Executive; you work 10 to 12 hours a day. This terrible thing happened on your watch. Mr Murdoch, have you considered resigning?

Rupert Murdoch: No.

Q412 Louise Mensch: Why not?

Rupert Murdoch: Because I feel that people I trusted—I am not saying who, and I don't know what level—have let me down. I think that they behaved disgracefully and betrayed the company and me,

and it is for them to pay. Frankly, I think that I am the best person to clean this up.

Louise Mensch: Thank you, Mr Murdoch. As I said, I very much appreciate your immense courage in having seen this session through, despite the common assault that just happened to you. Thank you.

Chair: I will allow Mr Watson a very brief question.

Q413 Mr Watson: James—sorry, if I may call you James, to differentiate—when you signed off the Taylor payment, did you see or were you made aware of the full Neville e-mail, the transcript of the hacked voicemail messages?

James Murdoch: No, I was not aware of that at the time.

Q414 Mr Watson: But you paid an astronomical sum, and there was no reason to.

James Murdoch: There was every reason to settle the case, given the likelihood of losing the case and given the damages—we had received counsel—that would be levied.

Q415 Mr Watson: If Taylor and Clifford are prepared to release their obligation to confidentiality, will you release them from their confidentiality clause, so that we can get to the full facts of those particular cases?

James Murdoch: I cannot comment on the Clifford matter at all. I was not involved in that matter. As to the Taylor matter, it is a confidential agreement. I do not think that it is worth exploring hypotheticals.

Q416 Mr Watson: The facts of this case help us get to the truth. If he removes himself from an obligation, if he allows his papers to be released, will you let—

James Murdoch: Mr Watson, it is a hypothetical scenario. I am happy to correspond with the Chairman about what specifically more you would like to know about those settlements, other than the detailed testimony I have given you today.

Q417 Mr Watson: Why? Do you want me to carry on with a few more questions so that I can get to the end of this?
Chair: I am getting galled. We have covered this at some considerable length.

Mr Watson: Actually, Chairman, we have not, but I respect you. Mr Murdoch, your wife has a very good left hook.

Q418 Chair: Mr Murdoch, you did ask if you could make a closing statement. The Committee are entirely content for you to do so.

Rupert Murdoch: Thank you, Mr Chairman. Members of the Committee, I would like to read a short statement now. My son and I came here with great respect for all of you, for Parliament and for the people of Britain, whom you represent. This is the most humble day of my career. After all that has happened, I know that we needed to be here today. James and I would like to say how sorry we are for what has happened, especially with regard to listening to the voicemail of victims of crime.
My company has 52,000 employees. I have led it for 57 years, and I have made my share of mistakes. I have lived in many countries, employed thousands of honest and hard-working journalists. I own nearly 200 newspapers of very different sizes and have followed countless stories about people and families around the world. At no time do I remember being as sickened as when I heard what the Dowler family had to endure—which I think was last Monday week—nor do I recall being as angry as when I was told that the News of the World could have compounded their distress. I want to thank the Dowlers for graciously giving me the opportunity to apologise in person.
I would like all the victims of phone hacking to know how completely and deeply sorry I am. Apologising cannot take back what has happened. Still, I want them to know the depth of my regret for the horrible invasions into their lives. I fully understand their ire, and I intend to work tirelessly to merit their forgiveness.
I understand our responsibility to co-operate with today's session as well as with future inquiries. We now know that things went badly wrong at the News of the World. For a newspaper that held others to account, it failed when it came to itself. The behaviour that occurred went against everything that I stand for—and my son, too. It not only betrayed our readers and me, but also the many thousands of magnificent professionals in other divisions

of our company around the world. Let me be clear in saying: invading people's privacy by listening to their voicemail is wrong; paying police officers for information is wrong. They are inconsistent with

our codes of conduct and neither has any place in any part of the company that I run.
But saying sorry is not enough. Things must be put right. No excuses. This is why News International is co-operating fully with the police, whose job it is to see that justice is done. It is our duty not to prejudice the outcome of the legal process. I am sure the Committee will understand this. I wish that we had managed to see and fully solve these problems much earlier. When two men were sent to prison in 2007, I thought this matter had been settled. The police ended their investigations, and I was told that News International conducted an internal review. I am confident that when James later rejoined News Corporation, he thought the case had closed, too. These are subjects you will no doubt wish to explore, and have explored today.
This country has given me, our companies and our employees many opportunities. I am grateful for them. I hope our contribution to Britain will one day also be recognised. Above all, I hope that we will come to understand the wrongs of the past, prevent them from happening again and, in the years ahead, restore the nation's trust in our company and in all British journalism. I am committed to doing everything in my power to make this happen. Thank you.

Chair: Thank you. On behalf of the Committee, I thank you for giving up so much of your time this afternoon to come here. I would like to apologise again for the wholly unacceptable treatment that you received from a member of the public.

Rupert Murdoch: Thank you, Mr Chairman and all Members.

James Murdoch: Thank you, Mr Chairman.

Chair: The Committee will now have a break of five minutes, before we move to the next part.