

HOUSE OF COMMONS
ORAL EVIDENCE
TAKEN BEFORE THE
CULTURE, MEDIA AND SPORT COMMITTEE

PHONE HACKING

THURSDAY 10 NOVEMBER 2011

JAMES MURDOCH

Evidence heard in Public

Questions 1460 - 1719

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Oral Evidence

Taken before the Culture, Media and Sport Committee

on Thursday 10 November 2011

Members present:

Mr John Whittingdale (Chair)

Dr Thérèse Coffey

Damian Collins

Philip Davies

Paul Farrelly

Louise Mensch

Steve Rotheram

Mr Adrian Sanders

Jim Sheridan

Mr Tom Watson

Examination of Witness

Witness: **James Murdoch**, Deputy Chief Operating Officer and Chairman and Chief Executive Officer (International), News Corporation.

Q1460 Chair: Good morning. This is a further special session of the Culture, Media and Sport Committee's inquiry. We are examining the previous evidence given to us when we were investigating phone hacking and whether or not the Committee was misled at that time. This morning, I would like to welcome back to the Committee James Murdoch, the Deputy Chief Operating Officer and Chief Executive Officer (International) of News Corporation.

Mr Murdoch, I would like to ask you one or two fairly broad questions in the main area that we are concerned about, and then I will invite my colleagues to pursue more detailed aspects. First of all, you will recall that when you appeared with your father before this Committee we spoke at some length about the decision that you made to agree that Gordon Taylor should receive a substantial settlement. We understood at that time that the decision was taken by you, following a meeting with Tom Crone and Colin Myler, but that you were not made aware at that meeting of the detail of why a settlement should be reached, and in particular the existence of the "for Neville" e-mail. As you know, we subsequently heard from Tom Crone and Colin Myler, who say they did make you aware of the existence of that e-mail. Would you like to say whether or not you still assert that you had no knowledge of the e-mail?

James Murdoch: Yes, and thank you very much, Mr Chairman, and to all the Committee members. The substantive meeting that occurred on 10 June 2008 was for the purpose of gaining the authorisation for Mr Crone and Mr Myler to increase the offer of settlement that they had already made on a number of occasions to Mr Taylor and his lawyers. The meeting, which I remember quite well, was a short meeting, and I was given at that meeting sufficient information to authorise the increase of the settlement offer that had been

made, or the offers that had been made, and to authorise them, or Mr Crone, to go and negotiate that settlement, but I was given no more than that.

Certainly evidence was described to me that indicated that the company would lose the case if it litigated, but the nature of the “for Neville” e-mail—the so-called “for Neville” e-mail, in so far as it was described as “for Neville”, which it was not—and any wider spread, or evidence, or suspicion of a wider spread of wrongdoing, none of these things were mentioned to me, including the detail and substance of the leading counsel’s opinion that had been sought by them and received by them earlier. It was only sufficient information to authorise them to increase the settlement offers that they had already made.

Q1461 Chair: Even if it was not described as the “for Neville” e-mail, were you made aware of the existence of an e-mail that contained the transcript of voice intercepts, which, in Tom Crone’s word, was “fatal” to your case?

James Murdoch: Yes, and I think this is an important point just to be very, very clear on, if I may. The e-mail that is now known as the “for Neville” e-mail was important for two reasons. On the one hand, it was important because it was a transcript of voicemail interceptions that were made on behalf of the *News of the World*, and that was seen as evidence, and as sufficient to conclude that the company would lose the case. There was another part of that e-mail that was important, which was that it was so-called “for Neville”, and that it named another journalist in that e-mail. That second part—that importance—was not described to me in any detail, or at all. It was not described as the “for Neville” e-mail, and I want to be very clear: no documents were shown to me at that meeting or given to me at that meeting, or prior.

Q1462 Chair: So it is now your position that you were made aware of the existence of an e-mail that was extremely damaging to your defence, which was that nobody else was involved?

James Murdoch: Yes, and I think as I testified in the summer to this Committee, I was made aware that there was evidence, that the transcript existed and that it was on behalf of the *News of the World*. Its dual importance, if you will—that it was the “for Neville” e-mail, and that it also was perhaps the beginning of suspicion that other individuals were involved at the *News of the World*—was not described to me, and the e-mail was not shown to me either.

Q1463 Chair: Right. So you did not see a copy of the e-mail?

James Murdoch: No, I did not.

Q1464 Chair: And were you aware of the legal counsel’s opinion that had since been obtained?

James Murdoch: I was aware that leading counsel’s opinion had been obtained, but the leading counsel’s opinion was described to me as to do with damages and the estimate of damages, were the case to be litigated and lost. It—the leading counsel’s opinion—was not shown to me, nor did I have described to me the other things in the leading counsel’s opinion, which I know has been provided to you, that were not to do with damages.

Q1465 Chair: Finally, we have since learned from Farrer’s that it is suggested that there was a previous meeting that you had with Colin Myler, for which Tom Crone supplied a brief, at the end of May. Do you remember that meeting?

James Murdoch: I think you are referring to a note that Mr Pike of Farrer's wrote, describing a conversation that he had with Mr Crone. Just to be clear, I have now seen this note—I had not seen it before—and in it, Mr Myler suggests, or says, to Mr Pike that he spoke to James Murdoch. He does not say there was a meeting. He refers to a conversation that he allegedly had with me. Neither Mr Myler nor I recall that meeting, conversation, telephone call or whatever it might have been. As I testified, the first and only substantive meeting and conversation that I recall about the matter was the 10 June meeting with Mr Crone and Mr Myler, although I cannot rule out whether or not he called me, or got me in a hallway or something like that, for a brief conversation.

Chair: My colleagues will return to some of these questions in more detail, but before they do, I think that Jim Sheridan wants to concentrate on events a little beforehand.

Q1466 Jim Sheridan: Good morning, James. When you took over from Les Hinton in 2007, what did he tell you about the Goodman case and the settlement?

James Murdoch: First of all, in December 2007, I returned to News Corporation as regional chairman for all of our European and Asian operations, which included News International, along with—just for clarity—five other large entities in the area. In the absence of a full-time CEO after Les Hinton moved to the United States to run Dow Jones, I had more direct responsibility, for a period of time, for News International. At the time, Mr Hinton did not discuss with me any of the matters around Mr Goodman. The entire employment of Mr Goodman, his subsequent arrest and conviction, and the settlement matters—this Committee is aware that we have provided documents—all predated my presence in the company and I had no discussion with him about it. He did not raise it with me or brief me on it.

Q1467 Jim Sheridan: Did you ask?

James Murdoch: Did I ask him about the Goodman settlement in particular?

Jim Sheridan: Yes.

James Murdoch: No, I did not.

Q1468 Jim Sheridan: So this significant settlement has been paid out, and you have not asked anyone in the company about the background to it.

James Murdoch: It was some time before I had joined. The matters affecting Mr Goodman and Mr Mulcaire—those convictions and arrests—were well over a year or year and a half before—something like that. There was no reason at the time to believe that it was anything other than a settled matter that was in the past.

Q1469 Jim Sheridan: Given the fact that it is a significant amount of money that could have serious consequences for the company for future discrepancies, do you not think it is proper that you should ask, to make sure that this does not happen again?

James Murdoch: At the time, I received, and the company relied on, assertions that the police had closed their case, that internal investigations had occurred, that two people had been successfully prosecuted and gone to jail, and so on and so forth. I think it was seen as a matter that was in the past, where accountability had been delivered, and that the police had successfully prosecuted their case and closed it and the investigation, so there was no prompt or reason to revisit a particular settlement matter that it was well within Mr Hinton's authority, as chief executive earlier, to make a judgment on.

Q1470 Jim Sheridan: Les Hinton also told us that your father was very concerned about the Goodman case. Why was he concerned?

James Murdoch: Very concerned about the Goodman settlement, or the Goodman case?

Jim Sheridan: The Goodman case and settlement.

James Murdoch: This is, again, before my time in the business, but I think that when a journalist was arrested at one of the newspapers in the group, it should have been a matter of concern for the chief executive.

Q1471 Jim Sheridan: You never said to your father, “Father, why are you concerned about the Goodman case?”

James Murdoch: I was not at News International or News Corporation at the time.

Q1472 Jim Sheridan: But you are family. You do speak to your father now and again, I suppose.

James Murdoch: Yes. I don’t think we discussed the *News of the World* matter prior to—

Jim Sheridan: No, the Goodman case.

James Murdoch: Neither the Goodman case nor the *News of the World* matter.

Q1473 Jim Sheridan: So you would not think to say to your father, as any normal son would do, “Father, why are you concerned?”

James Murdoch: Well, he didn’t raise it with me and it wasn’t anything to do with my work at the time. It simply did not come up between us.

Q1474 Jim Sheridan: The last time you were here, along with your father, your father expressed his view that he was extremely humbled by the whole event. Do you feel the same way about your position?

James Murdoch: I have had some time to reflect on all of these events, and it is certainly appropriate to reflect. I think the whole company is humbled by this, and what we are trying to do—and what I am trying to do—is learn from events from over the past number of years, and trying to understand why the company could not get to grips with some of the issues in front of it in as fast a way as I, or the company, would have liked. We must learn from that. Yes, I think we are all humbled by it, and we are trying to improve the business, and improve the structures and leadership across all the operating companies, to make sure that these things do not happen again. They are something that I am very sorry about.

Q1475 Jim Sheridan: On the question of things not happening again, finally, have you or News Corporation sought or received any technical advice that would stop phone hacking in the future?

James Murdoch: How do you mean, technical advice?

Q1476 Jim Sheridan: Have you, for instance, spoken to telephone companies to say, “How can we stop this as a company? Is there any technical advice that we can get to make sure this doesn’t happen again?”

James Murdoch: I don't know the technical details of what a telephone company might do. We have not sought to advise telephone companies on the matter of voicemail interceptions, no.

Q1477 Mr Sanders: Good morning. Last time I asked you if you were familiar with the phrase, "wilful blindness". You stalled for so long that your father had to interrupt and answer for you. Have you had time to consider the phrase and tell the Committee what you think it means?

James Murdoch: I think you described to me at the time, Mr Sanders, what it meant. What I have reflected on is really where in this process there were places where the company could have heard the alarm bells, if you will, or seen them more clearly, and reflected on that dispassionately. If there was a mistake or a shift that we need to focus on, it was the tendency for a period of time to react to criticism or allegations as being hostile, or motivated commercially or politically. What we did not necessarily do was reflect as dispassionately as we might have, among all the din and clamour that surrounds a large business such as this around the world, and to try to pick out those things we could react to differently. At no point do I think the company suffered from wilful blindness on my part or that of others.

Q1478 Mr Sanders: Throughout the inquiry you have claimed that you did not know the detail of what was going on in your company. Do you think that internally the evidence about phone hacking, for example, was kept from you?

James Murdoch: It is clear to me that in 2008, for example, the information that I received about the Taylor case was incomplete. It is also clear to me that in 2009, on allegations arising in a newspaper about the Taylor case, the full extent of the knowledge or evidence within the business, as well as with the Metropolitan police, was not made clear to me. That is something that I am very sorry for.

Q1479 Mr Sanders: Who should have told you about it?

James Murdoch: It is important to remember that after the resignation of Mr Coulson in 2007, Mr Hinton brought Mr Myler in as an outside person who had a responsibility and remit to both clean up and investigate the issue, and move the company and the newspaper forward in a way that made sure that these things could not happen again. If he had known—which is an if—that there was wider-spread criminality, or that there was evidence or sufficient suspicion of that, I think he should have told me those things.

Q1480 Mr Sanders: When *The Guardian* first reported in July 2009 that thousands of mobile phones had been targeted, News International responded with an aggressive denial of the allegations. Why did you allow that statement to be issued?

James Murdoch: It was the summer of 2009—a year after the Taylor matter. As I said to you when I testified to this Committee, I think the company did push back too hard. Within 24 hours of those allegations emerging—please recall that the relevant document, the so-called "for Neville" e-mail, was a document that the police had possession of—the chief of police issued a statement saying that that same issue had been a matter of careful and extensive investigation by experienced detectives, and that there was no new evidence to warrant further investigation. As I testified to you in July, we relied on the repeated assertions from inside the company around the quality, scope and breadth of the internal investigations that had been done in 2006 and 2007 and the repeated assertions and reassurances by the police, publicly, that there was no new evidence in the matter, as well as the third-party

endorsement of the company's actions in the aftermath by the PCC. Did the company rely on those things for too long? I think it's clear that the company did, and if I knew then what I know today with respect to the relevant leading counsel's opinion and the details and import of the "for Neville" documents, the company would have acted differently, and probably in a way similar to that in which we have acted in the last year to really move as aggressively and determinedly as we can to sort this out and make sure we put it right.

Q1481 Mr Sanders: But, clearly, there are people in the company who knew what was going on and were not reporting it to you. So who should have reported these things to you?

James Murdoch: As I answered the question earlier, I believe that where evidence or sufficient suspicion of widespread criminality or allegations of it were there, it was the job of the new editor, who had come in to, for lack of a better word, clean this up, to make me aware of those things. But, on the contrary, I was not shown those things in 2008, and in 2009, I received the same assertions around the quality of those investigations and the lack of evidence that this Committee received, and that's something that is a matter of regret.

Q1482 Mr Sanders: The problem is that, were I a shareholder—I am not a shareholder in your company, but were I—I would actually expect you to know what was going on. That begs the question: which do you think is worse— knowing what was going on, but being wilfully blind to it, or not knowing what was going on, when you should have known what was going on?

James Murdoch: I think it's important to put the *News of the World* in the context of the scale of the overall business and what the company deals with, and I deal with, on a daily basis. The *News of the World* was the smallest newspaper financially of four in an operating company—News International—which was the smallest, by some measures, of all of the companies within the European and Asian business. This is a company of over 50,000 employees globally, and—appropriately so—senior management in the company, myself included, rely on executives at various levels in the business to behave in a certain way. We have to rely on those people and we have to trust them to be able to get the job done that they need to do, because it is otherwise impossible to manage every single detail of a company of this scale.

Q1483 Chair: Just following on from Mr Sanders' question, this Committee—a Committee of Parliament—produced a report in 2009, in which we said that we found it inconceivable that only one person was involved, and we said the company was guilty of collective amnesia. It was published in 2010 and the evidence was from 2009. The result of that was that your papers described this Committee and, in particular, members of this Committee as a disgrace to Parliament. Wouldn't it have been more appropriate when a parliamentary Committee reached that conclusion for you to have another internal investigation, rather than rubbishing the Committee?

James Murdoch: I think, as I said before, at various times through this process, the company, and I am sorry for this, moved into an aggressive defence too quickly, and it was too easy for the company to do that, with all of the noise and clamour around the business. I think that, particularly with respect to the early 2010 report, a more forensic look at the specific evidence that had been given to this Committee in 2009 would have been something that we could have done, and I could have directed the management of the company to do differently, but, at that time, I had stepped away from day-to-day management of News International. But I think in hindsight, today, I look back at the reaction to the Committee's

report and think that would be one turning point, if you will, that the company could have taken.

Q1484 Chair: So you admit it was a mistake not to have taken that report seriously and done something about it?

James Murdoch: Well, I think what I would say is that the company, at the highest levels, should have had a good look at the evidence given to you in retrospect, in 2009, had a proper look at that in 2010 and followed that trail wherever it led.

Q1485 Mr Watson: Good morning, James. After the arrest of Rebekah Brooks, we were given legal advice and prohibited from going down a certain route with our questions. Can you confirm that you have not been arrested and are not currently on bail, and are therefore free to answer all the questions that I am going to put to you?

James Murdoch: I have not been arrested, and I am not currently on bail. I am free to answer questions, and I would like to. I should say, though, that to the extent that questions relate to matters of criminal investigation or individuals who are currently arrested, on bail or under criminal investigation, some of those things would be inappropriate, as you know, for me to answer.

Q1486 Mr Watson: I understand that. You just said that you have now read the Committee submissions from Julian Pike of Farrer and Co., as well as Tom Crone. That's right, isn't it?

James Murdoch: The recent submissions that came through, yes.

Q1487 Mr Watson: I would like to ask you a series of questions about those documents, for which I would be grateful for just yes or no answers. Do you accept that Mr Crone prepared a detailed memorandum concerning the Gordon Taylor case, which he sent to Colin Myler and Mr Pike on 24 May 2008?

James Murdoch: Mr Crone prepared a memorandum, but it was substantially narrower and did not raise certain things that the leading counsel's opinion raised. That is a critical point to note.

Q1488 Mr Watson: So that's a yes? He sent it to Crone and Myler—

James Murdoch: I would question your characterisation of its detail.

Q1489 Mr Watson: Okay. But he did send a memorandum? You accept that?

James Murdoch: Yes, he did send a memorandum. I think it was on 24 May.

Q1490 Mr Watson: And do you accept that that memorandum was prepared by Crone for Mr Myler in advance of his meeting or discussion with you?

James Murdoch: I don't know that. I would assume that that was the case. Certainly some of the things in that memorandum were discussed with me in the conversation with Crone and Mr Myler on 10 June.

Q1491 Mr Watson: So that's a yes. Do you accept that this memorandum acknowledges that documents recently disclosed in the Taylor case evidence widespread criminality at the *News of the World* and were, in Crone's words, "fatal to your case", and that your position was very perilous?

James Murdoch: Mr Crone did use those words around the evidence being "fatal to our case", but again, at no point in that memorandum did it mention Mr Thurlbeck, for example, wider-spread criminality with respect to phone hacking or those crucial details from the leading counsel's opinion that were left out in that memorandum of the 24th.

Q1492 Mr Watson: So that's a yes.

James Murdoch: Mr Watson, I'm sorry, I don't think it is. I think you're trying to put words in my mouth. I think the memorandum was prepared. It did not discuss those crucial elements of widespread criminality, and it certainly didn't mention those individuals involved.

Q1493 Mr Watson: Do you accept that you met Colin Myler on 27 May to discuss the Taylor case? You've said that you weren't sure if it was a meeting, but you accept that there was a conversation.

James Murdoch: As I answered the Chairman's question earlier on, I am aware of the note of a conversation with Mr Myler. Neither Mr Myler nor I recall that conversation. A conversation or a telephone call could have happened, but I neither accept nor deny that it occurred. I have no recollection of it.

Q1494 Mr Watson: But you accepted—

James Murdoch: The only substantive meeting that occurred on this subject was on 10 June with Mr Myler and Mr Crone.

Q1495 Mr Watson: But you accepted Mr Pike's note of the conversation with Myler that Myler believes was a conversation, and that he relayed the message that you wanted to take the view of an external QC before deciding what action to take? You accept that that document exists?

James Murdoch: I accept that the document exists, but I don't think it says what you are characterising it as saying. Mr Myler and Mr Crone had already instructed leading counsel at that point. This is an important point: it was not me who told them to instruct leading counsel. They had already done that. Neither Mr Myler nor I recall that conversation or what our conversation was about at that point.

Q1496 Mr Watson: But Pike's note is very clear. He is under the impression that you asked Myler to get him to instruct him.

James Murdoch: Mr Pike's note says that Colin Myler said, "Spoke to James Murdoch. No options. Wait for QC's opinion," or something of the like. It doesn't at all say that I instructed Mr Myler to seek QC's opinion.

Q1497 Mr Watson: But you accept that Michael Silverleaf QC prepared a detailed opinion on the merits of the Taylor case, dated 3 June 2008?

James Murdoch: Yes, he did, and I have now seen that opinion.

Q1498 Mr Watson: And do you accept that Mr Silverleaf's opinion stated that there is "overwhelming evidence of the involvement of a number of NGN journalists in the illegal enquiries into [redacted]. In addition, there is substantial surrounding material about the extent of NGN journalists' attempts to obtain access to information illegally in relation to other individuals. In light of these facts there is a powerful case that there is...a culture of illegal information access used at NGN in order to produce stories for publication."

James Murdoch: I don't have that exact quotation in front of me. Mr Silverleaf did provide an opinion. It was not shown to me at the time, nor was it discussed with me in those terms in any way. I have since seen it and yes, it concludes that there is sufficient evidence to suggest that there is wider-spread activity in illegal voicemail intercepts.

Q1499 Mr Watson: So you accept that, following the receipt of this opinion, you again met with Mr Myler, this time with Mr Crone, on 10 June, to discuss the Gordon Taylor case, and following that meeting Mr Crone called Mr Pike to report on your discussions?

James Murdoch: As I have testified to this Committee in the past, and I have written to this Committee in some detail on this matter, the only substantive meeting that I recall occurred on 10 June. That is the case. It was with Mr Crone and Mr Myler and it was to discuss the case, but it was in order for them to receive authority to increase the settlement offers that they had already made.

Q1500 Mr Watson: And after that meeting, Crone called Pike. You accept that.

James Murdoch: That seems to be what is in the documents provided to you.

Q1501 Mr Watson: Do you accept that Mr Pike's notes of his conversation with Crone on 10 June 2008 states that, "JM"—presumably you—"said he wanted to think through the options"?

James Murdoch: Yes, I've seen that note and I don't recall—I recall leaving that meeting with a clear understanding that they would increase their offer. Whether or not there was some time to rest on it for a minute, I don't recall that part of the conversation.

Q1502 Mr Watson: Do you accept that Crone and Myler have not had access to their office files since they left the company's employment?

James Murdoch: It is my understanding that they have not had access to those files.

Q1503 Mr Watson: Do you accept that Crone states, in his letter to us of 5 November 2011, that he believes that you had knowledge of the widespread criminality identified in his memorandum—that is my view—of 24 May 2008, and subsequently confirmed in Mr Silverleaf's opinion of 3 June 2008, and that you had this from at least 27 May 2008 when you met Myler to discuss Mr Crone's memorandum of 24 May?

James Murdoch: No, I don't accept that at all, Mr Watson. I was given, at the 10 June meeting, sufficient information to authorise the increase of settlement offers that Mr Crone and Mr Myler had already made. Neither Mr Myler nor I remember a conversation on 27 May. Mr Silverleaf's opinion was not shown to me or discussed in that context, nor was any evidence of wider-spread phone hacking, nor any reason to carry out any further investigations, shown to me or discussed with me at that time. And that is what I have

testified to consistently to this Committee in person and in writing over the last number of months.

Q1504 Mr Watson: You failed to inform this Committee of the 27 May meeting or discussion. Mr Myler might not have recollection of it, but the lawyer does—the external lawyer. Isn't it inconceivable that throughout this two-week period you didn't at any stage discuss either Crone's memorandum, Silverleaf's opinion or the "for Neville" e-mail, given that these were the three documents that were forcing you to settle the claim, a claim that you were previously defending, and to make an unprecedented payment to Taylor in order to buy his silence?

James Murdoch: As I have testified to you, and I think Mr Crone and Mr Myler have testified to you as well, none of those documents were given to me or shown to me at the 10 June meeting or previously. Neither Mr Myler or I recall at the 27 May alleged conversation—we might have had a telephone call; it was not substantive, because otherwise one of us might have remembered it—and I have testified to you very consistently about my knowledge of evidence or suspicion of wider-spread phone hacking, and that is what happened. The period between those days was one where I wasn't in London, actually. The week before the 10 June meeting, I was in India at our television business there, and then at Hong Kong after that. I only returned, late in the afternoon on the 10th, from other business in the UK not related to News International.

Q1505 Mr Watson: Mr Murdoch, let me just ask you again: did you mislead this Committee in your original testimony?

James Murdoch: No, I did not.

Q1506 Mr Watson: So if you did not, who did?

James Murdoch: As I have written to you and have said publicly, I believe this Committee was given evidence by individuals either without full possession of the facts, or, now, it appears—in the process of my own discovery in trying to understand as best I can what actually happened here—it was economical. I think my own testimony has been consistent. I have testified to this Committee with as much clarity and transparency as I possibly can, and where I have not had direct knowledge in the past, since I testified to you last time, I have gone and tried to seek answers and find out what happened, and where the evidence is and what is there; and that is what I am here to do.

Q1507 Mr Watson: So was it Mr Crone, a respected lawyer and in-house legal adviser for many years?

James Murdoch: Who did what?

Q1508 Mr Watson: Who misled this Committee.

James Murdoch: As I said to you, as I wrote to you, and I issued a public statement, certainly, in the evidence that they gave to you in 2011, with respect to my knowledge, I thought it was inconsistent and not right, and I dispute it, vigorously.

Q1509 Mr Watson: So you think Mr Crone misled us?

James Murdoch: It follows that I do, yes.

Mr Watson: And so do you think Mr Myler misled us as well?

James Murdoch: I believe their testimony was misleading, and I dispute it.

Mr Watson: Do you think Mr Pike, a partner at Farrer's, the solicitors to the Queen, misled us in his recollection of events?

James Murdoch: I do not have a reason to believe that, but nor do I have direct evidence otherwise.

Q1510 Mr Watson: The last time you appeared before us you said, at question 155, that "the critical new facts...as the company saw them" only emerged from "the civil trials at the end of 2010"? Is that right?

James Murdoch: To my attention that is correct, yes.

Q1511 Mr Watson: But we now know that this statement was completely untrue. We know that critical new facts were seen by the company as early as 2008, so who told you that it was only in 2010 that the company became aware?

James Murdoch: Well, certainly I became aware of those critical facts in 2010, after the due process of the civil trial had uncovered some of the police evidence, in discovery by those civil claimants.

Q1512 Mr Watson: And who was it who told you that? Was it previously—

James Murdoch: Previously I had received assertions from Mr Myler, from Mr Crone, that there was no new evidence, and that—as you had received those assertions as well, in 2009 and later.

Q1513 Mr Watson: So you also said that you sympathised with the frustration of the Committee, and you said it was "a matter of real regret that the facts could not emerge and could not be gotten to my understanding faster." You now know that that was untrue. You could have had—

James Murdoch: No, it is a matter of concern, and I think what I have tried to describe earlier, with respect to how I think about what we could do differently and how we can improve on what happened here, I think the amount of transparency between what was known by certain individuals, or at least what was seen by them—the leading counsel's opinion, etc—if that had been more transparent to me I think that would have been very important and very helpful; but it was not, and that is a matter of great regret.

Q1514 Mr Watson: So the correct position is that the facts emerged in 2008 and this Committee was misled.

James Murdoch: The facts did not emerge in 2008. Certain individuals were aware. The leading counsel's opinion was there. The "for Neville" e-mail, so-called, was there. None of those things were made available or discussed with me and I was not aware of those things. Even in 2009, when a newspaper made allegations about those things, the company relied—and I have testified to this fact and written to you, and I will say it again—for too long on repeated assertions and assurances as to the quality and rigour and scope of the internal investigations that had been carried out previously. And I think it relied also on the assertions and reassurances made publicly by the police, who had all the relevant information, that no new evidence was found, within 24 hours of the 2009 allegations, for example.

Q1515 Mr Watson: You previously informed us that Myler did not show you the “for Neville” e-mail when you met him on 10 June. Did he mention it, or could he have discussed it with you, when you had that conversation on 27 May?

James Murdoch: No, I do not—again, neither Mr Myler nor I have any recollection of a substantive conversation on 27 May.

Q1516 Mr Watson: Your company solicitor’s contemporaneous note of his discussion with Myler following that meeting was that you agreed with Myler to “wait for silks view” in relation to damages. The silk was your QC Mr Silverleaf, presumably.

James Murdoch: Presumably. I would guess that is what he is talking about in that.

Q1517 Mr Watson: This opinion was being prepared so you could decide what to do about Gordon Taylor’s claim.

James Murdoch: With respect to damages, is my understanding.

Q1518 Mr Watson: And it contained the words I just read to you. Mr Pike’s note also states: “one result of Goodman—CG sprayed around allegations, horrid process,—IE, NW + SK. Ross Hall, IE Associate Ed, GM, Mulcaire.

Didn’t believe culture in the newsroom...Les no longer here—James wld say get rid of them—cut out cancer”. Do you accept that note?

James Murdoch: I think actually it’s a good thing to focus on for a minute—

Q1519 Mr Watson: Let me just ask you this. What cancer do you think Mr Pike was referring to?

James Murdoch: First of all, this is the part of the note where Mr Pike is writing down what Mr Myler was telling him. What I can see in that note was actually a conversation between Mr Pike and Mr Myler, where Mr Myler referred to the “horrid process” of investigations and, assuming these are with respect to the Goodman allegations and his dismissal claim, that he does not believe that there is a problem in the newsroom. Then, I think crucially, it really shows that perhaps he was worried about raising these issues with me, because I would have said, “Get rid of them all”, and I would have said, “Cut out the cancer”—i.e. people who are suspected of wrongdoing, we would pursue and hold accountable. That was the way that I would approach it. I think that that speaks volumes. And I think it is also why perhaps I was given a narrower set of facts than I might have liked in the 10 June meeting of that year—the following week and a half later.

Q1520 Mr Watson: It does suggest that there was a discussion at least about a culture of hacking at the newspaper.

James Murdoch: Certainly not between myself and Mr Myler. What you are referring to is a transcript of Mr Pike’s discussion with Mr Myler, as I understand it.

Q1521 Paul Farrelly: You probably remember this note very well, Mr Murdoch, but when you said that you have read it as Colin Myler didn’t believe that there was a problem in

the newsroom, I read him as saying, “I don’t believe the culture in the newsroom!” That is a completely different interpretation.

James Murdoch: Okay. That is a different interpretation. It depends where you put the—I suppose it wouldn’t be a punctuation issue, but in a transcript, it is hard to come across. It doesn’t really matter. The point is that none of it was discussed with me.

Q1522 Mr Watson: So you are seriously suggesting that there was no mention of the “for Neville” e-mail, despite this being central to your discussions with Myler and Crone and, in Crone’s opinion, fatal to your case.

James Murdoch: I want to be very, very clear, and let me say this again. The so-called “for Neville” e-mail—now referred to as the “for Neville” e-mail, but not then referred to as the “for Neville” e-mail—was mentioned to me as evidence that was important, with respect to it being a transcript of a voicemail interception that came through and that proved it was on behalf of *News of the World*. It was not shown to me, nor was it discussed with me, its other feature, that it was “for Neville” and that it might indicate wider-spread knowledge or wider-spread activities of phone hacking. It was important for two reasons. It was the evidence that was “fatal to our case”, but it was also evidence that might have—in conjunction with leading counsel’s opinion and with the appropriate transparency that I would have liked, in retrospect, to have had—led to further investigations and moving forward on a different footing.

Q1523 Mr Watson: You are seriously asking me to accept that there was no mention that News Group Newspapers had actively made use of a large number of extremely private voicemails from Taylor’s telephone, as evidenced in Colin’s memo.

James Murdoch: It was only told to me that there were transcripts of voicemails there. Those documents that you are referring to weren’t shown to me, nor were they discussed—*[Interruption.]*—in those terms.

Q1524 Mr Watson: There was no mention of a number of News Group journalists identified by Mr Crone at *News of the World* and *The Sun* who were obtaining access to information illegally.

James Murdoch: No.

Q1525 Mr Watson: After receiving Mr Silverleaf’s opinion, you met Myler again, on 10 June, this time with Crone, did you not?

James Murdoch: As I have testified extensively, I did meet in the late afternoon with Mr Crone and Mr Myler. I did not receive Mr Silverleaf’s opinion. Mr Crone and Mr Pike had received Mr Silverleaf’s opinion and I don’t know what they discussed about it with Mr Myler.

Q1526 Mr Watson: So there was no mention of a culture of illegal information discussed at that meeting.

James Murdoch: Certainly not.

Q1527 Mr Watson: Do you still maintain that neither Crone nor Myler mentioned this, even in passing, given the strength of words used by Silverleaf?

James Murdoch: Yes, that is exactly right. They did not mention it.

Q1528 Mr Watson: Despite this information going to the very heart of the problem that you and they were meeting to discuss, namely that Taylor settlement, they didn't raise anything within the Silverleaf opinion other than those two issues.

James Murdoch: They gave me sufficient information to authorise the increase of the settlement offers that they had already made, that they had commenced making some weeks before, without my knowledge. They left that meeting with the authority to continue to negotiate. They did not give me any of the relevant documents that you referred to. They did not discuss them with me in the terms that you describe. They did not discuss wider-spread phone hacking, allegations of wider-spread criminality or the like. Nor did they discuss with me the wider findings, or wider views, contained in the leading counsel's opinion.

Q1529 Mr Watson: So having waited for Silverleaf's opinion, you did not bother to ask about its contents.

James Murdoch: As I testified earlier, Mr Silverleaf's opinion was discussed with me in the context of damages and estimates of potential damages that could be made, which was again the relevant information for Mr Myler and Mr Crone to leave the meeting with authority, or implied authority, to increase their settlement offers.

Q1530 Mr Watson: You talked to Crone and Myler for up to 15 minutes without any detail emerging about what the opinion said, other than those two points.

James Murdoch: I think if all of those other details had been discussed, it would have been a lot longer meeting.

Q1531 Mr Watson: Or why the opinion made it necessary to offer Mr Taylor a very large payment.

James Murdoch: I am sorry, could you repeat that, Mr Watson?

Q1532 Mr Watson: You did not ask why the large payment was necessary.

James Murdoch: It was made very clear to me that the case would be lost, that there was evidence in the case that linked the voicemail interceptions to the *News of the World*, and that if litigated the company would lose. There was an estimate of damages. Adding plaintiff's costs and the company's own costs to that, an estimate was made—I think I testified to you of this in July—of somewhere between £500,000 and £1 million. This was what would be required to settle this case. Relative to litigating the case, losing and spending that money, it was a reasonable decision to go with the very strong legal advice that had been received.

Q1533 Mr Watson: Why do you think Mr Crone and Mr Myler immediately questioned your previous testimony to this Committee?

James Murdoch: I cannot speculate as to why they did that.

Q1534 Mr Watson: When you appeared here last time, you said that “outside legal advice had been taken on the expected quantum of damages.” You have just mentioned that. “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—”, as you have said again this morning,

“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.” Having now seen Mr Silverleaf’s advice, do you accept that this is not an accurate assessment of the advice received from external counsel, and that the Committee was misled by Crone and Myler on that particular point?

James Murdoch: Can I clarify that? I think you are referring to my testimony with respect to that, and I stand by my testimony. That was my understanding at the time, and that was precisely how I understood it at the time and why it was reasonable to make the decision that was made. With respect to having now seen the leading counsel’s opinion, as I said earlier this morning, it would have been better if the whole nature of that opinion and all of the issues contained in it were made clear to me, but none of those things were discussed with me at the 10 June meeting or other meetings or conversations at all. The only substantive meeting was the 10 June meeting between Mr Crone and Mr Myler. The only things that were discussed were the things that Mr Crone and Mr Myler deemed sufficient for me to authorise them to increase the settlement offers that they were already engaged in making to a much larger sum.

Q1535 Mr Watson: Mr Murdoch, it is clear you are not going to answer any of my detailed questions. I was not going to do this, but I feel that, given that it is in the papers this morning, I need to tell you that I have met Neville Thurlbeck. Although the meeting was supposed to be in confidence, I think there is a public interest in revealing what he said to me. I know you have not seen this yet. I will make it available to you. He said to me, “No one asked of Crone, ‘Before you went in to see James Murdoch, did you discuss what your strategy with him would be with anyone else?’ He discussed the strategy with me at one point. What he did was this: just before he went to see Murdoch and to clear the funds and to say we’ve got to settle, he had to speak to me about what the transcript for Neville was all about. ‘Neville, we’ve got a problem because of this. What’s this all about?’”

Q1536 Paul Farrelly: Who is this, Tom?

Mr Watson: This is Neville Thurlbeck.

Q1537 Paul Farrelly: Is it Colin Myler he is talking to?

Q1538 Mr Watson: This is Neville Thurlbeck talking to Tom Crone. “I looked at it. ‘I don’t know, Tom. I never received it. I don’t know.’ I’m looking at it and saying: ‘Clearly, it’s hacked. Who is it? You’d better speak to x. Somebody must have asked x to do this. I mean, x was asked to do so many of these by people on the newsdesk at the time. He would know. He would have to be pretty dumb [not to know]. So, Tom comes to me and I give him a full explanation. ‘Tom, this had nothing to do with me. We discussed things.’ ‘Right, fine,’ he said. ‘However, this shows that this had gone through the office. It’s gone through the office; it’s gone through x, through his computer in the office, so clearly News International are culpable and we’re going to have to settle. And I’m going to have to show this to James Murdoch.’ The reason I can remember him saying that was because I said to him, ‘Please, do you have to show him this? Because he’s going to assume the worst of me and he’s going to think it’s all to do with me. Is there any way we can get round this?’ And he said to me, ‘Nev, I’m sorry but I’m going to have to show him this because it is the only reason why we’re having to settle. I’ve got to show him this.’ I said, ‘Tom, I’m going to lose my job.’ He said,

‘Not necessarily. Not necessarily.’” Could that be a true and accurate account of Neville Thurlbeck’s recollection?

James Murdoch: I have no idea of the conversation that Mr Thurlbeck allegedly had with Mr Crone around that. I would be very happy to see that if you can provide it to us at another time. But I can tell you that at no point did Mr Crone or Mr Myler discuss evidence or suspicion of wider-spread phone-hacking during the meeting of 10 June or otherwise in relation to increasing the offer of settlement with Mr Taylor’s attorneys.

Q1539 Mr Watson: I pressed him on this, Mr Murdoch. He said, “This is not some vague memory. I was absolutely on a knife edge. He was going to show this to James Murdoch. There’s only going to be one conclusion he is going to jump to, which is get rid of Thurlbeck. Tom took it to him. The following week, I said to him, ‘Did you show him the e-mail?’ and he said, ‘Yes, I did.’ Now Tom can’t remember if he showed it him now or spoke to him about it, but he said, ‘Yes, I did.’ I then said to Thurlbeck, ‘So, he did show it to him?’ He said, “He said ‘Yeah’”. This is Thurlbeck saying to me what Crone said to him. “He said, ‘Yeah, yes. It’s all right. It’s fine. We’re settling.’”

James Murdoch: Mr Crone, I think, testified to you that he did not show me the e-mail. My understanding is now that the e-mail was subject to some particularly stringent confidentiality agreement with Mr Taylor’s attorneys and the police or something like that. Mr Myler was part of that confidentiality ring, I believe, but it was not shown to me at all. I have only recently seen the e-mail itself, which is as described. “Here is the transcript for Neville.” Then there are large blocks of redacted text of the actual things. That is all I have seen, which is what you have seen. I saw it recently; it was not shown to me before. I am answering your questions in as clear and consistent a way as I can.

Q1540 Chair: We published it in our report in 2010. You didn’t look at it then?

James Murdoch: Yes, I think I saw the words at that point.

Chair: We published the e-mail.

James Murdoch: With the redactions, yes.

Q1541 Chair: I would have hoped that you might have looked at our report.

James Murdoch: As I testified earlier, I did look at the report. Mr Watson, I really can’t say what Mr Crone and Mr Thurlbeck may have discussed. We are happy to see that and deal with that, but my recollection is very clear. All I can testify to you about is what I knew at the time, what I was told at the time and what I was not told at the time.

Q1542 Mr Watson: Are you familiar with the word mafia?

James Murdoch: Yes, Mr Watson.

Q1543 Mr Watson: Have you ever heard the term omertà? It is the mafia term for the code of silence.

James Murdoch: I am not an aficionado of such things.

Q1544 Mr Watson: Would you agree that it means a group of people who are bound together by secrecy, who together pursue their group’s business objectives with no regard for the law, using intimidation, corruption and general criminality?

James Murdoch: I am not familiar with the term particularly. I have heard it vaguely.

Q1545 Mr Watson: Would you agree with me that this is an accurate description of News International in the UK?

James Murdoch: Absolutely not. Frankly, I think that that is offensive and it is not true.

Q1546 Mr Watson: There are allegations of phone-hacking, computer-hacking, conspiring to pervert the course of justice and perjury facing this company and all this happened without your knowledge.

James Murdoch: As I have said to you, Mr Watson, and to this Committee on a number of occasions, it is a matter of great regret that things went wrong at the *News of the World* in 2006. The company didn't come to grips with those issues fast enough. We all recognise that. I have also acknowledged that evidence to this Committee was given without full possession of the facts in the past and that is something that I am very sorry for. What I can tell you, though, is that when evidence came to light and when we finally achieved the transparency that is appropriate, we have acted, and the company has acted, with great zeal and diligence, to get to the bottom of issues, to improve the processes to make sure they don't happen again, and to make sure that our co-operation with the police, with this Committee and the like is such that we can bring any wrongdoers, if they are proven to be so, to account.

Q1547 Mr Watson: Mr Murdoch, you must be the first mafia boss in history who didn't know he was running a criminal enterprise.

James Murdoch: Mr Watson, please. I think that's inappropriate. Mr Chairman.

Chair: Have you finished, Tom? All right. Damian Collins.

Q1548 Damian Collins: Thank you, Mr Chairman. I would like to ask you some questions, Mr Murdoch, about the decision to settle the Taylor case, because you have rightly said that the meeting you had on 10 June 2008 was really about understanding what level of settlement should be paid. And, in fact, Mr Silverleaf is quite clear in his note: the brief he'd had from your company was not really, "Should we settle or not?", but "How much should we be prepared to pay and what are the tactics for concluding that settlement?" When was the decision taken? When did you take the decision that this case had to be settled?

James Murdoch: I did not take the decision that it had to be settled. Mr Crone and Mr Myler had, previous to the meetings with me, already started to pursue that path, and I think that has become clear in the documents that have been provided to you by Mr Pike, after News International waived privilege on those things. My understanding is that it was Mr Crone who started the settlement discussions some weeks beforehand, and it didn't come to my attention until after it was necessary—they felt it necessary—because the number had gotten large enough that it was going to draw my attention to it. They had already sought to settle, or Mr Crone had sought to settle, at a variety of levels before.

Q1549 Damian Collins: When you gave evidence to us in July, you said with regards to the settlement that you were, "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". Do you still stand by that statement?

James Murdoch: That is what I understood at the time, and I was not made aware of new things in 2008. Yes.

Q1550 Damian Collins: Although you are saying now that you were aware of the transcripts, but were you aware the transcripts were new evidence? Certainly all the internal discussion of them that we've seen suggests that it was regarded as new evidence.

James Murdoch: I think it was a new disclosure. I don't remember how exactly it was described—as “new” or not. It was certainly presented as, “There is evidence; here it is”. They didn't show it to me, but they said, “It's a transcript of voicemail interceptions that have proved that it was on behalf of the *News of the World*”, and that's what I was told.

Q1551 Damian Collins: It was clearly new information; it wasn't information that had come out of the trials, because this wasn't known.

James Murdoch: Yes, but I think, to be clear, it was an instance of voicemail interception that had already been part of the trials beforehand, i.e. that it was Mr Taylor—his voicemail being intercepted. I think that was one of the counts that Mr Mulcaire was tried on.

Q1552 Damian Collins: Did you challenge them when you were having this conversation? Because the Taylor case was one that—I mean, Farrer's noted that they thought it was so weak the case ought to be struck out when it was filed in 2007, and yet less than a year later you are authorising it to be settled for up to £500,000. Did you question why this massive turnaround had taken place?

James Murdoch: Well, the whole history of the case and the pleadings and whatever Farrer's or our own counsel had said about it was something that predated my involvement in the company. It was brought to me as case simply that would be lost. It was described briefly to me that there was evidence of the voicemail interception transcript—the transcript of the voicemail interception—that proved that it was for or on behalf of the *News of the World*, that it was open and shut that the company would lose it, and that it was important to settle the case, because litigating the case would be costly, and it was seen as a matter of the past. It was seen more as the end of something that had been going on before, as opposed to the beginning of something new.

Q1553 Damian Collins: Were you told how much Michael Silverleaf had recommended the company settle at?

James Murdoch: I was given—I was certainly told the number. And the number that sticks out in my mind, I think, was—I want to say four hundred and something thousand pounds plus expenses and whatnot, and I believe that was ultimately—

Damian Collins: That was the ultimate—

James Murdoch: —the number that was settled on, and it may have been that that was discussed—

Q1554 Damian Collins: But were you told what the number was in Silverleaf's opinion? He gives a clear view as to what he thinks the next step should be.

James Murdoch: Yes, I think in his opinion, which I did not see at the time, it was described as £250,000—possibly more—plus costs of both sides.

Q1555 Damian Collins: He was recommending an increase from 150, which had been offered, to 250.

James Murdoch: Yes.

Q1556 Damian Collins: By the time you met on 10 June, that had already been increased to 350.

James Murdoch: Yes.

Q1557 Damian Collins: So was this described to you at all—the fact that these increases were being made and that you were being asked to sign off on a payment that was potentially double what the QC had recommended in his recommendation to the company?

James Murdoch: No. The escalation of those offers, and the back and forth, is something that has come to light to me only recently, and it was described to me that an offer had been made. I can't remember the exact number of the offers that they talked about at the time, but it had been rejected and they—Mr Croner and Mr Myler—thought it would cost something in the range of between £500,000 and £1 million, but that when you added up the costs of both sides of litigating, plus the damages recommended, they thought that that was reasonable and they gave me very strong advice that it was commercially reasonable to settle.

Q1558 Damian Collins: So when you had this meeting on 10 June, that was the first you heard of all this? There was no pre-briefing? You had no idea what they were coming to talk to you about?

James Murdoch: The first I've heard of—what did you say, sorry?

Q1559 Damian Collins: Of the fact that you were going to have to settle the case, the fact that it was this amount of money. I mean, were you even aware of the Gordon Taylor case before this meeting?

James Murdoch: Yes, it was certainly the only substantive discussion that happened, as we discussed at some length earlier, this question of—

Q1560 Damian Collins: What does that mean, though—“substantive”? What is “non-substantive”?

James Murdoch: It's the only conversation that I recall. It went into some details about authorisation to settle this thing and the evidence that was there. As we discussed just a few minutes ago, there is this question of whether or not there was a conversation or a telephone call, or something like that, on 27 May. Neither Mr Myler nor I recall it, but neither of us rule out the possibility that a brief heads-up or a discussion in a hallway or a telephone call had happened.

Q1561 Damian Collins: In the note that Tom Crone prepared for Colin Myler, which we have discussed earlier, the “for Neville” e-mail is only one of three issues that he cites with the case. The other two were the existence of the contract between the *News of the World* and Glenn Mulcaire for him to obtain information about Gordon Taylor, and also information that had come to the company from the police—information relating to the Information Commissioner's work, which suggested that there were examples of other journalists at both the *News of the World* and *The Sun* who were involved in illegal activities. That was given

equal, if not more prominence, by Tom Crone in his note. Was any mention of that made to you at all?

James Murdoch: No, and I think it is important just to reiterate that the memorandum that Mr Crone prepared was not shown to me or shared with me at any time during this period. I have since read it and those things were not discussed. What was discussed was simply sufficient information to get authorisation to increase the level of settlement. None of those other things were discussed with me.

Q1562 Damian Collins: So you made your decision to give them consent to negotiate a settlement of up to £500,000 with Gordon Taylor simply on the basis that you were told the case would be lost, and you were told the reason it would be lost was because of the existence of this transcript, and those are the only reasons.

James Murdoch: And that there was advice, when you added in costs of both sides, that made it reasonable to settle at a higher level. I followed their advice to settle; I didn't decide to settle. They had strong advice to settle and I consented to that advice of the senior legal manager for many, many years and the editor of the *News of the World*, who I had no reason at the time to believe had anything other than the best interests of the company at heart in saying, "This is the advice to settle."

Q1563 Damian Collins: Had you asked what the silk's recommendation was—the silk's advice you were waiting for—you would know that they were asking to settle at a very high level, a level at which it might be unreasonable to accept that any court would ever award that amount of damages.

James Murdoch: Well, I am not sure that's the case. I think—

Q1564 Damian Collins: That's certainly what Mr Silverleaf seemed to suggest in his note.

James Murdoch: But Mr Collins, if you take the £250,000 or more and you add in the costs, both of Mr Taylor as well as those of News International, were they to pursue that, you can get to higher numbers. So you have to add in both sides of those costs, which can be well over £100,000 on each side, depending on the complexity and so on. So, from the standpoint of the amount that was agreed, they described to me that they had received counsel's opinion that this amount would be appropriate. They thought it was the right thing to settle, as they testified to you. They gave strong advice that it was the right thing to settle and I followed that advice.

Q1565 Damian Collins: Just a final thing on that, in terms of the advice you get. Did you ever say to them, "This has already been part of a trial"? That is what you understood—that is what you told us. "Why don't we just go to court? What is the risk? This case is already known about. There's only this small amount of new evidence. The Mulcaire link to Gordon Taylor is already known. One of our journalists has already gone to prison for this. There is no one else involved, there is nothing new. What are the risks of going to court?"

James Murdoch: It was described to me that there was clear evidence that the company would lose the case. There didn't seem any point in taking it all the way to court and taking it on if the company was convinced that it would lose the case and there was an amount of damages that were possible. Rather than go through that, it was reasonable to avoid that expense and distraction.

Q1566 Damian Collins: But did you discuss the reputational risk to the company that might come out of a case like this?

James Murdoch: I don't recall a particular discussion, although I think that it was seen as dragging up matters of the past and as desirable not to have all these things dragged up again. As I testified to you in July, I wasn't aware at the time that there was any confidentiality, or anything out of the ordinary in terms of the confidentiality, but I think that I wrote to you in August, saying that confidentiality was, in fact, discussed between the different lawyers. That was something that became clear to me after the fact.

Q1567 Damian Collins: We have been discussing reputational risks, which are often seen as a normal part of companies deciding whether to settle or not, because you might pay an awful lot more settling than you would going to court. When Jon Chapman gave evidence to us, he said that many companies, particularly big companies, pay out because they do not want stuff to be raked up. Is that something that you discussed with Tom Crone and Colin Myler? Were you worried that other things would be raked up if this went to court?

James Murdoch: There was no discussion necessarily of other things, because no other things were mentioned, but it seemed pointless to take it to court, given the fact that it would probably be high profile. The company was certain at the time that it would lose the case. It was just a question of assessing what the cost of going through the process is and whether there is a way to remove that or take that cost, or something like it, earlier and avoid all that.

Q1568 Damian Collins: Is this the way things are normally settled in your business—people come to you and say, “We have to pay out this money,” and, rather than asking why, you just say, “Okay”?

James Murdoch: No. Mr Collins, reasons were given to me around the relevant evidence in the case, not in relation to wider phone hacking, but in relation to this case, and it was very strong advice that the company would lose the case.

Q1569 Damian Collins: But you did not challenge why such a large amount was being recommended. You did not ask what the QC's opinion was on the appropriate amount to settle. You took Tom Crone's and Colin Myler's word for it that that was the appropriate amount and that that was what you were going to have to pay.

James Murdoch: And that they had sought leading counsel's opinion and this is where they had come out.

Q1570 Damian Collins: If you had asked, you would have got a slightly different picture. You would have understood why. It is almost impossible now to look at the Silverleaf document and ignore why he recommends the level of settlement that he does, because of the overwhelming evidence against the company that he finds. But in this case, you did. You knew none of that. You didn't know that he had actually recommended a substantially lower amount than you were now being told to sign off. You didn't ask anyone about it. You just agreed with Tom Crone and let them get on with it.

James Murdoch: I was given a range where this litigation was likely to settle. I was told that, in the damages estimated by leading counsel, they had sought leading counsel's opinion that the estimates plus costs for both sides would land within this range, and I was given strong advice to settle the case. I went along with that advice.

Q1571 Damian Collins: Honestly, it may not be the mafia, but that is not management today. It does not sound like a textbook example of how you might settle something like this.

James Murdoch: Again, just to put this in context, while it is a large amount of money, and looking at it in retrospect, we can say that more transparency around things like the leading counsel's opinion and to have been able to have actually seen that, or for other senior executives outside the newsroom to have seen that—I don't have any knowledge that anyone did; I certainly didn't—would certainly have been desirable, but in the context of the overall European business, the News International business and businesses that I was running, this was something that was within the responsibility of the editor and the legal manager of News Group Newspapers. They had come to me with strong advice. They described sufficient information to get the authorisation that they were seeking, and it was left to them to manage the issue.

Q1572 Damian Collins: This is my final question. You never considered any other option, other than settling the case at the level that Tom Crone recommended ultimately when you had that meeting?

James Murdoch: I think the only options available were to go forward litigating the case, or to settle the case and think that through. Whether there were other questions, I do not recall. I recall leaving that meeting with a clear sense that they would do that, and I think that is what they left that meeting with as well, as they testified to you.

Q1573 Philip Davies: Just to clarify some of the points that I am still a bit unsure about from the answers you have given to Tom Watson and Damian Collins, you are not aware that the meeting took place on 27 May, and neither was Colin Myler—I get that—but do you recall at some point saying to Colin Myler, "Let's wait for the silk's view," which is what was in the note to Julian Pike? Julian Pike said that Colin Myler had rung him up and that you had said to him, "Let's wait for the silk's view." Do you recall saying that to Colin Myler?

James Murdoch: I don't recall that. I do want to be clear: there is no record or assertion of a meeting; there is a reference to, potentially, a conversation that neither Mr Myler nor I recall. It may have happened, but I don't have a recollection of a conversation about waiting for the silk's view.

Q1574 Philip Davies: Okay. But you wanted the opinion of the silk before you agreed to authorise? You wanted that.

James Murdoch: I think if they hadn't had a silk's view when they came to me on 10 June, I probably would have asked what leading counsel thought of it etc., but they did, and they came to me with a recommendation that leading counsel had provided information about.

Q1575 Philip Davies: Okay. The bit I am struggling with now is that you seemed to be indicating to Damian that you were not aware of the figure that Michael Silverleaf had quoted for what the amount could be. You understood that there were costs on top, but you just said, if I remember rightly, that you were not actually aware of the exact numbers that Michael Silverleaf gave. Am I right?

James Murdoch: I was not provided with the document itself at all. It was described to me that there was a range, that leading counsel's opinion had been sought and that this was a reasonable range.

Q1576 Philip Davies: It's just that when you came before us last time you seemed to be very precise about what the silk's opinion was. When Adrian Sanders asked you about this last time, your answer to him was that the "advice was that the damages could be £250,000", which is absolutely spot on—that is exactly what he said.

James Murdoch: Which, Mr Davies, is exactly what I just said in answer to Mr Watson's question.

Q1577 Philip Davies: But when you answered Damian, you seemed to be saying you were not really entirely sure what the number was that Michael Silverleaf was saying; you just knew the number plus the cost, or whatever. Usually, people come the second time round and they are more on the ball than they were the first time round; you seem to be more vague this time round than you were the first time round, and I just wonder why that might be.

James Murdoch: Well, that's certainly not my intent. There were a lot of numbers, I guess, going around: we had the £425,000 that, ultimately, it settled for in damages, plus the costs and so on. As I testified earlier, I am aware that Mr Silverleaf said it could be £250,000—possibly more—in damages, and then, in these considerations, you add on those costs. I am trying to be as specific and transparent as I can with you.

Q1578 Philip Davies: The other thing is that when you came last time round, you sort of described this brief meeting on 10 June with Colin Myler and Tom Crone—15 minutes maximum, I think, is how you described it. Today, you have twice described it as a substantive meeting, which, again, seems to be a slightly different emphasis from last time round. How do you explain the discrepancy between a short, 15-minute meeting and, now, a substantive meeting?

James Murdoch: First of all, I think I said that it was 15 or 30 minutes; in the diary records, it is, I think, recorded as about 30 minutes—it was scheduled for that; I don't know how long it actually took. I think Mr Crone said to you it was 15 minutes, but I can't recall. I referred to it as substantive because it was the only meeting where this material—the question of this thing—was discussed in any level of detail. As I have said to you, exactly what was presented to me at that time was sufficient to give them the authority to go and increase the offer, but no more.

Q1579 Philip Davies: And the sufficient information that you referred to, am I right in thinking that it was, first, "We're going to lose the case" and, secondly, "If we lose the case, the cost is going to be £250,000 plus whatever the costs might be of going to court"?

James Murdoch: Yes.

Q1580 Philip Davies: Is that you are saying is the sufficient information that you were given to settle?

James Murdoch: And also the existence of evidence that linked the particular voicemail intercept in question to the *News of the World*—that is important—as well as that leading counsel's opinion was that, yes, the company would lose the case and that a certain amount was arranged that was agreed upon.

Q1581 Philip Davies: What was the basis on which you arrived at the figure in terms of authorising Farrer’s to go up to £500,000? What was your rationale for authorising a level up to £500,000?

James Murdoch: I don’t remember the £500,000 limit, but I think the advice that was given to me by Mr Crone and Mr Myler, as I have testified to you, was that the range would be between £500,000 and £1 million, with damages plus costs, and they made a strong recommendation that that should be pursued.

Q1582 Philip Davies: But Julian Pike said, when I asked him whether they were prepared to settle this case at any price, or whether there was a cap they were prepared to go up to, in which case, after they had reached it, they would say, “Well, that’s it. We’ve been generous enough. We’ll see you in court”, he said to me that the £425,000 was getting close to the cap. When I pressed him, he said that the cap was £500,000. Now, that was beyond Tom Crone’s authorisation, so presumably, it must have been you who authorised it that they could go up to £500,000, because Julian Pike was very clear that that was the amount that he was authorised to go up to, to settle the case.

James Murdoch: Certainly, £500,000 was beyond Mr Crone’s authorisation. I believe that his authorisation was much, much lower, with respect to legal settlements, which is some £10,000. To try to be clear, Mr Crone and Mr Myler had already attempted to settle this case at a number of levels before they ever came to me—at a variety of levels, some of which appear to be above their authority, because it was £10,000 for Mr Crone.

Q1583 Philip Davies: Who had given them the authority to try to settle at a lesser amount than you were agreeing to, but at higher amounts than they were authorised to give? Who had given that authorisation?

James Murdoch: Certainly, in the documents that I’ve seen recently and that you’ve seen as well, it appears that Mr Crone took it upon himself to authorise a settlement of £50,000, and then £150,000. I certainly did not authorise that, nor the increase to £350,000 that came later. That was not at my authorisation, nor do I have any records. We’ve looked quite hard at this to find any records of other executives at News International who could have done so—the chief financial officer, for example—and there is no record of any of that.

Q1584 Philip Davies: So Tom Crone had the authority to settle for up to £10,000, and yet, completely unilaterally, he was instructing your lawyers to settle a case for £150,000, £250,000 without any authority from anyone else even though his authority level was £10,000?

James Murdoch: Presumably, he, Mr Myler and Mr Pike had discussed those things, but they did not come to me until 10 June, as I have said.

Q1585 Philip Davies: I still come back to the same question: who gave the £500,000 cap to Julian Pike then?

James Murdoch: Certainly, at the 10 June meeting, a range was discussed, and if that was the cap that Mr Crone wanted to give Mr Pike, that was there. I had agreed certainly with them that, within a range, as we discussed—something above £500,000 when you include costs—they had the authority to go out to try to settle it, which is the advice that they had given me.

Q1586 Philip Davies: Had you given them a cap? You say, “Something above £500,000”, but that sounds like a minimum. I’m on about what the cap was.

James Murdoch: The point here is the damages number, plus the costs to both sides to litigate it. I don’t recall the discussion of a cap on damages, although it would have been quite normal to say, “Go and have a go at this number”, but I don’t recall that.

Q1587 Philip Davies: Did you give a cap or not?

James Murdoch: Certainly, I didn’t imply that they could settle at any number—I want to be absolutely clear about that. They gave me a range, and within that range, I said that they could go and pursue the settlement.

Q1588 Philip Davies: Did they come back to seek your authorisation when they had a figure that had been agreed? Did they have to come back for you to say, “Okay. Let’s go with that”?

James Murdoch: They had authority to go to settle the case within the range that they had presented to me. Whether or not they came back and there was a confirmation of what had happened or how it had gone at some point in the future, there were no subsequent meetings with the two of them on the subject, but they may have called me or had a confirmatory discussion that way.

Q1589 Philip Davies: You see, the problem I have is that it all seems very cavalier to me—very cavalier with money. Given that your organisation is so successful, I can’t believe that you’ve been so successful by being so cavalier with money. You sort of pay off an employee who has been to prison—you give them a quarter of a million pounds without a blink of an eye to pay them off, even though they had been to prison and brought the company into disrepute. You agree to settle cases with no real cap in place, just some sort of a ballpark figure that people are left to go along with. You think that the company should have counsel’s opinion, but you don’t ask even to see the opinion when it comes, even when it is a substantial amount of money.

The bit I have a problem with is that you seem to characterise this—your sort of defence for this—cavalier approach as, “Well, this is the *News of the World*. It’s a tiny part of our business. I really can’t be bothered trifling about with these sorts of things.” I used to work for Asda. I don’t know how big Asda is compared to News Corporation.

James Murdoch: I think it’s owned by Wal-Mart, so it’s big.

Philip Davies: Exactly. Asda is owned by Wal-Mart. I am pretty safe in saying that Wal-Mart is bigger than News Corporation.

James Murdoch: I think you are very safe.

Q1590 Philip Davies: Absolutely. I guarantee that if someone had said to the chief operating officer of ASDA—a small but not inconsiderable part of Wal-Mart—“We have a problem. A legal case is going to cost us in the region of £500,000,” any chief operating officer of ASDA that I have ever dealt with in my entire life would have said, “For God’s sake, let me have a look at that.” I find it absolutely incredible that you did not say, “How much? £250,000? Let me have a look at that.” I cannot even begin to believe that that is a course of action that any self-respecting chief executive or chief operating officer could possibly take, with so much of the company’s money and reputation at stake.

James Murdoch: Mr Davies, I think that it is important to note—I have testified to this effect, and I have tried to describe this to you in some detail—that the situation we had was that a description was given very clearly by senior legal counsel that the case would be lost, and a description of why it would be lost, with respect to the linkage of the voicemail intercepts. It was very clear that there was a losing case on the cards. There was an amount of money that was substantial; you are absolutely right. I was assured that, within a range, leading counsel had concurred that that was where it would, or could, settle. Within that range, I authorised Mr Crone and Mr Myler to go and negotiate that.

The way that the company has always operated is to rely on executives directly responsible for a unit of the business—a paper, etc.—to go and do the things that they needed to do, under the assumption that they would be appropriate and lawful, and that they would be questioned from time to time, and come to senior management with issues. I was given sufficient information to authorise that settlement. I was not given no information; I was given sufficient information, and I asked the question, “Is there a leading counsel’s opinion? What do they say?” “They say that within this range is reasonable.” It was a reasonable decision to settle that case—to agree with their advice and take no further action—because no other evidence, and none of these other issues that we have discussed today, came to light during that conversation or at that meeting.

Q1591 Philip Davies: At what sort of level would the settlement or the advice of counsel have needed to be for you to have wanted to say, “Let me have a look at that”? How much money were you prepared to give away on the say-so of somebody who was authorised to give up to £10,000? The bit that I cannot understand is that there was a culture, apparently, of trusting executives to make the decisions, and going with the flow and all the rest of it, with maybe a few challenging questions here and there. If that was the case, why did Tom Crone have only a £10,000 limit? If you are happy to take his advice to settle for nearly £500,000, that does not strike me as the kind of company that said to Tom Crone, “We are only giving you the authority to settle for £10,000.” That does not make sense. There is a mismatch between the culture that you are trying to portray and the strict £10,000 authorisation limit that Tom Crone has.

James Murdoch: Mr Davies, there is a contrast here between controls—financial controls to make sure that things are, hopefully, recorded and authorised properly and so on, and that if they are not, they are dealt with in the right way—and following the recommendation of experienced counsel. This is the strong recommendation of very experienced counsel, who had some 20-plus years as counsel of News Group Newspapers. A new editor had come in and had a fresh look at all of these issues, I had assumed. They made a strong recommendation, and I followed it.

There are two pieces here, if I can try to be helpful. One is the decision whether to settle, or to increase the authority, within a range of, as I recall, £500,000 to £1 million, which does imply a cap—all in: costs and so on. Then there is the decision—or rather the lack of a decision—to say, “Are there other things here that we should be looking at?” Again, sufficient information was given to authorise them reasonably to negotiate, within a range, the increase of the settlement offers that they had already made, but nothing more, and nothing to indicate any other action. There are two sets of things to consider there.

Q1592 Mr Sanders: How much of that was to do with confidentiality? What part of that sum was the confidentiality element?

James Murdoch: As I testified to you in July, at the meeting of 10 June 2008, confidentiality as a cost item, if you will, was not discussed. It was not my understanding at

the time that confidentiality was a line item, if you will, that would increase the cost and so on. It is entirely customary for certain settlement agreements, and settlement agreements of this nature, to be confidential. That is normal practice in many businesses, if not all, when faced with certain legal claims. As I wrote to you in August, it later became clear to me, after my testimony to you, that in documents that had I not been privy to, or conversations that I was not part of, confidentiality was discussed as a cost in that settlement. I wrote to you in August to clarify that point. I hope that is helpful.

Q1593 Philip Davies: Can I just ask a final question about all this? As a result of this, do you now run things differently? Do you deal with things differently? Do you have a more hands-on approach to the way you deal with things in your company as a result of this? Can you not see that, actually, this really is pretty lax for somebody in your position?

James Murdoch: It is a huge focus for the business, and has been for the past year, to get to the bottom of this issue, definitely, and to co-operate with the police with respect to their criminal investigations, and with this Committee, as well as with the judicial inquiry into the press, politicians and police that is under way. Crucially, we should learn the lessons from these episodes and ask, “First of all, how can we improve the on-the-ground governance of operating companies around the world, including News International? How can we improve transparency with senior management on a global or regional basis, and operating companies in various territories?” We have taken a number of measures to do that.

You ask how. For example, at News International and all of the operating companies that I have authority for, we have instituted a more formal board review process. At News International, we have actually put an internal board in place and appointed a chief compliance officer, full time, around those things. I meet outside executives—from within News Corporation, but outside News International. I meet with that board; we have had one meeting already with a substantive compliance agenda around these things. The goal is to go through, in great detail, legal matters that are facing the company, ongoing reputation risks, governance risks, compliance and so on. For example, just in the last week, out of one of these processes, in India we have retrained over 1,000 staff with respect to compliance and risk. These are things that I take very seriously, as I have throughout my entire career. Clearly, the transparency that was achieved around this set of issues was not good enough, and it is something that I am determined to sort out. It is something that we believe in very strongly.

Q1594 Paul Farrelly: I have one question regarding Mr Davies’s line of questioning. The 10 June meeting was the first substantive meeting that you had over this. They came to you to ask for authorisation to increase what they were offering. Do you remember what they were offering before they came into the meeting?

James Murdoch: I now know that the previous offer they had made was £350,000, but I do not recall the exact amount that they discussed with me at that time.

Q1595 Paul Farrelly: This is your first substantive meeting with people you have just described as having a very low authorisation limit. Did you even ask them who gave them the authority to offer that £350,000, or whatever, beforehand?

James Murdoch: Again, I do not recall them mentioning the £350,000 offer. I now know that that offer was made the week before while I was abroad, and I did not have a discussion with them about that at the time. I think I would have been more focused—I was

more focused—on what the total amount would be for this to settle, given the strong advice that the case would be lost. That was what was focused on.

Q1596 Paul Farrelly: You did not ask, “Who the hell gave you authority to offer that in the first place?”

James Murdoch: Their authority levels were not top of mind during that conversation.

Q1597 Paul Farrelly: To your knowledge, were any other people involved in that chain of authorisation—Stuart Kuttner, for example, or Jon Chapman?

James Murdoch: To my knowledge, the authorisation process was that I think Mr Crone was authorised independently to make a £10,000 legal settlement. Mr Myler, the editor, would have been £50,000, and other members of the executive committee—the chief operating officer, the chief financial officer—would have been authorised, I believe, up to £500,000.

Q1598 Paul Farrelly: Did they go through any of those?

James Murdoch: I can find no record of those authorisations being sought or given. We have looked, and tried to find out exactly how that escalation occurred during that period.

Q1599 Paul Farrelly: So as far as you are aware, it really was the Tom Crone and Colin Myler show?

James Murdoch: I think Mr Crone and Mr Myler—I think it is in the documents given to you—were very much driving the agenda around the Gordon Taylor litigation. I believe that is what Mr Chapman testified to you as well.

Q1600 Paul Farrelly: I want to come to Mr Crone and Mr Myler a little bit later, but the memo that Tom Crone wrote for Colin Myler was produced on a Saturday—a very busy day for the *News of the World*—for the following Tuesday. He is clearly expecting Colin Myler to have a meeting with you, which he says he cannot be at because he is preparing for a holiday. When did you first see that memo?

James Murdoch: I did not see that memo at the time; I first saw that memo recently—since I gave evidence to you in July.

Q1601 Paul Farrelly: So effectively that was a private note from Tom Crone to Colin Myler, and was not copied to you.

James Murdoch: It was not copied to me. It was not shared with me.

Q1602 Paul Farrelly: Would you agree that the fact that you cannot recall having a meeting or a discussion—certainly Colin Myler cannot recall having a meeting that Tom Crone expects to happen, hence his writing a pretty serious memo—adds the question of how these two characters are dealing with each other, and whether they are being full and frank with what they are up to?

James Murdoch: I couldn't possibly speculate about all the conversations they might have had with each other. I just don't know.

Q1603 Paul Farrelly: One of the great words that has come out of this inquiry is that people have occasionally “refreshed” their memories. Colin Myler has told us that he is unable to verify details about the meeting or the discussion that may or may not have taken place on 27 May 2008, because News International has refused him access to the relevant documents—presuming some relevant documents exist. Will you undertake now—so that Mr Myler can refresh his memory, to use that term—to give him access to any documents he needs surrounding that meeting or otherwise?

James Murdoch: I can tell you that if there is an occasion to review a policy around former employees’ access to systems, we can review that and I can come back to you on that. I can tell you that I have gone and looked for records around my own diary with respect to conversations during that period. I am happy to provide my calendar to you. There is no record of a conversation or a meeting on 27 May, with Mr Myler or with anyone else, on this matter. I can provide you with those calendar events all the way through.

Q1604 Paul Farrelly: But if he has made a note of it, or documents exist on his computer in there that might be helpful to us, he should surely have access. Wouldn’t you agree with that?

James Murdoch: I think we, the company and, around all these issues, the management standards committee—the independent management standards committee, for that matter—have looked at all those things, and if there is an occasion to revisit those, certainly I will raise it with them.

Q1605 Paul Farrelly: In the spirit of being open and transparent.

James Murdoch: Very much so, and I am happy to provide you with my own calendar and notes around the entire period.

Q1606 Paul Farrelly: It is a peculiar meeting, or non-meeting.

James Murdoch: Well, I don’t think anyone is suggesting that it is a meeting, Mr Farrelly. Mr Pike records a note that Mr Myler told him of a conversation—so, a second-hand note of a conversation that neither Mr Myler nor I recall. Neither of us rules out the possibility of a brief conversation on that day—a telephone call or what have you—but it certainly would not have been a substantive meeting, because otherwise one of us would have recalled it.

Q1607 Paul Farrelly: Just in terms of the way people are dealing with each other, you are very clear that you told them to go and settle, whereas the notes made by Julian Pike of his conversation with Tom Crone are quite clear that “JM said he wanted to think through options”. You said that that is not the case. That again raises questions about what these people are telling each other, and whether they are being honest with each other—if you are telling us the truth.

James Murdoch: I think Mr Crone and Mr Myler have both testified to this Committee—well, certainly Mr Crone did—that they left that meeting with the understanding that they had the authority to go and settle; the authority that they were seeking to increase their offer was something they left that meeting with. I don’t know what that note from Mr Pike is referring to, whether or not there was a loose end that Mr Crone or Mr Pike or somebody had to be—I just don’t know.

Q1608 Paul Farrelly: Can I just step back on your position and responsibilities? You took over when Les Hinton moved over to *The Wall Street Journal*, and you were running the international, or the Europe and Asia, operations of News Corp. When Les moved, were you effectively executive chairman of News International?

James Murdoch: I was chairman of News International when Les—Mr Hinton—moved to New York, to Dow Jones, and did spend time, obviously, on the business, and relied on the senior manager of the business, who had been in place for some time. It was always the case that we, the company, would appoint a full-time CEO to replace Mr Hinton, and it took about 18 months to get to that point.

Q1609 Paul Farrelly: That was Rebekah Brooks?

James Murdoch: Yes, that's Mrs Brooks.

Q1610 Paul Farrelly: In September 2009?

James Murdoch: Yes, although I think effectively it was announced in the summer of 2009, and she started to play a much bigger role.

Q1611 Paul Farrelly: So you are the chairman—formally or effectively?

James Murdoch: I think formally I was the chairman of News International.

Q1612 Paul Farrelly: The executive chairman or—

James Murdoch: I don't recall. I may have been the executive chairman.

Q1613 Paul Farrelly: Who was the de facto chief executive of News International, running the show, before Rebekah was appointed?

James Murdoch: We had an executive group of a chief operating officer, myself as executive chairman, and a chief financial officer, and I instituted involving the editors more transparently in the business operation.

Q1614 Paul Farrelly: So you were executive chairman?

James Murdoch: Yes. As I say, I might have been named executive chairman, but I was effectively executive chairman.

Q1615 Paul Farrelly: In this meeting on 10 June—you could not have been clearer on this—the “for Neville” e-mail, in its wider significance, was not mentioned; just the fact that it involved the *News of the World*. When you had this meeting, did you know who Gordon Taylor was?

James Murdoch: I don't recall if I knew who he was beforehand, but Mr Myler would have told me, I assume.

Q1616 Paul Farrelly: Did you ask in the meeting, “Who the hell is this Gordon Taylor?”?

James Murdoch: I don't recall if I asked. I recall being aware of it at the time. Whether it was prior to the meeting, or I was made aware in the meeting who Mr Taylor was, I don't recall.

Q1617 Paul Farrelly: Did you know what he did for a living?

James Murdoch: Well, I was told. As I just said to you—just to be clear, Mr Farrelly—I don't know if I had a lot of knowledge about Mr Taylor's role beforehand.

Q1618 Paul Farrelly: The one thing that, right from the outset of this, really showed us—and, I think, any 10-year-old—that the *News of the World's* line did not stack up was the fact that Gordon Taylor was not a member of the royal family or the royal household. Did you not say, "But he's not royal"?

James Murdoch: I think the point here is not so much whether or not I was told who Gordon Taylor was but, really, when I came to News Corporation in 2007, I did not receive a briefing on all the matters of 2006. It was December 2007. I was aware that the editor had resigned over these things; two people had gone to jail and one of them was a reporter. The details of the specific voicemail interception involving the royal family, and the fact that Mr Goodman was the royal reporter—those things were not top of mind for me.

Q1619 Paul Farrelly: Okay, but you are authorising a settlement that turns out to be substantially above, in terms of damages, what the QC is talking about, and you are not even curious enough to say, "Hold on. How come Glenn Mulcaire has hacked this man's phone when he's not royal?" when at that particular time, as far as you are concerned, it is only the royal reporter who's involved.

James Murdoch: As I said, the details of the original Goodman prosecution, in terms of his being the royal reporter and that it was a voicemail interception involving the royal family, were not top of mind for me at the time. I was given a set of information that this was a case; it was an old matter; there was no question but that it was the same Glenn Mulcaire who was convicted before and so on, who had been working with the *News of the World* with Mr Goodman—but Mr Goodman I don't believe was discussed at the meeting—and there was a piece of evidence that would ensure that the company would lose the case, because indeed the interception in question was on behalf of the company. That was the information I was given.

Q1620 Paul Farrelly: Did you ask, "And who the hell else has this Glenn Mulcaire been hacking"?

James Murdoch: I do not believe so. I think it was known at the time that this was a voicemail interception that had already been prosecuted by the police. The police had said, "There isn't anything more here", and they had shut their investigation and successfully prosecuted the individuals concerned.

Q1621 Paul Farrelly: I have got this growly Australian accent rattling around in my head at the moment, who would then go on to say, "And how much more is this Glenn Mulcaire going to cost me?" Do you think your Dad might have asked more questions than you?

James Murdoch: I couldn't begin to speculate.

Q1622 Paul Farrelly: And it did not occur to you to ask whether Glenn Mulcaire was doing this off his own bat, and who else was authorising it.

James Murdoch: No, it was definitely specifically said to me that he was doing this on behalf of the *News of the World*, with respect to this, and that was the relevance of the evidence that was described to me.

Q1623 Paul Farrelly: It is remarkably incurious. Are you always so incurious with all the other businesses that you run in News Corp?

James Murdoch: I think it is important, Mr Farrelly, to be clear here that the questions were asked with respect to, is there evidence, what is the evidence about, and is the case going to be lost? I was told a leading counsel had provided opinion within a range that a settlement recommendation was made. It was not as if there wasn't a conversation—it was not a terribly long conversation. In my view, it was a settled matter. I was given a very, very strong recommendation by senior and experienced legal counsel and the editor of the *News of the World*, who had been with the business for some time and in the industry for some time. I had no reason to believe, nor was I provided with any reason to believe, that anything further was afoot.

Q1624 Paul Farrelly: In terms of the QC's opinion, it either did not occur or clearly did not seem relevant to you to even ask for a copy.

James Murdoch: I understood at the time—and it was described to me at the time—that the leading counsel's opinion was with respect to damages. I was given an answer about the range of damages and what it would take to settle, with respect to what Mr Taylor's requirements were, in terms of what he might want to settle for and how to do that. That was the discussion that was had and it was deemed sufficient.

Q1625 Paul Farrelly: Were you not at all curious to ask whether the QC had said anything else?

James Murdoch: Seeing as I was told that the QC had been asked to opine on damages, and it was described to me what the range of damages were, it did not occur to me to probe further.

Q1626 Paul Farrelly: So you didn't even ask how long this QC's opinion is, in case you thought "If it is just a few pages long"—which it is—"I might just have the chance to read it in the car to the airport."

James Murdoch: It was described to me that the opinion was made with respect to damages, and there weren't other things there. It did not seem necessary for me to ask for a copy of it, nor was it forthcoming.

Q1627 Paul Farrelly: Do you know how widely the QC's opinion was circulated?

James Murdoch: I do not know.

Q1628 Paul Farrelly: Do you know whether it was circulated or asked for by Rebekah Brooks when she took over?

James Murdoch: I do not know.

Q1629 Paul Farrelly: The “for Neville” e-mail was published far, far earlier than our report in February 2010. It was actually published shortly after 14 July 2009, when it was disclosed to us.

James Murdoch: It was in the newspaper allegation in 2009.

Chair: It was distributed to this Committee by Nick Davies, the journalist, and we then published it.

Q1630 Paul Farrelly: Do you remember where you were when *The Guardian* produced that story and then, a week later, they came and these documents were published following our session?

James Murdoch: When the newspaper allegation was made, I was in the United States. I believe I was in Idaho at a business conference.

Q1631 Paul Farrelly: At the time, were you based in London generally?

James Murdoch: Yes, I returned to the UK the following week.

Q1632 Paul Farrelly: Okay. Do you remember what your reaction was? Did you ask for anything?

James Murdoch: My reaction was to understand whether or not it was true that there were further allegations, and I asked—I received a telephone call from the UK. I received a copy of the article and the allegations made—was asked, “Is this true?” and it went back to the *News of the World*, because Mr Crone and Mr Myler had handled the settlement. The answer came back very strongly that investigations and inquiries have been made, that previous investigations have been made and had uncovered no new evidence at all—the same assertions and assurances that you received at this Committee in 2009. Indeed, it was well before I returned to London. It was only 24 hours after the allegations in the summer of 2009 emerged that the Metropolitan Police issued a statement saying that there was no new evidence and that this had been a matter of a very serious investigation by experienced detectives and there was nothing new to investigate, which was not equivocal.

Q1633 Paul Farrelly: So when the story was published and the e-mail was published, you did not even think at that stage, “Well, I’d better have a look at these transcripts that were mentioned to me a year previously and while I’m at it I’d like to have a look at the QC’s opinion.” You didn’t ask?

James Murdoch: The transcripts themselves?

Q1634 Paul Farrelly: The e-mail.

James Murdoch: Yes, but as you said, there was not much in it. I think it was in the facsimile of it or something like that. I remember the blocks of redacted text and one piece there.

Q1635 Paul Farrelly: So even at that stage in the middle of 2009 as the Executive Chairman of News International, you are possibly the only person in London who still thinks that there is one rogue reporter and one private detective?

James Murdoch: As you are aware, Mr Farrelly, within 24 hours the police issued a statement, and recall that the “for Neville” e-mail actually came from the police in the civil trial disclosure process. So they issued a statement saying that there was no new evidence.

Q1636 Paul Farrelly: You had it for a year.

James Murdoch: Yes, but they said that there was no new evidence—the police had had it for longer than that because it had come from them—that there was no new evidence, that there was nothing new to investigate. Secondly, the executives responsible were very clear that thorough investigations had been done and that, as I said earlier on in today’s testimony, the company relied for too long on assurances about the thoroughness and scope and completeness of those investigations as well as the assurances of the police.

Q1637 Paul Farrelly: Can I just now move back to News International and *News of the World*’s reaction to some of these events? In July 2009 you said that they had been too quick and too aggressive in their defence. When they talk about a thorough investigation clearly that did not happen because a thorough investigation did not even unearth the QC’s opinion, which was pretty damning. Clearly, now you will take responsibility as Executive Chairman for that failing.

James Murdoch: I think, as I said, the company—and I do share a responsibility as a senior executive in the company—relied for too long on very strong assurances, both internally, inside the company, around the quality, scope and thoroughness of the investigations that had been made on an ongoing basis, as well as in 2006 and 2007, and also on the assurances from outside the company from the police who, it is presumed, had more information and were the last word, if you will, on the investigations that they carried out and which led to two successful prosecutions in 2006. I have said that the company relied on those things too long and I have said that I am sorry for that. It is something that—you know—we are determined, in how we operate the business going forward, that we make sure these things don’t happen again.

Q1638 Paul Farrelly: The *News of the World* editorial on 12 July 2009 pretty much repeated News International’s statement. It said, amongst other things, that there was no evidence that *News of the World* journalists had “instructed private investigators or other third parties to access voicemails of any individual.” You will accept now that Colin Myler, the editor at the time producing that editorial and the legal manager, Tom Crone, in position at the time, knew that statement in the paper to be false.

James Murdoch: What I do know now is that in 2008 they had access to the leading counsel’s opinion and other things. What conclusions they drew from that and the other things is a matter that would be speculation if I got into that. I think you have spent a lot of time with Mr Myler and Mr Crone. I think it is also a matter for this Committee.

Q1639 Paul Farrelly: Similar statements were made, which we referred to, about our Committee report in 2010. Can I just very quickly deal with Mr Crone and Mr Myler who have taken issue with you? Mr Pike has already told us that he knew that people from News International were not telling the truth, principally Mr Myler and Mr Crone, as soon as they opened their mouths in evidence in July 2009. Can I add something else into the mix, as far as what Mr Crone and Mr Myler have told us? Originally, Mr Crone told us: “I questioned Neville Thurlbeck then and I have spoken to him about the same subject since then. His position is that he has never seen that email, nor had any knowledge of it.” Yet now we have

an e-mail that Crone sent on 24 May 2008 to Mr Pike, in which he says, “I went through the new Taylor docs with X today”. He said that X now remembered the transcript—and X can only be Neville Thurlbeck, despite the redactions, because of the context, the door-knock and the showdown that the e-mail refers to. Those two statements—Crone’s e-mail and what he said to us—are totally at odds with each other. How does that reflect on Mr Crone’s reliability as a witness?

James Murdoch: With respect, Mr Farrelly, it is a question for this Committee to judge the evidence given to it. I have been very clear that I believe that this Committee was given evidence by executives either without full possession of the facts, or that was not as complete as it should have been. I am sorry for that, and the company is. It is not good, and it is something that I am determined to make sure does not happen again. The only thing I can speak to, with respect to the evidence given to you—and I have made a statement to this effect—is that assertions that Mr Crone and Mr Myler made about my knowledge were wrong.

Q1640 Paul Farrelly: Yes. Mr Crone also said, when he came back, “For the first time he”—that’s you—“realised that the News of the World was involved and that involvement involved people beyond Clive Goodman. On that basis, he authorised a settlement.” He could not have been more categoric. Your denial could not have been more categoric. Again, how does that reflect on Mr Crone’s reliability?

James Murdoch: I am sorry, can you repeat that piece of transcript?

Q1641 Paul Farrelly: Yes. Mr Crone came back to the Committee to say, of the settlement authorisation, “For the first time he”—that’s you—“realised that the News of the World was involved and that involvement involved people beyond Clive Goodman. On that basis, he authorised a settlement.”

James Murdoch: There is a lot of supposition—would have known, might have known, should have known and this and that. What never happened was Mr Crone and Mr Myler showing me the relevant evidence, explaining that evidence and its relevance, or talking about wider-spread criminality, the Queen’s counsel’s opinion—all these things. That simply did not happen. People can suppose that I might have understood, but, at the end of the day, those things were not provided to me.

As I said earlier, I was given sufficient information—and only sufficient information—to authorise the increase of the settlement offers that Mr Crone and Mr Myler had already eagerly been increasing in order to achieve a settlement, even before it had to come across my desk. That is what I received; I received nothing more.

Q1642 Paul Farrelly: I am just drawing to a conclusion, Chair. To be absolutely clear, if Mr Crone and Mr Myler are telling the truth, you are not telling the truth; if you are telling the truth, they are not telling the truth.

James Murdoch: Mr Farrelly, I have looked at some of their testimony and it is quite interesting. There is a lot of supposition in it, such as, I would have known, they understood me to know—those sorts of things. What they never did was clearly tell you that they showed me those e-mails. They never clearly told you that they showed me and discussed with me the real significance of the Queen’s counsel opinion. They never went that far. It was a very confusing and muddled session, to be honest—I agree with that. But it is for this Committee to decide the quality of the evidence and the testimony that it is receiving; it is not for me to pre-judge that.

Q1643 Paul Farrelly: My final question is this: given all the evidence that was clearly there within *News of the World*, given the cost of all this, the closure of the *News of the World* and the loss of the merger with BSKyB, do you think you have handled this competently?

James Murdoch: I have spent quite a bit of time reflecting on my decisions and behaviour, and the company's behaviour more generally, in this matter. For that time in 2008 and leading up to the middle of 2009, I had direct responsibility as Executive Chairman, as you put it. It might have been Executive Chairman in title—we don't focus that much on titles. With respect to the settlement, for example, I think I behaved reasonably, given the information that I had. I do think—and I share in the responsibility for this and I am sorry for it—the company took too long to come to grips with these issues, with understanding what had been done and what had not been done in 2006 and 2007 with respect to its own investigations, and with understanding how to dispassionately look at what were perceived as attacks as opposed to legitimate criticism from the outside.

I think part of sharing that responsibility and part of taking responsibility is also making sure that those things do not happen again and making sure of the quality of the business that we see and that I see with colleagues everywhere round the world, from my colleagues in Hong Kong to Milan to Munich and New York and California, just to name a few—a huge and great organisation that clearly, in this instance, has failed to come to grips with something important, and part of taking responsibility is making sure to sort that out.

Q1644 Paul Farrelly: Yes or no—do you think this whole saga and your evident lack of curiosity about asking questions that were screaming to be asked shows you to be competent or incompetent? Yes or no?

James Murdoch: No, I do not think it shows me to be incompetent and I do not think, for the record, that I would characterise it the same way you just did.

Q1645 Louise Mensch: Mr Murdoch, I apologise in advance, but I am going to have to leave the Committee immediately after asking you my last question. We have children the same age, I think, and I have to go back home and pick them up from school.

James Murdoch: Oh, good. Good luck.

Q1646 Louise Mensch: When your father appeared before us in July, he promised to undertake a review of News Corporation's properties all around the world in order to ensure that this scandal could never happen again. To your knowledge, how is that review coming?

James Murdoch: A number of activities are under way. Some of them are discrete to different regions, so the newspaper businesses in Australia, for example, have undergone a review of editorial practices and so on and so forth. As you know and as we have informed this Committee, in the UK the company has set up an independent management and standards committee, reporting to the independent directors of the board, and that review of editorial practices—proactively, into all of the titles; not just the *News of the World*—is well under way and is a matter of great activity and a lot of detail. I hope that that is concluded early in the new year, although that is being managed separately to the business.

As I mentioned earlier, from a corporate perspective and from a governance and compliance perspective, we are making the changes that we think will hopefully ensure greater transparency around things if they do go wrong, but also ensure the disciplines and the prioritisation of matters around transparency up and down the chain of the business. I actually

feel they are coming along well. I do not have perfect knowledge of the management and standards committee independent review—nor should I, as an executive involved in this part of the business.

I think one of the real lessons learned here is to avoid allowing—not to be too pat—the newsroom to investigate itself. I think having independent eyes and having a stronger and more proactive corporate presence when things are raised or when an alarm goes off is one of the key lessons that we have learned.

Q1647 Louise Mensch: In advance of the Australian Government’s inquiry into media standards over there, to your knowledge, is the resignation of John Hartigan yesterday as the head of your Australian arm related either to phone hacking or to any unethical practices in the Australian arm of the company?

James Murdoch: I am not involved in the Australian part of the business, but I would think certainly not.

Q1648 Louise Mensch: Okay. To your knowledge, how many other News International papers have been hacking either phones or e-mails, other than the *News of the World*?

James Murdoch: The management and standards committee—the investigation is under way. I really do not want to prejudge the outcome of that investigation. It is an important investigation. If there is evidence that is found, there will be matters of criminal investigations as well. As you know, a journalist at *The Sun* was arrested recently, which is a matter of great concern, but I also think it shows how seriously we are taking these issues. The company is moving determinedly to provide whatever information there is to the police in those instances. But that matter is a matter of a criminal investigation, and I should not talk too much more about it.

Q1649 Louise Mensch: I might ask the counsel whether it would be in order for you to say not which journalists but which papers—that is all I ask—in News International have, to your knowledge, been involved in the hacking of phones, because that would not prejudice any individual police investigation.

James Murdoch: At this point I have no knowledge of any of the other papers being involved in the hacking of phones, but I do not want to prejudge the management and standards committee work, and nor have I seen all the work that it is doing.

Q1650 Louise Mensch: When last you came before us, I asked if you were aware of the allegations that victims of phone hacking had been hacked on American soil, and you said that you were not aware of any such allegations. Since that time, Mr Mark Lewis, the lawyer for the victims, has told us that he is representing victims who were hacked by News International journalists on American soil. What do you know of that matter today?

James Murdoch: I know that it is a matter of activity for the management and standards committee. It is looking into that and co-operating with the police here and the ongoing investigations, as well as with any matters in any other jurisdiction with respect to activities of the UK newspapers. I have no knowledge of the veracity or substantiveness of those allegations.

Q1651 Louise Mensch: So you have no knowledge of those international claims. Do you still have no knowledge—you stand by your earlier testimony—that 9/11 victims or their families were hacked by agents of News Corporation?

James Murdoch: That is correct. A lot of investigation and a lot of work has been done on that subject, and, so far, there is nothing to confirm it, as I understand it.

Q1652 Louise Mensch: So far, you are coming up empty.

It would seem that, at best, Mr Tom Crone misled this Committee in his most recent evidence. In answering questions from my colleague Tom Watson, the exchange went as follows: “Mr Watson: Did you arrange for the lawyers of phone hacking victims to be monitored by private detectives?” “Tom Crone: No” “Mr Watson: Did you arrange for a dossier to be kept on them and follow up on their private lives?” “Tom Crone: No.” “Mr Watson: Have you ever received or commissioned reports on the civil case lawyers that involved private investigators?” “Tom Crone: Let me just think about that last question. I may have in litigation—certainly not in the last few years, but a long time ago maybe—I might well have used, I probably did in fact use private investigators”.

Is it not in fact the case that, as recently as May 2010, Mr Crone instructed Farrers, News International’s solicitors, to look into the personal relationship that may or may not have existed between Mr Lewis and the lawyer Charlotte Harris, also representing the victims of phone hacking?

James Murdoch: Mr Crone and another *News of the World* employee at the time did engage certain private investigators—I am not sure of the details around that as you describe it—to surveil plaintiffs’ lawyers. I want to say for the record that it is appalling. It is something I would never condone and the company should never condone. It was shocking when I found out, and it is just unacceptable.

Q1653 Louise Mensch: When did you discover that the lawyers of plaintiffs had been put under surveillance by News International?

James Murdoch: Very recently—the last few weeks. It is important to say that that was absolutely not a corporate activity that was condoned, and it is absolutely not appropriate. Mr Crone and the other person did not do that with any authority or any knowledge by me. I would never condone that behaviour.

Q1654 Louise Mensch: Does your internal review of the evidence suggest—you are stating for the record—that Mr Crone authorised that surveillance of victims’ lawyers?

James Murdoch: There was surveillance that was done by Mr Crone and another executive at the *News of the World*. Which private investigator and what bits between them, I do not know, but they were involved in that.

Q1655 Louise Mensch: Are you aware that Mr Lewis’s family, including his 14-year-old daughter, was trailed by private investigators? Would you agree with me that that is completely despicable and has absolutely no place in the practices of a modern media corporation?

James Murdoch: I totally agree with you. I was not aware of that allegation, but if it is the case, as I have just said, the whole affair is just not acceptable and not on.

Q1656 Louise Mensch: Are you aware that private investigators investigated my colleague Tom Watson, and other members of this Committee and the predecessor Select Committee—in fact all members of the predecessor Committee—during the time of their investigations into your company?

James Murdoch: I am aware of the case of the surveillance of Mr Watson; again, under the circumstances, I apologise unreservedly for that. It is not something that I would condone, it is not something that I had knowledge of and it is not something that has a place in the way we operate. I think it is important to note that certain surveillance of prominent figures in investigative journalism and things like that is acceptable but, in this case, that is absolutely not acceptable. You have my unequivocal statement to that effect and my apology on behalf of the company—even though I did not condone it, would not condone it and don't agree with it.

Q1657 Louise Mensch: I'm sure that Mr Watson will have some follow-up questions on that later.

May I put it to you, Mr Murdoch, that it seems that every month, if one is following the hacking scandal here in the United Kingdom, there is another set of revelations about unethical behaviour by News International executives? The latest is the scandalous revelation of surveillance of the lawyers of victims and those lawyers' families, and of members of the Select Committee investigating the company. You have spoken repeatedly here today about the review of practice in your newsroom and referred to the need to clean up your act, and to how proactive the company is trying to be in cleaning up its act. Do you not agree that it would be better for News Corporation to make a clean breast of things and get out in the open every unethical practice that has yet to come to light, thereby avoiding the drip, drip, drip of incredibly damaging revelations that seem to come out week after week, month after month, in relation to this scandal?

James Murdoch: I think it's important to note that much of the disclosure around these activities around police payments and phone hacking really started to come to light as we came to grips with this. Much of the disclosure has actually been by News Corporation and News International: first of all in respect of the initial disclosure around a journalist who was since arrested in January this year, which led to the restarting of the police investigation into the *News of the World* and the phone hacking pieces, with the disclosure of sufficient evidence that we thought that the police should open an investigation into police payments as well. That was something that was there that we didn't know about previously. When it came to light, we acted very quickly.

Since the end of 2010, as the company has found things out and discovered the extent of what has been suspected of happening—again, a lot of it is a matter for police investigation—we have sought to be as transparent as the company can be. That is certainly the posture of the business, of the chief executive of the business, of the management and standards committee and at the board level of News Corporation. To the extent that we can be transparent in as timely a way as possible about any behaviour that is unacceptable or illegal, we are seeking to deal with it. We are dealing with it with full co-operation with the police investigations that are ongoing and by being as transparent as we can, given that criminal investigations and a judicial inquiry are ongoing, with any other inquiries that come through.

Q1658 Louise Mensch: So just to be completely clear—obviously you will need to clear all this with the police so that you don't prejudice ongoing criminal investigations—for those matters that the police allow you to release, as a leader of the company, Mr Murdoch, will you guarantee to this Committee now that you will publicise every nefarious practice that

has happened in your company to do with the scandal and allow it to be known before *The Guardian* or others expose it on *Newsnight* or in other media outlets? Will you come forward and admit wrongdoing where you have evidence of it and where such admission will not prejudice a police investigation?

James Murdoch: First of all, I just want to be very clear about the corporate governance structure that we set up recently around these matters. The disclosure of information—alongside with and to the police—is a matter of utmost importance to the management and standards committee, and the independent management and standards committee is responsible for information and disclosure around judicial inquiries, new press practices, and so on and so forth.

It is absolutely in my interest to be as transparent as possible and to avoid these things, which was why in April this year, when the company admitted liability to wider-spread phone hacking, we set up compensation schemes, asked victims to come forward and apologised unreservedly to victims of those voicemail interceptions. We have asked repeatedly for information to come forward that can help us get to the bottom of this, underscore the issue and move forward in a way that is as transparent and appropriate as possible.

Q1659 Louise Mensch: When Mr Crone and Mr Myler last appeared before our Committee, I put it to Mr Crone that his credibility had been damaged by the contradictions in his testimony versus his testimony before the Committee in 2009. It will obviously be further damaged by the revelation that he said he did not authorise surveillance on victims' families and lawyers, when clearly he did—and not a long time ago but as recently as May 2010. Since your answer to me shows that News International did know that Tom Crone had authorised this surveillance, why did you not write to the Committee to alert us that the evidence that we were given by Mr Crone in September was not true?

James Murdoch: My understanding is that this information came to News International's attention very, very recently—in the last few days or weeks—and it is something that was not known to us and confirmed.

Q1660 Louise Mensch: So you would have done had you had more time to look at it. If you knew that we had been misled by Mr Crone, you would have supplied that evidence to the Committee.

James Murdoch: I do not know exactly when others in the company became aware of it, or our legal counsel and so on, but, again, on the matters to disclose before this Committee, I have tried to be as complete as I can in sending you documents and things that we have understood and found out since my last testimony.

Louise Mensch: I am sure that you would agree that only News Corporation can clear up this mess, so I wish you luck in pursuing your ethical review of the company. Thank you.

Chair: Given the line of questioning that Louise pursued, it is only fair to allow Tom to come in.

Q1661 Mr Watson: James, you will be aware that the convicted private investigator Glenn Mulcaire targeted Prince William. That came out in the original inquiry. This week we have found out that the private investigator Derek Webb also targeted Prince William. You will probably know, but it has not been publicly confirmed, that the private investigator Jonathan Rees targeted at least one friend of Prince William in 2006. Is that right?

James Murdoch: I was not aware of that particular piece, but I may have been—I do not recall.

Q1662 Mr Watson: I know that because I have an invoice from News International Supply Company Ltd from Jonathan Rees regarding that, so can I ask that you check out your company e-mails and let us know when Jonathan Rees was contracted to work for the company when he came out of prison in 2005, how long he worked for the company, what he did, and who appointed him?

James Murdoch: I do not see that there is any reason why we could not show that. I think it has been known that he worked for a number of news organisations, including News International.

Q1663 Mr Watson: He worked for a number of news organisations in the late '90s and then he went to prison for a serious crime. He got a seven-year sentence. When he left prison, he was then contracted to work for what we now know is News International Supply Company Ltd and did a number of pieces of work for the company. Could you check the invoices and let us know what that is about?

James Murdoch: Absolutely. If you provide those with us, we can check those and come back to you.

Q1664 Mr Watson: Are you aware of any other private investigators that targeted Prince William?

James Murdoch: I am not aware of any other private investigators.

Q1665 Mr Watson: Could you let us know what the activities were for the private investigator John Ross?

James Murdoch: It is the first time I have heard that, so if you want—

Q1666 Mr Watson: He worked for you. And Alex Leighton?

James Murdoch: If you would like, Mr Watson, perhaps you could write to us and we could go through all of that and be as fulsome as possible.

Q1667 Mr Watson: Given that we are talking about private investigators, I would like to ask you now. Could you also examine the activities of the private investigator Barry Beardall?

James Murdoch: I am not aware of the individual identities of private investigators that were used, but perhaps it would be helpful, Mr Watson, just to clarify one of the things that the company is doing around this. The use of private investigators clearly has been, in the industry and by the *News of the World*, too widespread, and I have just apologised to you and to the other members of the previous Committee, as it was described to me, for what was inappropriate surveillance. One of the things—one of the key changes—that we have put in place over the last year is that the use of private investigators, in particular, is severely restricted by the journalists at News International. In fact, no private investigator, under our new guidelines and new rules around this, can be hired or contracted by a newspaper without the editor going to the chief executive of the company for approval, so that the use of these

private investigators does not get out of hand and is only in extremis done for appropriate public interest purposes.

Q1668 Mr Watson: Under the circumstances, Mr Murdoch, I would like to say that that is a great relief to me.

James Murdoch: I am glad. It is something that we look forward to having in place.

Q1669 Mr Watson: We do agree. At last.

Are you aware of the Serious Organised Crime Agency investigation codenamed Operation Millipede?

James Murdoch: Operation— No, I am not aware of that.

Q1670 Mr Watson: I won't go there, don't worry. I am just asking if he was aware. Can you let me know whether the company admitted liability to e-mail hacks during any of the settled civil cases? I am thinking of Taylor, Miller or Clifford.

James Murdoch: I do not believe so. I am not aware of any of that.

Q1671 Mr Watson: If it is subsequently found, could you go back and let us know if that's the case and write to us if you did accept liability? You've got some lawyers with you.

James Murdoch: I will consult with counsel about that to hopefully clarify those things, but I am not aware of any of the computer hacking that you have talked about in the past.

Mr Watson: Your lawyers behind you might be able to let you know whether that's a yes or a no.

James Murdoch: Would you like me to talk to them now, or can I write to you at some point in the future?

Mr Watson: Yes, if you just ask them now. We've got a bit of time. Yes or no.

James Murdoch: They would like to get back to us. They are not aware.

Q1672 Mr Watson: Okay. At the News Corp AGM a few weeks ago, board director Viet Dinh told me that he would investigate allegations of computer hacking. Has he discussed that with you?

James Murdoch: No. Mr Dinh has oversight authority at a board level for the work that the management and standards committee is doing, and I would understand that it's on the agenda for the management and standards committee and is being pursued with vigour.

Q1673 Mr Watson: Are you aware that former Army intelligence officer Ian Hurst has now had it confirmed that he is a victim of computer hacking?

James Murdoch: No, I am not aware of that.

Q1674 Mr Watson: And that 16 others associated with him have had their e-mails illicitly read?

James Murdoch: No.

Chair: Tom, I am advised that you are straying into areas that could relate to the police investigations.

Q1675 Mr Watson: Okay. This is about me, Chairman. You may be aware or may not be aware, given the line of questioning, that Operation Tuleta contacted me last week to say that my name appears on seized electronic devices and they need more information to rule me out as a victim. Are you aware of that?

James Murdoch: I have no knowledge of that.

Q1676 Mr Watson: Okay. I thank you for your apology, on behalf of the company, for the surveillance undertaken by private investigator Derek Webb. Can I bring to your attention a conversation that I had with another former senior employee of News International on this matter, who has asked to remain anonymous because they are frightened about the consequences? He said to me in relation to the original inquiry and members of this Committee: “The diktat went out, you know, ‘Dig up as much information as you can on the members of the Committee’.” Do you know who might have sent out that diktat?

James Murdoch: No, I have no knowledge of that.

Q1677 Mr Watson: He said to me about Rebekah Brooks—you might find this amusing, you might not: “She didn’t like you at all”—that’s me—“she took an absolute pathological dislike to you. She saw you as the person that was threatening.” Did Rebekah Brooks discuss my line of inquiry on the investigation with you?

James Murdoch: Not that I recall, no.

Q1678 Mr Watson: He went on to say to me: “She tried to smear you as being mad. She was saying to Blair, ‘You’ve got to call this man off. He’s mad. Don’t you realise he’s mad?’” Did you discuss the inquiry, or do you know whether Rebekah Brooks discussed the inquiry, with Tony Blair?

James Murdoch: I certainly had very little to do with the former Prime Minister, and I have no knowledge of any other discussions with him about this or other matters.

Mr Watson: Okay, thank you.

Q1679 Steve Rotheram: Mr Murdoch, did the lack of appropriate corporate governance give a false sense of security that News International was untouchable?

James Murdoch: Mr Rotheram, I don’t quite understand your question. I wouldn’t say that there is a lack of appropriate corporate governance. I think we had an instance here, as I have testified—

Q1680 Steve Rotheram: You’ve changed the corporate governance.

James Murdoch: We have tried to strengthen a number of procedures, but from a governance perspective I would not call this a failure of governance. I think there was a failure in transparency. We had individuals who were not making transparent information that was relevant and could have been more consequential to a higher level, and what I have tried to do is strengthen some procedures around that to make sure that there’s more transparency there.

Steve Rotheram: I did not mention “failure”; I said “lack of appropriate corporate governance”.

James Murdoch: Okay, lack. Sorry. My apologies.

Q1681 Steve Rotheram: You said earlier that you wanted to strengthen it, so obviously there must have been some flaws in the corporate governance, but is it not the case that you failed to show the urgency or the will to deal with unethical practices at News International because, quite frankly, successive chief executives since 1989 have believed that they could do whatever they wanted and get away with it?

James Murdoch: I cannot possibly speak to what chief executives in the past had believed they could do and what they couldn't. I can say that as soon as evidence came to light to me—unequivocal evidence—around wrongdoing this company has moved with determination and with vigour to sort this out. I think it is very, very important that the company takes responsibility for what happened, both with respect to liability with victims of illegal voicemail intercepts, which the company did and which I fully support, as well as move to make whatever changes are necessary, and pursue with vigour whatever allegations arise to make sure that (a) people who are involved in wrongdoing are held to account and we aid the police to do that, and (b) that we make sure, to the extent at all possible, that these things don't occur again. I don't think that there's been—certainly not in my experience in the company—a sense that anyone is untouchable, actually. What we want as a business—what we want to be—is a business that aspires to be where we are, doing the good work of serious journalism, of serious creative endeavour outside in our other businesses, and that these things don't happen in the future.

Q1682 Steve Rotheram: Do you understand the significance of the date I gave—1989?

James Murdoch: Pardon me.

Q1683 Steve Rotheram: Do you understand? It's me scouse accent.

James Murdoch: No, it wasn't that; it was just something—I'm sorry.

Q1684 Steve Rotheram: Do you understand the significance of the date I gave, which was 1989?

James Murdoch: I think I know where you're going.

Q1685 Steve Rotheram: Okay. Do you want me—

James Murdoch: Are you referring to the Hillsborough coverage in *The Sun*?

Q1686 Steve Rotheram: I am, of course I am. Absolutely. It is the case that the reference to 1989 is because that was when *The Sun* newspaper published lies about the Hillsborough disaster under the banner headline, "The Truth". The question that I would like you to answer is, did the fact that *The Sun* got away with telling outrageous lies in 1989 lead News International into believing they could do whatever they wanted without reproach?

James Murdoch: All I can say about that, and I would like to say it clearly, is that I would like to add my full apology for the wrong coverage of that affair. I would like to add that voice to successive editors of *The Sun* and chief executives of News International who, since that incident, have apologised. I would like to add my voice to that as well. It was wrong to do so. It was 22 years ago, and I was far away and a much younger person. Obviously I had no involvement, or really proximity to it, but I have since looked at it. I am aware of the concerns and the hurt that it caused, and it's something that we are very sorry for, and I am as well.

Q1687 Steve Rotheram: Is it in the public interest to tell lies?

James Murdoch: Certainly not.

Q1688 Steve Rotheram: Okay. You mentioned that a journalist at *The Sun* had been arrested earlier. Did employees working at *The Sun* newspaper commission phone hacks?

James Murdoch: It would be inappropriate for me to comment on any of the circumstances around what was provided by—

Q1689 Steve Rotheram: No individuals, just—

James Murdoch: I shouldn't probably comment on the charges or anything like that either, Mr Rotheram. I hope you understand.

Q1690 Steve Rotheram: Are you aware that the words "The Sun" appeared in the evidence file of convicted private investigator, Glenn Mulcaire?

James Murdoch: I was not aware of that.

Q1691 Steve Rotheram: Okay. If this particular publication is implicated in phone hacking, and if it's revealed that *The Sun* does appear in the Mulcaire file, will you close this paper, like you did with the *News of the World*?

James Murdoch: I think, Mr Rotheram, it's important not to prejudge the outcome of any investigations, nor is it, I think, appropriate to prejudge what actions the company might take to deal with those.

Q1692 Steve Rotheram: You don't rule it out?

James Murdoch: I don't think we can rule, and I shouldn't rule, any corporate reaction to behaviour of wrongdoing out. That will be a decision taken at the time, given whatever is out there. I don't think it would be right to rule out any behaviour, but it is important not to prejudge any outcomes from the investigations. There are important police investigations, and there are important internal investigations that we are actively pursuing to make sure that our papers are as good as they can be, and that they can keep the trust of their readership and continue to perform the important role that they have—that I believe that they have—in their communities.

Q1693 Dr Coffey: Mr Murdoch, you've now seen the opinion of leading counsel, Michael Silverleaf. If any employee had seen it, according to your governance and your code of conduct within News Corporation, should that have been reported, and to whom?

James Murdoch: I think— I am not aware of the requirements in the code of conduct with respect to legal counsel being received and who it must be shown to and not shown to. I would say that, given the findings and content of that opinion, it certainly would have been appropriate for it to be shown to more senior legal counsel in the company, away from the *News of the World*, as well as in full to me, for example, and others.

Q1694 Dr Coffey: Okay. So far, you have asserted that you did not see the opinion and certainly were not briefed on the full contents of it. **James Murdoch:** That is correct.

Q1695 Dr Coffey: I cannot find at the moment any evidence that definitively says that Mr Myler saw the opinion or was briefed on the full extent of it, but something's happened between 2008, when it is clear, certainly, Mr Pike had it, because he was amending it, and also it's a strong suggestion that Mr Crone certainly saw it. Nobody else seems to have been made aware specifically of certain allegations. However, 18 months later, there is so much evidence that it is brought to your attention, so who brought it to your attention at the end of 2010—this whole business with Sienna Miller and all the other civil litigation? Was it Tom Crone who came forward?

James Murdoch: It was a matter— No, first of all, there were a number of civil actions that were following their process as it went through. It was certainly in the second half of 2010 that the company—I was not at this point involved in the day-to-day management of the company—started to grapple with this. The company went and proactively requested both the police and the newspapers that were reporting this—I think it was referred to as a drip, drip of allegations out there—for the evidence that they had. Up until the end of 2010, the police still asserted that there was nothing new that they saw as worthy of opening up a new investigation, but, certainly, the company decided, and the management company decided, that if evidence emerged in the civil cases, that was sufficient to warrant further investigations—that the company would act on that very quickly, and the company did. I don't recall who came to me precisely to discuss that, but it was a matter of discussion among a number of senior executives at the end of 2010.

Q1696 Dr Coffey: So you said no to Tom Crone earlier. Could it have been Colin Myler? Could it have been Rebekah Brooks?

James Murdoch: Mrs Brooks, as the chief executive at the time, was certainly involved in those activities. She was running the company until the summer of 2011.

Q1697 Dr Coffey: Just going back to the transcript of Julian Pike's notes of his call with Colin Myler on 27 May; it has already been read out largely by Mr Watson. It talks here about "didn't believe culture in the newsroom"—we have already had that discussion; editors and below did not know a lot—and "here investigation into IE, NW, SK". Were you ever made aware of the outcome of that investigation into those three individuals?

James Murdoch: I received, throughout the period from 2009 onwards, after the allegations came out in the newspaper, repeated assurances that internal investigations had been conducted, that they were thorough, that they had concluded that there was no evidence whatsoever of wider-spread phone hacking. That was something that was repeated I know to you—to this Committee—in 2009, and those were the same assurances that I was being given as well, also by the public statements of the police at the time.

Q1698 Dr Coffey: Further in the note, there is a reference to "have e-mail from member of staff". Nothing is written about it. Is it possible for you to give us some assurance—or at least go away and make sure that this happens—that such evidence has been presented to the police as part of their investigation?

James Murdoch: Certainly so. First of all, co-operation with the police and providing them with everything that the company can and that they require is paramount. That is a very important point to make. With respect to the particular document that he is referring to, I can't speculate what it is. I suspect it is the evidence we have been discussing in this Committee.

Q1699 Dr Coffey: Yes, although, unfortunately, Julian Pike does not make that specifically clear.

Turning to financial governance—I think I discussed this with you in July—with the evidence that you sent back to us, you talked about how the editor had a £50,000 limit and the managing editor was involved, but any cash payments required the permission of the editor specifically or the deputy editor. Is that still the case, or are there alternative arrangements?

James Murdoch: Actually, one of the changes we have made is to significantly tighten up cash payment requirements to the extent that, for a time, they were banned in the company. As the new chief executive and the management and standards committee work through that with the editors in terms of what sort of petty cash arrangements should be made, those things have been adjusted a little bit. But the cash payment terms are dramatically tightened up, and I think are rare at this point, if at all. I would be very happy to send you the policies and guidelines that have changed. When the management and standards committee's recommendations are finalised after their investigations are complete, we intend to be very transparent with respect to both practices and a code of conduct on journalistic practices, but also things like cash payments.

Q1700 Dr Coffey: Building on that, it sounds like you have made some changes, so would it now be fair to suggest that there are controls perhaps on the maximum amounts that can be paid out by a single person to another person within a certain time frame?

James Murdoch: Very much so.

Q1701 Dr Coffey: When you provided evidence back in July, you suggested there were no aggregate limits.

James Murdoch: I think right now there are very strict limits. I do not have at my fingertips the exact numbers of those limits. Not only are there limits, but the number of people who can make cash payments and authorise them has been restricted dramatically.

Q1702 Paul Farrelly: I want to ask a final question on Mr Mulcaire and his legal costs and damages, which I raised when we last met. Just before I do that, this whole inquiry is really about this Committee being misled, and therefore essentially what News International knew, who knew it and when they knew it. As part of what you call an aggressive defence, on 28 February, in reaction to our report, two members of the Committee were named in the *News of the World* editorial. Tom Watson was not called “mad”; he was called “Top toadie”, and I was a former journalist on *The Observer* mainly pursuing an agenda from my pals at the left-wing rag. It went on to say, “Sadly, the victims here are you, the public.” Well, how true was that?

Very quickly after that appeared, the next big settlement was with Max Clifford in March 2010. This is about what News International knew, who knew it and when. You were the executive chairman then, but Rebekah Brooks was the chief executive. Were you in any way involved in the rumoured £1 million settlement with Max Clifford?

James Murdoch: I was not involved with the arrangements with Mr Clifford. I was informed of them, but in very general terms. I was not involved in that. At that point, I was not running the business day to day.

Q1703 Paul Farrelly: But you were the chairman.

James Murdoch: Yes.

Q1704 Paul Farrelly: Were you consulted at all? Did anyone come to you for the benefit of your experience in having settled the previous case?

James Murdoch: Mrs Brooks did discuss the settlement, or the arrangement, with Mr Clifford, which was a commercial arrangement I think for services in the future, but not in any great detail.

Q1705 Paul Farrelly: She did not seek your authorisation? Did she seek your views?

James Murdoch: No, it was discussed with me in general terms, but not from an authorisation perspective. As the chief executive of the business with full day-to-day responsibility, she could make those judgments.

Q1706 Paul Farrelly: Did you know who Max Clifford was?

James Murdoch: Yes, I was aware of who Max Clifford was.

Q1707 Paul Farrelly: Did you say, “Well, he’s not a member of the royal family, either”?

James Murdoch: As I recall—I will tell you exactly what I knew—there had been a previous commercial arrangement some years earlier with Mr Clifford, I was told, which was around publicity for clients or the like, and it was seen that it was desirable to enter into an agreement like that for the future and that that would be a good thing to do with Mr Clifford. With respect to any specifics about the litigation, it was just seen as taking a commercial arrangement with Mr Clifford going forward, which was in both parties’ interests, rather than having an acrimonious litigation. On the litigation specifically, I was not particularly briefed on the ins and outs.

Q1708 Paul Farrelly: I have an Australian voice rattling around in the back, asking, “Hell, how much is this Glenn Mulcaire going to cost me now and in the future?” Those questions were not asked by you at that stage?

James Murdoch: I think it is important to remember, and I believe this is the case, that Mr Clifford was again one of the original counts of voicemail interceptions that Mr Mulcaire had been convicted of, so it was not at that point a new piece of wrongdoing or anything like that. In fact, I am not aware of the details and ins and outs of that case one way or another. I simply wasn’t involved in the legal strategy of that.

Q1709 Paul Farrelly: Do you remember whether he served full particulars of claim on the *News of the World*, News International?

James Murdoch: I wasn’t involved in that level of detail.

Q1710 Paul Farrelly: I know that the settlement is confidential, but could you confirm whether he served a claim or whether it was just a threat?

James Murdoch: I can discuss with counsel and come back to the Committee, whether or not that is appropriate or confidential.

Q1711 Paul Farrelly: Do you know whether you went through the same process as with the Gordon Taylor settlement, of seeking outside QC's opinion, perhaps Michael Silverleaf again?

James Murdoch: I am not aware and, again, I was not involved directly in the Max Clifford settlement.

Q1712 Paul Farrelly: Could the company confirm whether that process was followed and whether there is a QC's opinion?

James Murdoch: We can certainly write to the Committee with what details are appropriate around arrangements with Mr Clifford. I am happy to do that.

Q1713 Paul Farrelly: Just again on the basis of what the company knew—having given a strident defence just days beforehand—who knew it and when they knew it, would you consider a request from the Committee that, if there is a QC's opinion, suitably redacted, and no doubt after checking with Mr Clifford, to preserve any personal details, it might be released to us, as the Silverleaf opinion has already been released to us?

James Murdoch: In general, Mr Farrelly, it is probably wise not to go down the path of routinely waiving privilege on legal advice around matters of litigation, matters involving individuals and matters involving the company. As I have said, I am happy to go back to counsel and to the company and say, "What can we provide with respect to details around the Mr Clifford arrangements?" I am happy to write to you on that basis, but I do not want to make any particular commitment about waiving privilege.

Q1714 Paul Farrelly: I hope we will follow up in a letter as well.

Finally, following our last session, Mr Murdoch, your senior, said effectively that it was wrong to pay Glenn Mulcaire's legal costs, particularly as you had issued an apology to the Dowler family whose phone he had so cruelly hacked, in the circumstances. You then came out and said that those legal costs were being stopped, but subsequently confirmed to us in a letter that any damages that are awarded against Glenn Mulcaire, the company will stand him good for.

James Murdoch: I am not a lawyer—forgive me, Mr Farrelly—but I think there are questions here, with respect to Mr Mulcaire being a co-defendant, of were there to be a case or damage award against him, that he was conducting work on the company's behalf, and then really the company is liable for those things. That is my understanding. Again, I can provide more detail on that, if you like, but I think there is a legal point there—I am not a lawyer, but there is legal point there that is worth noting, if he was an agent doing it on behalf of the business.

Dr Coffey: It is vicarious liability.

James Murdoch: That's the word, yes, thank you, Dr Coffey.

Q1715 Paul Farrelly: If he is now in a position where he cannot pay his legal costs and therefore cannot mount a defence, if he is sued, the court would just make an award against him, but that is an award that the court makes against him and not you, because you will also be in the dock with a claim, and a separate award may be made—certainly no doubt will be made—against you. So if you are backing him on any awards against him, we are back to where we were before the July Committee: you effectively are making good an indemnity to Glenn Mulcaire still. Is that right or wrong?

James Murdoch: With respect, Mr Farrelly, I don't think that is the right characterisation. The word that I didn't know—Dr Coffey is right—this notion of vicarious liability, is important, and this is a matter of law and the courts. The question of paying for the defence is one thing, and the question of the court awarding damages and the company being vicariously liable for those things is another. It seems like we are engaging in legal speculation.

Q1716 Paul Farrelly: I am sure you are engaged in legal speculations. I don't see your lawyers behind you all nodding in unison with you. But we are back in the position where you will be effectively supporting the man who hacked Milly Dowler's phone. Is that right or wrong?

James Murdoch: I am happy to come back on this. I don't think your characterisation of our supporting Mr Mulcaire is accurate or right. The management of the company and the management and standards committee have taken a view on reviewing the legal expenses of various people around these matters, and to cease paying the legal expenses for Mr Mulcaire, as my father, when he testified to you in July, indicated. The question of what legal issues there are in the event of future litigations is something that I could not possibly comment on.

Q1717 Paul Farrelly: My final question on this is that more than 5,000 names are now being looked at that appear in Mr Mulcaire's notebooks, any amount of whom might sue News International and Glenn Mulcaire. What will be the test for News International as to whether they pay any award that is made to Glenn Mulcaire? Will it just be his word that somebody authorised it, or will he have to satisfy a test—leap a hurdle—to prove that there was authorisation from the company for that particular hacking he did or whether it was just off his own bat? Will there be a test? Will you discriminate between different cases in terms of standing behind Mr Mulcaire?

James Murdoch: The company has set up an independent process, as I think you are aware, Mr Farrelly, to deal with civil cases coming through. Sir Charles Gray, as an independent person—a former High Court judge as I understand it—is setting up a process to deal with claimants coming through.

Q1718 Paul Farrelly: I am talking about the courts, not Charles Gray's process.

James Murdoch: Yes. There are a number of test cases coming through over the next number of months, which will give the judge dealing with this a sense of what the damages number will be in these cases and what the ranges are. As the company has admitted liability where legitimate claims are made, this is a question for the independent management of the cases and the company to judge which claims are legitimate and which are not, with respect to voicemail interceptions. The settlement procedure will then take its course. On the specific test, to be clear, I am not aware of the specifics of that.

Q1719 Paul Farrelly: Should a case come to court and not be settled out of court, is it your position that, in all circumstances, no further questions asked, you will pay any award made against Glenn Mulcaire? Or will you be more discriminate?

James Murdoch: I think every case has to be seen on its merits. That is the appropriate way for the courts and the company to proceed.

Chair: I think we have finished our questions. I thank you for your attendance.

James Murdoch: Thank you, Mr Chairman.

