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## **Executive summary**

This study is aimed to explain why News Corp. wants to acquire Hughes Electronic. We first introduce the general condition about the ongoing merging, and admit that there are some limitations in our report because the merging is going on now and it is hard for us to collect comprehensive information.

After that, we overview the satellite industry and the involved companies--- News Corp, and Hughes, and describe detailed condition about satellite industry and the partners in this deal.

Based on this background, we analysis the benefits News Corp. would get after merging Hughes, and further other important aspects of merging, such as Legal issues, Competitor, Bid price, Premium, Target resistance and discussion of the impact of September 11 attack on the deal.

In light of above explication, we will have a clearer knowledge about why and how the merging happens.

Given the analysis conducted, we concluded that despite the financial, legal and tax issues, the negotiation is a two ways communication between related parties. And we believe that the bureaucracy and indecision of GM that made the negotiation difficult from the beginning and thus, lead to News Corp. withdrawal from the one and half year negotiation with GM.



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### **Introduction to the acquisition of Hughes Electronic.**

Hughes Electronics became available in 2000, when General Motor Corp.--which owns Hughes electronics--announced its intention to spin off Hughes. One of the reasons was that General Motor is eager to cash in its Hughes investment to remove a financial drain at a time when economics downturn is hurting its car sales according to WSJ report. General motor would use the money to strengthen its balance sheet, which would keep at bay a downward credit rating and higher borrowing costs. It also aims to concentrate the General Motor business in automotive industry.

Considering to the Hughes assets and its market leadership, the announcements could become the centrepiece of a bidding war that emerges among several larger media and telecom entities. The potential bidders for Hughes include News Corporation Limited, Viacom, Disney, Microsoft, Echostar among other.

### **Brief mission statements**

This paper concentrated on the News Corporation intention to acquired Hughes Electronics. The discussion will incorporate aspects of the transaction such as legal issues, strategic issues, synergy, acquisition process, and integration issues.

### **Limitation**

The acquisition plan of Hughes Electronics Corporation is still an ongoing process in which some of the details and results of the transaction are not publicly available. Thus, the discussion might not truly reflect the reality of the transaction and might result in difference conclusion as ours. Nevertheless, we could use the publicly available information to gather facts, strategic decision and analyse the likely outcome. We are using up to date information available as well as incorporating the impact of the September 11<sup>th</sup> disaster.



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## **Overview of Satellite industry**

To gain better understanding of the nature of transaction, first we need to understand the business of the related parties involved in the transaction, and also the nature of the industry as briefly described below.

Since the satellite industry is a capital-intensive industry, which required huge upfront investment such as satellite construction or lease, ground station networks construction and other expenses, it is important to assess the market success potential. The recent example of poor assessment is the iridium constellation project. The management make poor choice in market assessment and strategy, which force the company to declare bankruptcy.

In other hand, the introduction of Direct Broadcast Satellite in U.S. is a successful story. DBS service gains the record for the fastest rate of adoption of any customer electronics product (until that record was recently surpassed by digital video disk players)(Carayannis and Alexander, 2000).

Broadband satellite system promise number of features without a comparable match among other technologies, such as (Carayannis and Alexander, 2000):

- *Global Coverage*, Satellite system can deliver service to any location regardless of terrain or existing infrastructure.
- *Instant Deployment*, With satellite system, a communication service can be deployed globally with minimal tie and cost for set up.
- *Bandwidth*, Broadband satellite system will offer “bandwidth-on demand” where user receive and pay for capacity only when it is used.
- *Cost*, Broadband satellite systems expect that their service will be at or slightly below the cost of wireline (cable) in developed countries, but with more features and convenience than wireline.
- *Uniformity*, Multinational organization can replace multiple regional carriers with a single point of contact offering a unified global menu of services.

Given their capabilities, broadband satellite system are best positioned to offer the service addressing for primary market:



- *Wholesale carrier service*, Telecommunication carriers to establish global connectivity and provide redundancy for existing network generally purchase this service.
- *Global corporate network*, The service purchased by Multinational Corporation.
- *Institutional users*, Providing high bandwidth service to support public service distribution to large constituencies, such as education, health care, and welfare assistance.
- *Broadband local loop*, Providing high-speed data and other service direct to home and office.

In each of these markets, satellite carrier must face potential competitor. E.g. satellite system must compete with alliance among established players in the telecom market—AT&T and British Telecom, in the broadband local loop market, they must compete with wireline/cable carriers.

Table 1. SWOT analysis of broadband satellite industry

<b>Strengths</b>	<b>Weakness</b>	<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>- Global coverage</li> <li>- Instantaneous deployment</li> <li>- Bandwidth-on-demand</li> <li>- Cost-competitive with wireline/cable</li> </ul>	<ul style="list-style-type: none"> <li>- Latency</li> <li>- Quality of service</li> <li>- Compatibility of encryption technology</li> <li>- Network complexity</li> <li>- Large up front capital needs</li> <li>- High cost of failure</li> </ul>	<ul style="list-style-type: none"> <li>- Provide uniform service to multi-national firms</li> <li>- Wholesale and retail services</li> <li>- Leverage growth of multimedia internet</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of investor confidence</li> <li>- Competing broadband technologies</li> <li>- National regulation</li> <li>- Interconnection negotiations</li> <li>- Incompatibilities with future standards</li> </ul>

Source: 'Virtual, wireless manna: Interactive multimedia and the broadband satellite industry', Carrayanis and Alexander, 2000.



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Current satellite communication systems are optimized to support high demand, mass market services such as VSAT (very small aperture terminal) communications (used primarily by corporations and government), live video broadcasting, direct-to-home or direct-broadcast satellite (DBS) television and long-haul voice telephony (Carayannis and Alexander, 2000).

Within the satellite industry, the Direct Broadcast Satellite (DBS) segment continues to present the most attractive investment opportunity. DBS net subscriber additions are on pace for another strong year in 2000. Although in early development stages, the satellite sector offers the potential for substantial longer-term upside. A robust economic model in combination with a large market opportunity should allow the two satellite companies to create significant shareholder wealth. (On Wall Street, Nov 2000).

High-tech market analysis firm Dataquest forecast that the number of satellite terminals in the world's three major economic regions will increase from an installed base of 293,500 terminals last year to 7.2 million terminals in 2005.

While cable is the best buy per kilobit for customers in residential areas, it may not be profitable for land-based broadband providers to lay cable or optical fiber in areas with a low population density. Satellite broadband may be the only way for people in the middle of nowhere to get fast downloads. (Current satellite service allows customers to receive and send data at speeds similar to DSL, which is up to 400 kbps downloads and 125 kbps upload).

Dataquest estimates that North America will account for 54 percent of all satellite broadband access terminals, with Europe and the Asia Pacific region accounting for 30 percent and 16 percent respectively.

As only two DBS operators in North America (USA), Hughes and EchoStar represent the most compelling investment opportunities.

Hughes represents an emerging communications powerhouse. Early, aggressive moves into emerging satellite service arenas have established a foundation that should propel cash flow and ROIC sharply higher over the next five years. Currently



Hughes' DirecTV is the largest US satellite broadcaster with approximately 10 millions customers.

Followed by Echostar with about 6 millions customers. Echostar represents one of the fast-growing investment opportunities in the media telecom sector and serious competitor for Hughes satellite domination.



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## **Acquirer Overview--News Corporation Limited**

### **Business description**

Sir Keith Murdoch, Rupert Murdoch's father, started News Corporation in Australia in 1923. News Corporation Limited, incorporated in 1979, together with its subsidiaries, is a diversified international communications company. The company principally engaged in the production and distribution of motion pictures and television programming; television, satellite and cable broadcasting; the publication of newspapers, magazines and books; the production and distribution of promotional and advertising products and services; the development of digital broadcasting; the development of conditional access and subscriber management systems, and the creation and distribution of online programming.

The activities of News Corporation are conducted primarily in the United States, the United Kingdom and Australia and the Pacific Basin (Australasia). News Corporation has also entered into joint ventures to provide direct broadcast satellite (DBS) television services in Latin America. Fox Entertainment Group Inc. (FEG), a subsidiary of News Corporation, owns equity interests in certain companies, including TV Guide Inc. and British Sky Broadcasting Group plc.

Other related business activities are as follows. NDS (80%): a provider of distribution technology and conditional access systems to digital pay-TV broadcasters, including BSkyB, STAR, Stream, our Latin American platforms and DirecTV.

TV Guide (44%): the leading print, electronic and interactive program listings company. TV Guide has agreed, subject to regulatory approval, to merge with Gemstar International Group Limited, a leading developer of proprietary technologies and systems that simplify and enhance the viewing and recording of video and television programming.

### ***Sky Global Network***

In the restructuring, News Corporation combine substantially all of its satellite distribution platforms and related technology businesses into Sky Global. The



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consolidation of these related businesses into a stand-alone entity is intended to enhance the market opportunities available to these businesses.

Under a restructuring, News Corporation and its subsidiaries will transfer their interests in BskyB, NDS, STAR, Stream, Net Sat (which operates Sky Brazil), Innova (which operates Sky Mexico), Sky Multi-Country Partners and Japan Digital Broadcasting Services, Inc. (which operates SKY PerfecTV!) into Sky Global.

### *Management*

Rupert Murdoch (chairman and CEO) is the architect of what we see in the news corporation today. Through his dedicated globalisation strategy- by implementing acquisition and merger strategy and adoption of technology, Murdoch has built News Corporation into a global multimedia company. His vision is to create the world's most powerful media conglomerate. As today the vision is getting closer to reality in which the Hughes' DirecTV will be the last piece of the puzzle.

### *Recent Corporate Action*

On July 23, 2001, News Corporation reached a definitive agreement to sell Fox Family Worldwide to Walt Disney Co. The transaction is expected to close in the fourth quarter of 2001. On July 31, 2001, the Company acquired Chris-Craft Industries, Inc., BHC Communications, Inc. and United Television, Inc.

### *Experience*

merger and acquisition team and experience, News Corporation is an experienced player in the merger and Acquisition world. From the beginning, the company has grown in size and coverage using this strategy. The successful example of News Corporation's strategy is BskyB service in Britain, providing popular programming, sporting events, and interactive shopping.



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## **Target Overview--Hughes electronics Corporation**

### **Business description**

Hughes Electronics Corporation, a wholly owned subsidiary of General Motors Corporation, is engaged in the satellite and wireless communications industry. The Company, incorporated in 1916, provides digital entertainment, information and communication services and satellite-based private business networks through its fleet of commercial satellites. The operations of Hughes are comprised of the Direct-To-Home Broadcast, Satellite Services and Network Systems segments. Hughes sold the satellite systems manufacturing businesses (Satellite Businesses) to The Boeing Company on October 6, 2000.

### *Satellite Services*

The Satellite Services segment consists of PanAmSat, Hughes' 81%-owned subsidiary. PanAmSat provides satellite services to its customers primarily through long-term operating lease contracts for the full or partial use of satellite transponder capacity. During the first quarter of 2000, PanAmSat introduced NET-36 to provide satellite-based Internet broadcast services. These services leverage PanAmSat's fleet of satellites to ensure that high-speed Internet subscribers receive digital and streaming media using PanAmSat satellites and servers, while avoiding Internet congestion that would otherwise diminish video fidelity.

DIRECTV U.S.' 4S satellite, a high-power spot-beam satellite, is under construction and is expected to be launched in October 2001. DIRECTV expects to use this satellite to provide additional capacity for new local channel service or other new services beginning in 2002. In addition, the DIRECTV 5 satellite, a high-power satellite acquired from Tempo Satellite, Inc., is expected to be launched in mid-2001 as a replacement to DIRECTV 6, which will then serve as a back up.

From a DirecTV's release, DirecTV's subscriber growth rate is 18%, which is much faster than ordinary cable companies, whose subscriber growth rate is just 1% to 2% annually.



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## **An acquisition plan**

Why the news corporation want to carry out plan to acquire Hughes electronics? And is it reasonable? These questions are appearing when we think of such deal. The following discussion elaborates some of the reason why the news corp. eager to acquire the Hughes electronics. As for the second question will be discussed through out the next section. The successful merger creates value greater than the value of each company combined. As of Hughes electronics, At least there are two major reasons why Hughes electronics is so attractive, such as synergistic value and the strategic value.

### **Synergistic value**

Based on the benefits which may be derived from putting the two business together, these might related to:

- The leveraging of economics of scale, not only on the leadership position of the United States' market but the Europe, Asia, and Latin America as well.
- Cost saving, principally from rationalising premises, reducing duplication in branch network and collaborating the effective use of the satellite system of combined company.  
e.g. no longer need two Human resource, finance, IT function and two head office.
- Combining technical expertise, Implement the best practise in engineering skill (technology and research), and marketing network.

### **Strategic value**

There are a number of ways, which the acquisition maybe considered to be of strategic benefit. Such as:

- Leadership  
The deal will enable news corp. to become market leader in local United States and global television industry. At this moment Sky Global Networks is the third largest subscription TV service in the United States and the world's largest satellite television company. The purpose of News Corp. to combine DirecTV with its own Sky Global Networks is to achieve domination of global satellite broadcasting and global media in the end. As Murdoch said in a forum



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in April 2001, “A worldwide presence is not just a common goal, it’s a necessity for those that want to be leaders in their fields.”

- Vertical integration

According to Chase Carey (CEO Sky Global Network), “DirecTV would fit seamlessly into Sky Global’s burgeoning network of world wide satellite platforms, creating leading interactive service.” During a conference call to discuss News corp. quarter’ financial results, Murdoch also said. “Indeed, a merger with Sky Global will create incomparable value for shareholders by incorporating a satellite TV business into single largest television platform in the world.”

- News Corp need U.S. platform to challenge cable and broadband giants, secure US subscriber base to protect them from economics uncertainty of entertainment and newspaper business and guarantee his debt load.



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## **Negotiation strategy**

The merger processes is very complex and involve many aspects in legal issues, tax, target resistance, competitor, vested interest and negotiation strategy. The following discussion will cover issues arise in the transaction.

### **Legal issues**

The acquisition of Hughes by News corp. could face the legal obstacles regarding the competition. The authorities in U.S. will assess the impact of the deal to competition on the industry and the likely of monopoly practise. This is due to the News Corp. business operation in U.S., which spans from newspaper, cable network and -if the deal done-the; satellite network could destroy the competition and creates monopoly. The practiser in the cable industry has also commented on the News corp. and Hughes deal. As Steve burke, president of the Comcast cable unit of Comcast Corp. said that if U.S. regulator allowed the owner of cable networks (News corp. owned fox cable network in U.S.) and broadcast televisions also to own a satellite network, then they would be force to consider rolling back rules that prohibit a cable operator from owning television station in areas where it offers cable.

The problem is not only happens in U.S. the regulator in Latin America could also oppose the deal. As Latin America would end up with just one satellite TV company in region where the growth prospect for the Industry are higher that in the U.S. for illustration, Before merger in Latin America, Sky and DirecTV have an increasing penetration in satellite market. Each has 1.3 millions to 1.4 millions subscriber. The natural and even profitable consequences of the merger are combining operation in Latin America.

### **Tax**

General Motor's divestiture of Hughes is complicated by the stock that General Motor issued back in 1985 to track the performance of the electronic business. Since tracking stock does not confer actual ownership of a business's assets, General Motor's shareholders still own Hughes's assets, so they are the ones on the hook for any tax. But holders of *General Motor Hughes* (GMH) share, as the tracking stock is



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known, can claim dividend reflecting the earnings those assets generate. What is more, General Motor like most tracking-stock issuer these days, granted holders the right to be compensated in full for the divestiture of those assets. For that reason, General Motor initially retained 70 percent of the GMH shares, though it reduced its position to 32 percent in summer 2000. (Emily S. Plishner, [www.cfo.com](http://www.cfo.com))

But General Motor retains the right to decide whether to give GMH shareholders cash or stock in General Motor. Typically, says Robert Willens, a tax and accounting specialist at Lehman Brothers, compensation in the form of stock includes a premium about 15 percent over the assets' market value. In this case, General Motor agreed to offer GMH shareholders a 20 percent conversion premium. But General Motor's board cannot force a conversion before the end 2002. So General Motor would have to offer GMH stockholders cash if it wants to shed Hughes soon.

To compensate its own shareholders for their retained interest, the company would either have to distribute GMH stock to them or extract a dividend from Hughes to pay retiring it. The problem with the first option is that Hughes's stock is down roughly 50% since its high of \$46.67 in march 2000; thanks at least in part to general sell off in communication stocks. So General Motor shareholders may not want GMH shares. And with General Motor's credit rating under pressure because of the company' own underperformance, its board probably would not accept a dividend in the form of another company's stock.

The divestiture of Hughes would create a huge a huge tax liability for its shareholders. This is because the interests of tracking-stock holders conflict to some degree with those of General Motor shareholders.

The potential tax liability involved in the Hughes divestiture is substantial enough to present formidable problems, regardless of the issues posed by the tracking stock and declining share prices.

Thus, in order to make sure General Motor does not face substantial tax charges, Hughes shareholders need to be left with over 51 percent of the merged company. In response to the problems, News Corporation has slimmed down Sky Global by



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taking NDS, the TV software business, and part of its stake in Gemstar TV Guide, the electronic programme guide company, out of the transaction. News Corporation, General Motor and Hughes had also agreed that Murdoch's stake in stream, the Italian pay-TV group, would not be included in the combined business.

### **Competitor and Bidding process**

News Corp. is not the only company interested in Hughes Electronics. Echostar--The second largest satellite company in U.S.--is also planning to combine the Hughes and Echostar into the largest satellite provider in U.S with about 15 million customer. The combination will create synergy such that new company will combined their infrastructure, reduce cost, reduce programming duplication and help the company in increasing its capacity to cope with the upcoming, federally mandated "must carry" requirement. The mandate—set to effective in 2002—would force satellite broadcaster to carry all local channels in markets where they chose to compete.

In order to achieve this goal the company has been going public in early 2001 and also approach companies to acquire financial support, so far the Echostar only received \$1 billion offer from Kudeski, a leading supplier of pay television security access system. The commitment of Kudeski is to secure it market leadership in conditional access system from NDS's access system pursued by News Corp.

While News Corp. refuses to reveal their bid and negotiation detail, Echostar on August 5 2001 announced his bid for Hughes for \$30 billions to the public. Echostar move to announced their bid to public due to lack of interest from General Motor in which force the General Motor to consider Echostar' offer.

Under Echostar' offer, General Motor will received \$30 billion in equity and debt offering 0.75 share of itself for each share of Hughes, a deal that offer about a 29% premium to where Hughes is trading. Recently Echostar has said to sweeten his bid by offering \$5.5 Billion in cash, in which financed by loan. This could mean Echostar could be a highly leveraged company. While news Corp. bid is believed to offer cash of \$6 billion in cash as part of their offer. News Corp cash offer are financially supported by their strategic investors, the software giant Microsoft and John Malone-



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Liberty Media. The Microsoft is expected to commit \$3 billion and Liberty Media \$1 billion the rest \$2 billion are provided by News Corp.

Based on the General Motor desperate need to cash, the News Corp. offers is better option than those of Echostar.

Other than the above reason, there are at some other points why the News Corp.'s bid is the likely winner. They are:

- Hughes and Echostar combined would control 91 percent of the U.S. satellite-TV market. Such deal will create monopoly and would face regulatory hurdles.
- The company's culture between Hughes and Echostar are divergent. Hughes electronics atmosphere are top down and bureaucratic environment stems from General Motor Corp. In contrast, Echostar' are freewheeling, entrepreneurial style derive from co-founded Charlie Ergen.
- Personality, in most business dealings with News Corp., negotiators worry about Murdoch, known as shrewd adversary. But Ergen's Reputation as unpredictable has GM more worried. After all, Ergen had been quite public about not making a bid for Hughes just days before he did just that.
- Echostar' Charlie Ergen believed to run the combined DirecTV venture himself.

While all the above condition shows that Echostar has little chance of winning, why Echostar keep on trying? The reason is that to "win" Echostar has to bid. If he bid, the likely outcomes are his offer are accepted or rejected. Either way he is the winner, by submitting the bid, Echostar could buy some time to keep Hughes and News Corp. busy with the deal while he can continue to acquire new customer. For illustration, this year Echostar has added 810,000 new customers. Also if the News Corp. win the bid, it would take months before News Corp could get formal regulatory approval.

### **Target resistance**

#### *Hughes Management*

Hughes Electronics Chairman Michael smith has become a key obstacle in News Corp.'s attempt to gain control of the satellite company. Smith –Who happens to be



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the brother of GM Chairman Jack Smith--is said to be promoting a proposal under which Hughes would be spun off from parent company General Motor without the involvement of News Corp. He was reported to be seeking other parties to take a stake in the new company such as General Electric, Microsoft but received no positive responses.

It is not clear why Smith refuse the News Corp. offer, but maybe this is related to News corp. proposal in which, Smith would be replaced by Hughes' second in command, DirecTV Chairman eddy Hartenstein reporting to Chase Carey, the chief of Sky Global Network. From the strategy point Of view, Smith response can be seen as a management resistant to oppose loosing control over their company and also consider being defender of Hughes shareholder who ultimately got News Corp. to sweeten his offer.

Suddenly, In May 25, 2001, Michael Smith announced his resignation. Harry Pearce, formerly vice-chairman of General Motors, has replaced Smith. This is obviously good news for News corp. since it would remove one of the obstacle.

#### *General Motor management*

The Negotiation between News Corp. and Hughes has been more than a year (began in March 2000). What have been the issues behind the delay? When asked why the negotiations with GM were take so long-Murdoch blamed the regulatory and financial complexity of the deal.

The dilemma facing GM's management is which deal to recommend to the board. The option are the done deal with News Corp., a transaction that offer little, if any, premium but has a greater chance of being completed and has been negotiated for most of the year or to recommend the unsolicited bid from Echostar which offers a premium but could be prove tough to finance and may run into major antitrust objections. Morton Pierce, chairman of the merger practise at law firm Dewey Ballatine, which isn't involved in the negotiations said, "The board does not have to take the highest offer, but it does have to explain why it took the lower offer, and that



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explanation better face up to intense scrutiny.” In recent development the News corp. and General Motor believed to move closer to agreement.

In our opinion, The conflict of interest in Hughes and General Motor Shareholder in relation with the tracking stock, the bidding process and the regulatory concern regarding 1995 agency rule that restrict foreign ownership of U.S. based media properties may have been the issues complicated the negotiations.

### **September 11<sup>th</sup> disaster**

Of all the potential business and economies casualties of the World trade Center Bombing, one is likely to be News Corp. attempt to acquire Hughes electronics. The event has put the media industry in difficult condition. News Corp like any other competitor in the industry such as AOL Time Warner, Viacom, Disney and Vivendi has been hurt by a declining advertising market as business reduce advertising spending in the face of a slowing economy. The direct impact of the attack was the sharp drop in the News Corp share price from \$31.71 to \$23.55, which account for – 23% change. (Refer to appendix).

There are there issues arise in line with the attack.

*First*, Under the original partnership, News Corp and his partner was collectively hold a minority stake in a new global satellite entity to be created with Hughes. But under new situation in which Hughes itself lost 27.03% of its stock since 11 September (refer to appendix), the falling stocks have made a minority stake harder to justify without cutting the offer.

*Second*, News Corp. need to restore a balance with his partners in the DirecTV bid, Microsoft and Liberty media --under the original partnership, News Corp. was to contribute several assets while its partner contribute cash--. As News Corp’ stock price fell; Microsoft and Liberty’s cash contribution had begun to out weight News Corp. contribution. In response and to increase News Corp.’ cash reserve, Murdoch during the shareholder meeting in Adelaide, Australia said he might force Kirch Holding GmbH to buy back a 22% stake in Premier World, the German company’s



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unprofitable pay-TV. News Corp's stake is held by BskyB, 36%-owned by News Corp., has an option to sell the Premier stake in 2002.

*Third*, the reduction in the cash component of News Corp's bid has made the offer less attractive. In other hand, Echostar stock price is also falling 7.7% since the majority component of the Echostar bid is share, this also lowering the bid price. In the recent development, the GM's board could meet this weekend (October 26, 2001) to seal deal to sell GM subsidiary Hughes Electronics. Given concision and analysis the News Corp bid is still the best option for General Motor. Furthermore, to save deal with News Corp, rather than taking less cash, GM is now considering accepting stock in the merged satellite venture. But even if GM accept share rather than cash, the stock market volatility of recent weeks has added an extra element of uncertainty also many of News Corp. satellite interest do not trade publicly, make it difficult for GM to value after the decline.

### **News Corp. Withdraw Hughes bid.**

The latest development have been surprising since our analysis shown that the News Corp is on the winning side but then choose to withdraw the offer.

News Corp. Chairman Rupert Murdoch withdraw his bid for Hughes for Hughes Electronics on Saturday October 27, after GM board meeting adjourned without approving the acceptance of the bids from either News Corp or rival Echostar. The board asked management to study further the financial backing of Echostar bid. Furthermore, GM's board had decided to adjourn for 24 hours to give Echostar another chance to organized its financing.

Murdoch show his disappointment in responded to the failure to GM bord to reach a decision said, "We have no option but to withdraw immediatly our fully negotiated and financed proposal. Hughes would have been an excellent strategic fit for our global platforms and we are disappointed with the board's action in the face of as yet un-financed counter-proposal."

Although News Corp. move were considered a negotiating strategy, News Corp executive insisted the company has withdrawn its offer. Once said, " There is nothing for GM on the table. We are through. We are done. Life goes on. Its over."



On GM's board meeting on Sunday, the board finally accept the Echostar offer after News Corp. withdrawn its offer on Saturday. Echostar was sweetening his offer by providing \$5.5 Billion cash financed by credit arranged through UBS Warburg and Deutsche Bank. The company also offered GM a \$500 Million break-up consideration if regulator rejects the deal. This is to ensure that GM will receive cash regardless of the outcome.

*Bureaucracy and lack of decision-making.*

Despite suggestion that it was GM move to get a better deal from News Corp. we believe that this is another example of the bureaucracy and indecision of GM that made the negotiation difficult from the beginning. This is also one of the reason for Mr Murdoch's anger after warn on Friday that he would walk away if GM failed to choose between his bid and that of rival media group Echostar.



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## **Conclusion**

In summary, in the circumstances of intensive competition of international media, News Corp. has to develop its Sky Global Program in order to survive and achieve its aim---becoming the No.1 in global media and satellite industry.

At the economic level, because acquisition of Hughes is not only in line with but also very crucial to News Corp.'s long-term developing strategy, so News Corp. formed an intention to acquire Hughes.

When the intention is ascertain, the next step is to apply for research at the financial strategy level. Thus, carrying out synergistic value and strategic value analysis is inevitable. The result of this analysis shows that News Corp.'s intention of merging is reasonable.

The above process illustrates the idea that the original narrow or single Company strategy only when it meets wide, acute and detailed financial and developing strategic requirements, is an acceptable and suitable strategy.

Additionally, when merging occurs, Tax, Legal issues, Target resistance and so on should also be explicated that they at least might not have strong negative effective on merging.

After all the above analysis, we reach accurate and believable result about why News Corp is in deal with acquiring Hughes.

Given the analysis conducted, we concluded that despite the financial, legal and tax issues, the negotiation is a two ways communication between related parties. And we believe that the bureaucracy and indecision of GM that made the negotiation difficult from the beginning and thus, lead to News Corp. withdrawal from the one and half year negotiation with GM.



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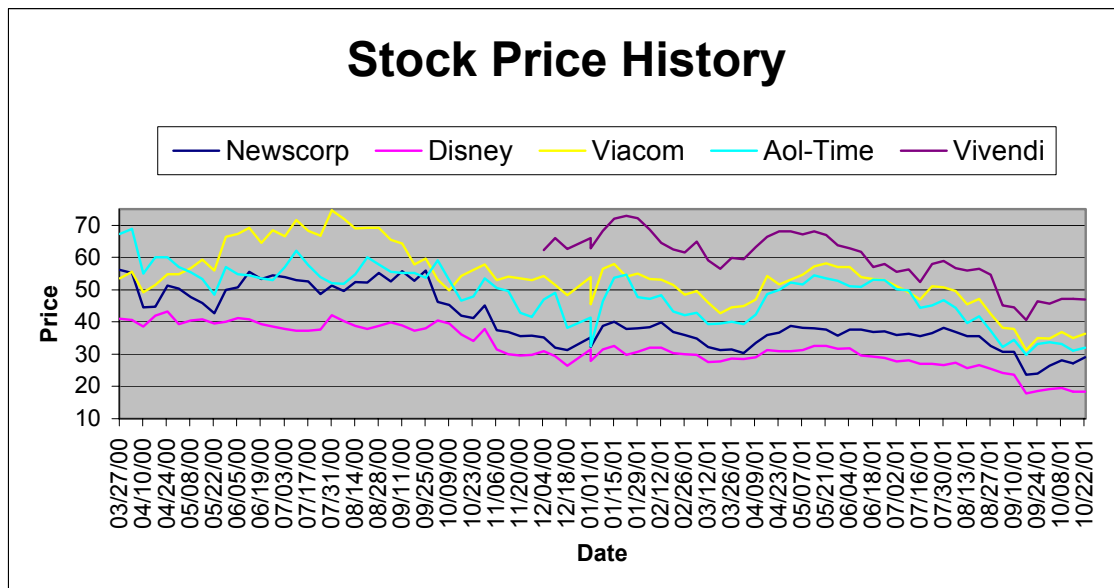
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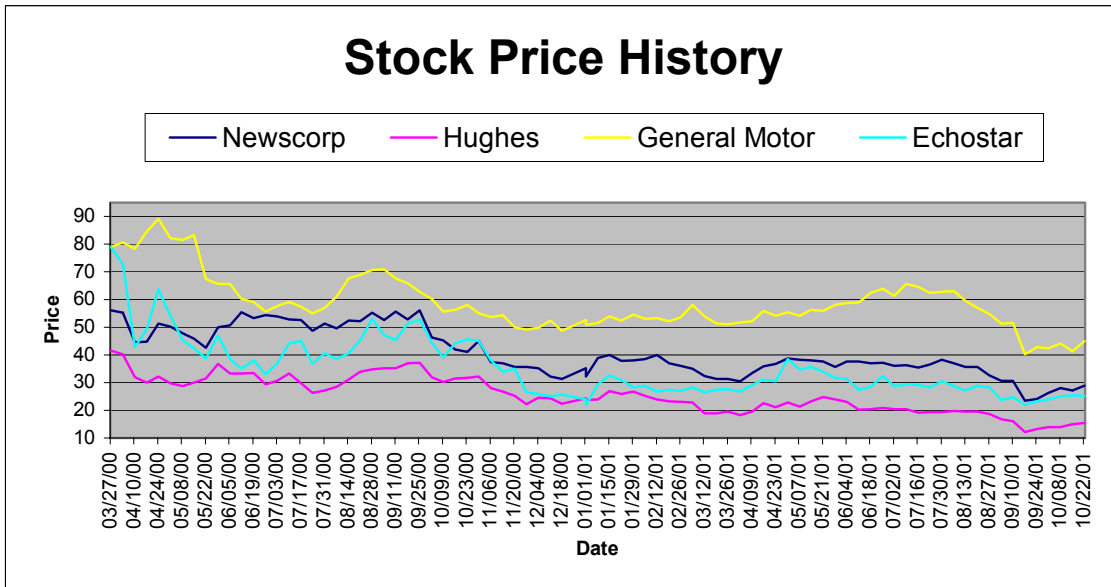
**Appendix**

<b>News Corp share price compare to other media company</b>			
	Impact of September 11 attack		Change %
	Week of Sept 3, 2001	Week of Sept 17, 2001	
<b>News Corp.</b>	30.71	23.55	-23.31%
<b>Disney</b>	24.11	17.87	-25.88%
<b>Viacom</b>	38.25	31.25	-18.30%
<b>Aol-Time Warner</b>	32.28	29.85	-7.53%
<b>Vivendi</b>	45.05	40.65	-9.77%



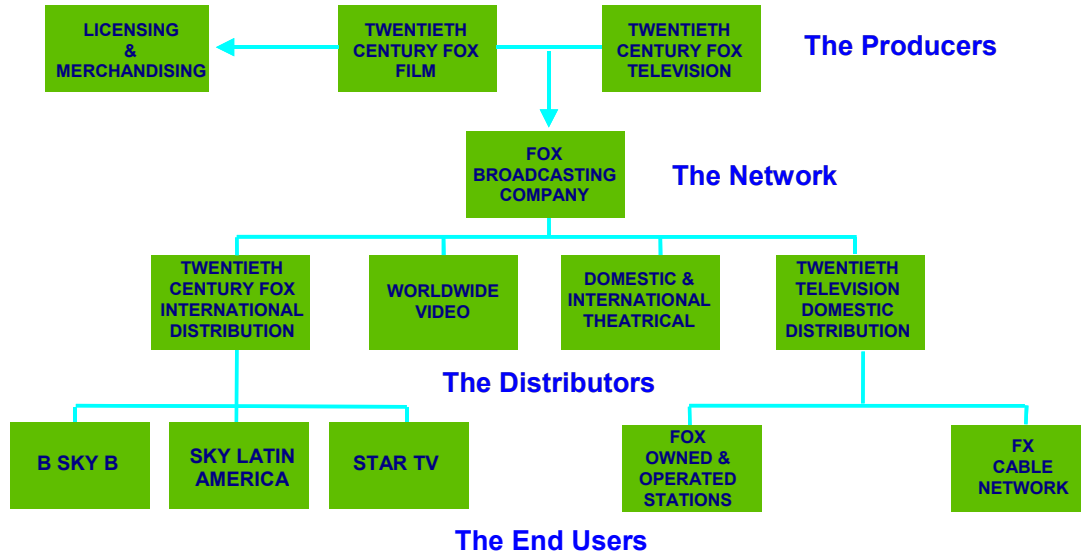


News corp. share price compare to other company involved in the deal			
	Impact of September 11 attack		Change
	Week of Sept 3, 2001	Week of Sept 17, 2001	%
<b>News Corp.</b>	30.71	23.55	-23.31%
<b>Hughes Electronics</b>	16.65	12.15	-27.03%
<b>General Motor</b>	51.4	40.25	-21.69%
<b>Echostar</b>	23.77	21.92	-7.78%





## News Corp Business structure





## News Corporation Global Network

