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FBI Looking at Murdoch in Moscow

By Roland Oliphant

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Accusations center around whether News Outdoor paid bribes to officials to approve placement of billboards. **Vladimir Filonov**

U.S. investigators have opened a Russian front in the wide-ranging investigation into Rupert Murdoch's News Corp. media empire.

The Wall Street Journal, which is owned by News Corp., reported Monday that FBI agents investigating corruption at the New York-based media giant were looking into the possibility that managers at Moscow-based News Outdoor, which specializes in outdoor advertising, paid bribes to local officials to approve the placement of billboards.

News Corp. owned News Outdoor until July 2011, when it sold its 79 percent stake to a consortium of investors including VTB Capital, CTC television station founder Peter Gerwe and Alfa Capital Partners. The deal was reported to have been worth about $360 million.

The WSJ described the investigation into News Corp.'s Russian business as part of an FBI effort to establish whether wrongdoing in Britain was repeated in any of the company's other

overseas units.

Repeated telephone calls to News Outdoor went unanswered Monday. A request to the legal attache at the U.S. Embassy in Moscow for confirmation about the inquiry was not answered.

In a written statement, News Outdoor told the WSJ that it would not have been affected by any culture of corruption in its parent company because News Corp. was only an investor with no involvement in the day-to-day running of the company.

The sale ended its frequently troubled foray into the Russian media market — one which eventually drove Rupert Murdoch to publicly remark in 2008 that "the more I read about investment in Russia, the less I like the feel of it."

News Outdoor Russia was founded in 1999 and grew into the largest outdoor advertising company in the country. In 2007 the company was valued at $1 billion. But in the same year, the company became mired in a struggle with then-Mayor Yury Luzhkov's administration.

City Hall accused the company of failing to honor a deal under which it received preferential rents on land belonging to the Moscow Association of Chemical Organizations in exchange for placing free advertisements for the chemists.

A court threw out a claim by the city advertising committee for 382.7 million rubles ($13 million) in damages.

In 2008, News Outdoor's offices were raided by prosecutors looking for evidence of corruption by Alexander Menchuka, an official on the city committee.

The next year saw trouble with tax authorities for News Outdoor, which was accused of improper use of tax breaks in 2005 and 2006.

It lost the case in October 2010, and the Federal Tax Service froze the firm's accounts and ordered banks serving the company to divert any income to the tax service to cover a 1.34 billion ruble tax bill.

In 2010, three executives at the company were among advertising chiefs who sent a letter to Moscow Mayor Sergei Sobyanin complaining about city advertising committee chief Vladimir Makarov and described the sector as "fertile ground for corruption."

Makarov told Gazeta.ru on Monday that he was unaware of the FBI's investigation and insisted that there was no reason to suspect the committee of "corruption or legal violations."

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