



1995 - Another Media Watershed?

Kerry Packer's long-anticipated move on Fairfax will dominate the Australian press this year.

Depending on how Conrad Black, Paul Keating, Rupert Murdoch and Allan Fels respond, the ownership of major print media may change almost as radically as in 1986-87, when Rupert Murdoch absorbed the *Herald and Weekly Times* and young Warwick Fairfax snatched and dropped the family jewels.

At time of writing, Black was uncharacteristically silent; Murdoch was quietly buying Fairfax shares; and Keating was criticising Packer in unprecedentedly harsh terms. Predictions of their immediate future moves will mean little when this issue of *CU* is delivered. But some longer-term implications deserve attention.

Black's Winning Card Can't Win

Although it is unlikely that the Government will allow Black to acquire unassailable control of Fairfax, his 25 per cent shareholding gives him a powerful role in the fate of the group. Black has to be squared. Assume it is true that Packer and Black have fallen out and no enforceable agreement remains from their Tourang partnership such as Packer having right of first refusal should Black ever want to sell his Fairfax stake. Then Murdoch may have the greater leverage, for he can offer Black peace in the London newspaper cover-price war which is costing both men millions.

If Packer has to deal with Murdoch in order to win Fairfax, the group may be dismantled and the role of Allan Fels and the Trade Practices Commission (TPC) will develop.

If Murdoch got *The Age*, the TPC would probably require him to divest the *Herald-Sun*. Potential buyers include Kerry Stokes, Tony O'Reilly, John B. Fairfax or West Australian Newspapers. Only John B. Fairfax, through Rural Press, has existing papers in Victoria. None of those mentioned would be a new face in publishing.

The press commentaries about the future of Fairfax have been strikingly narrow. The notion that the choice was between further concentration of ownership (Packer or Murdoch) and further foreign control (Black or Murdoch) seemed to set in concrete from an early stage. But the cross-media rules and foreign ownership limits stand on different principles: respectively, diversify media control and maintain 'media sovereignty'.

On practical grounds, too, wider choices must be canvassed. Australia hardly needs to import foreign expertise since it is a net exporter of media executives. Neither is it essential that we import the capital to acquire the Black shares in Fairfax (he would depart with a healthy profit of probably more than \$300 million for his three year involvement). The alacrity with which local investors supported the several stockmarket floats of media companies in recent years indicates the ready potential for Australian

ownership of newspapers with such enviable financial strength, community support and tradition.

It is sometimes forgotten that Kerry Packer's dominant position in major magazines resulted from his shrewd acquisition of key titles from desperate young Warwick after the 1987 stockmarket crash.

If Packer can combine his magazines with the leading Fairfax titles, his strength in both the display and classified print advertising markets would be awesome. To this should be added the enormous capacity for cross promoting in his print media the wares of the Nine Network, Sky Channel and OptusVision, the household cable pay TV venture with Optus. Would it add up in Fels' mind to a substantial lessening of competition?

Packer's only significant competitor will be Murdoch's News Corporation, which has comparable print interests and may control the Seven Network if Packer is successful in his campaign to have cross-media limits eased by either a Keating or Howard Government. News is the pivotal player in the other household pay TV alliance, Visionstream, which it formed with Telstra and over which it appears to exercise management control. This is the deal that Packer referred to so disapprovingly in his appearance on his stations' *A Current Affair*. It took Kerry Stokes (on the ABC's *Lateline*) to remind us that the Murdoch-Telecom arrangement began as PMT 'and the P stood for Packer'.

The table on page 3 shows the extent to which cross media links have developed over the years since 1986 when Paul Keating used separation of ownership of print and electronic media to sell changes that also had the effect of increasing concentration of ownership within print and within TV.

Technological convergence undoubtedly challenges the longer term viability of cross-media rules. But their underlying rationale remains as valid today as when Parliament was told on 29 April 1987 that the rules would:

- support competition policy;
- discourage concentration of media ownership in local markets; and
- enhance public access to a diversity of viewpoints, sources of news, information and commentary.

Parliament weakened the cross-media rules voluntarily in 1992 when it relaxed the rules restricting common ownership of radio and newspapers in the same market. (The parliamentary inquiry into print media, chaired by Michael Lee, had expressly rejected such a dilution of the scheme.) Rural Press and Tony O'Reilly's Australian Provincial Newspapers have swiftly taken advantage of that rule change, as our ownership update tables show.

It now seems clear that the 15 per cent tolerance for cross-media holdings invited the predatory acquisitions and challenges to the rules which have ensued. The 1992 amendment, which permitted holdings above 15 per cent so long as there was 'proof' that control was not being exercised, seems with hindsight to have been folly. Far prefer-

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able would be a 5 per cent limit with a test for control if it appears that control is being exercised with an interest below that figure. Existing holdings above 5 per cent could be grandfathered, but not forever. The new limit should be enforced uniformly after those who have already acquired more than 5 per cent have been given a reasonable period - say three years? - in which to sell down.

What Kind Of Papers?

The Packers have not owned metropolitan dailies since 1972, when Kerry and his brother Clyde sold Rupert Murdoch the *Sydney Daily Telegraph* and *Sunday Telegraph*, beloved megaphones of their father Sir Frank Packer.

Intriguing questions arise about a possible acquisition of Fairfax by Packer. Would he endorse the charter of editorial independence which Black and the Fairfax board and management adopted jointly with staff after Packer had left the Tourang consortium in late 1991?

What would Packer, as Fairfax proprietor, do about the Press Council, which he derisively dismissed as 'a complete and absolute piece of window dressing' in his celebrated appearance before the parliamentary Lee Inquiry in 1991? Packer's magazines are already Council members. Murdoch withdrew his papers from membership in 1981 but the HWT papers have always been members, and when he acquired them in 1987 he rejoined the Council.

If Packer remains a minority shareholder in Fairfax for the time being, the ABA will presumably be required to maintain a watching brief on whether he is in a position to exercise control or is an associate of Black. One of the tests for control is whether Packer can directly or indirectly direct or restrain the company over any substantial issue affecting the management or affairs of the company. Won't that test keep the ABA busy in the lead-up to a federal election in which Keating's policy is to maintain cross-media rules and Howard's is to ease them? Is election coverage, especially editorial endorsement 'a substantial issue' affecting a company like Fairfax?

The ABA will also have to assess how the Fairfax board and management treat the Fairfax-ABC joint venture in pay TV, for its decisions will have direct implications for Packer's Nine Network and OptusVision. And what should the ABA make now of the decision last June by Packer and Fairfax to establish ACP Syme Pty Ltd, a joint venture that combines four Packer magazines and 10 of Syme, the Fairfax Melbourne subsidiary, giving Packer operational management.

Paul Keating's reaction to Packer's move on Fairfax was fascinating. It should be remembered that Keating has made a long term investment in the cross-media policy, having first urged it on the Gorton Government in 1970 and then failed to get Fraser to adopt it in 1976 before personally shaping Labor's version in 1986. At that time, the cross-media rules had the elegance of sound policy and, from Keating's perspective, tough politics. They hurt perceived Labor enemies HWT and Fairfax and greatly assisted the then mates Packer and Murdoch.

Some suggest Keating has broken with tradition this year and is now willing to take on the big media owners in defence of the public interest inherent in cross-media rules.

But the pattern that runs right through Australian political-media relations is of governments (of all complexions) playing one owner off against the others. For instance, the young Rupert Murdoch used to complain about the way the Menzies Government disadvantaged him and favoured the old HWT in the early years of commercial television.

Could it be that in the PM's fight with Packer we see Keating maintaining that tradition? Has he simply chosen Murdoch over Packer this time? The deceptive impression that a pattern has been disrupted may arise merely because of the scale and clarity of the fight: Packer is such a large and potent foe for any government to acquire; and only two big owners today remain to squabble over the choicest bits of Fairfax.

The winner, Packer or Murdoch, could achieve the dominance in the 'old media' that in time delivers pre-eminence in the new. □

Paul Chadwick

Cross-Media Links

| Print | Free TV | Pay TV | Telcos |
|---|------------------------------------|---|--|
| News Ltd (Murdoch) | Seven (Murdoch 14.9%, Telstra 10%) | Australis (Murdoch/Telstra 20%) | Telstra (Public ownership) |
| Fairfax (Black 25%, Packer 17.5% as at 17/2/95, Murdoch 5%) | Nine (Packer) | OptusVision (Optus, Packer, US interests) | Optus (51% local, 49% US & UK interests) |
| Publishing & Broadcasting Ltd (Packer) | Ten (CanWest assorted locals) | Visionstream (Murdoch, Telstra) | |
| APN (O'Reilly) | ABC (Public ownership) | ABC-Fairfax Venture | |
| Canberra Times (Kerry Stokes) | SBS (Public ownership) | PAN TV (SBS, Stokes, O'Reilly) | |