The ownership overview

A year for wrestling dangerously

Recent alliances of the biggest industry players here and overseas confirm the seeming paradox that with convergence comes expansion, and *Communications Update's* annual 'Media Ownership Update' is not immune.

Nine years ago we started with tables of press and free-to-air TV. Now we include satellite, cable and MDS licensees who offer services for which subscribers pay directly.

And telecommunications providers are increasingly relevant, and not just because they have formed links with the big operators of 'old media', the most significant in Australia being Foxtel, the News Corporation-Telstra venture which appeared in last February's *Update* under its old name Visionstream.

The Telstra and Optus (through Optus Vision) cables will add to the range of delivery systems for all sorts of content, including simple phone calls. Plans for increased use of Low Earth Orbiting satellites to offer mobile phone services suggest that the de-regulated environment after July 1997 may contribute to the glut of supply which has been predicted. Whether prices fall accordingly in Australia we must wait and see, but those predictions played surprisingly little part in the 'debate' about the Coalition's promise to privatise one third of Telstra if victorious in the federal election on 2 March.

Both a Keating and a Howard Government would review cross media rules, and the outcome will probably determine the shape of the press at the end of 1996.

Kerry Packer increased his stake in the Fairfax group to 17.2 per cent in early 1995. Although he had exceeded the 15 per cent limit for one who also owned TV stations in the same markets at the Fairfax papers, the Australian Broadcasting Authority could find no proof that Packer exercised control at the higher level. Late in the last parliamentary sittings before the election, the cross media rules were amended to re-establish 15 per cent as the strict limit and Packer's larger holding was grandfathered.

Conrad Black, with 25 per cent, controls Fairfax. His problem is that the Government has used its powers over foreign investment to deny him permission to cement that control by increasing his shareholding.

Late last year Howard was reported to have advised Black that a Coalition Government would probably also see increased foreign ownership as worse than more cross ownership.

If Black decides to realise the considerable profit which his five years at Fairfax would deliver, the fate of the company may depend on who among Packer, Rupert Murdoch or another bidder acquired Black's 25 per cent stake. Perhaps Packer has some kind of 'first refusal' right originating from his withdrawal from the Tourang consortium's bid for Fairfax in 1991. Or perhaps Murdoch would prevail because of his ability to apply pressure in London to the cover price of Black's key asset the *Daily Telegraph*.

Murdoch holds almost 5 per cent of Fairfax and the *Sydney Morning Herald* and *Age* may seem to him better long-term prospects than his tabloid *Daily Telegraph* and *Herald-Sun*. The Fairfax papers still dominate classified advertising in the two largest cities, and this lucrative business would appear to be readily adaptable to the on-line services which Foxtel will want to deliver via its cable.

The Fairfax editorial output has traditionally had greater credibility and prestige, two features that on-line services will need to develop quickly if they are to attract and hold subscribers. Initially at least, greatest use of on-line services is likely to come from people with higher education, jobs that familiarise them with the technology and larger disposable incomes. This is more the profile of the current Fairfax readership than of News Limited's.

If Murdoch wanted a Fairfax daily, the Australian Competition and Consumer Commission (ACCC) would almost certainly require him to sell his tabloid in the relevant city. Both the *Daily Telegraph* and *Herald-Sun* remain profitable, and the long-term decline of tabloids - and stagnating weekday circulations generally - would affect price but not interest. Possible buyers include Tony O'Reilly, West Australian Newspapers and John B. Fairfax, who late last year added to Rural Press four more regional dailies in NSW (see Table 11).

Least desirable would be a repeat of the experience in Adelaide and Brisbane following Murdoch's takeover of the Herald and Weekly Times in 1987. With HWT he acquired the leading dailies of those cities, the *Advertiser* and *Courier-Mail* respectively, so the Trade Practices Commission (now ACCC) required him to sell his existing tabloids, the *News* and *Sun*. These were bought by former News Limited executives in both cities and, after inquiry, the TPC approved the arrangements. Within a few years both papers had been closed, along with the Brisbane *Sunday Sun*, and the *Advertiser* and *Courier-Mail* still monopolise those cities.

The TPC approved the buy-outs essentially because they were thought to be the only way the two tabloids would survive. Instead, they appear to have ensured their deaths. In effect, the TPC permitted what in the United States would be called a 'joint operating agreement' under the Newspaper Preservation Act. These have had mixed results, with anti-competitive activities and eventual closures common. If the tabloids of Sydney and Melbourne, our only remaining competitive metropolitan markets, are to be auctioned, it would be useful if Australian regulators studied the US experience.

If Kerry Packer is to fulfil his ambition to acquire all or parts of Fairfax, but still keep control of the Nine Network, the cross media rules will have to be changed to suit him. This may turn out to be the central political issue in the reviews to be conducted this year. (Of course, he could sell Nine, and among possible buyers the most intriguing prospect to consider is Optus Vision.)

But what of the policy issues in any thorough rethink of cross media policy, that child of Paul Keating? It appears to be common ground that rules based on the separation of ownership of different media will make less and less sense because of convergence. (That is not to say they should be abandoned now in the midst of feverish hype about a superhighway: a look at forecasts for pay TV subscriber signings and cable access generally suggests that existing media will dominate for some years yet.)

Similarly, everyone's starting point seems to be that public policy needs to prevent undue concentration of media power and to encourage diversity of information and opinion.

For those who would rely solely on competition law, ACCC chairman, Allan Fels, recently observed that 'we would be unlikely to regard a television owner's acquisition of a newspaper as a problem'. Competition for advertising, the relevant market, would probably not be reduced, said Fels. However, 'some people might be concerned that there would be a degree of concentration of media. That is a valid social concern, but section 50 of the Trade Practices Act does not seek to address it.'

It is the proposed UK model (see Media Ownership - the Government's Proposals, Dept of National Heritage, May 95) which has attracted most attention here. The Coalition is inclined towards it. Perhaps most importantly, the UK model links with influence making it superficially consistent with the attempt in the Broadcasting Services Act 1992 to regulate according to 'the degree of influence that different types of broadcasting services re able to exert in shaping community views in Australia' (s. 4 (1)).

The UK model would see the entire media market measured by a common denominator. A per centage limit would be established which no owner could exceed, regardless of the mix of media he or she held, unless a media regulator determined that this served the public interest. The public interest criteria would include: promotion of diversity; maintenance of a strong industry in the national interest; and proper operation of markets (para 6.19).

Central to this 'share of total voice' model is the way the common denominator is determined. The UK suggestion is audience share or revenue share, which 'would encompass all revenues received by a media concern including income from the consumer, advertising and subscription. Special arrangements would, if necessary, be made for free newspapers. Media companies would be under a legal obligation to provide market share information in confidence to the appropriate regulator' (para 6.7).

Such heroic assumptions aside, even if you could sensibly calculate each owner's share of each medium, great significance would attach to the method of weighing the relative infuence of each medium for the purposes of calculating the volume of a particular owner's voice in the total media clamour. The UK report calls this the 'exchange rate' and says:

'In order to ensure that the exchange rate can reflect changes in markets over time, the Government believes there would be value in establishing an exchange rate based on objective measurable factors rather than one fixed administratively... The British Media Industry Group have produced an exchange rate which was not based on objectively measurable factors but ascribed equal weight to the national press, regional press, and television, and half that weight to radio' (para 6.13).

Is radio, with its talkback, less or more influential than the newspapers which might set the agenda for the talkback topics and provide the raw information on which the hosts and their callers base their opinions? Why ascribe less influence to radio that provides only music, ads and fun, for this surely contributes to a decline in civic participation, itself an aim of diversity? The recent closure of news services in all but one Melbourne commercial radio operation exemplifies the trend.

Does a TV current affairs show carry more influence than a broadsheet of opinion leaders? Is 'infotainment' more influential than a 'straight' news service? How do you calculate the relative weight of a free-to-air service and a subscription service, the latter ostensibly being more sensitive to subscriber, not advertiser, wishes?

And how can any such measures be related to diversity, the fundamental aim of the policy?

These are some of the difficult questions with which Australian policy makers must wrestle this year, and we will not be assisted by slipping glibly into the language of the market with its 'exchange rates' and 'objective measurable factors'.

Experience teaches that there is nothing objective about the media. ❑

Paul Chadwick