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Big and bigger

In 1999, most of Australia's major media players tried to get bigger. Some of them succeeded some of the time.

The Packers and the Murdochs got together in a number of enterprises. Having moved decisively into pay TV in late 1998 by exercising its option to acquire 25% of Foxtel (half of News' 50%), the Packer-controlled PBL acquired a stake through 1999 in one of the major channel providers, Fox Sports, in which News is the other major shareholder. Telstra resisted pressure to sell-down its 50% stake in Foxtel so as to equalise the interests of the three shareholders, and News and PBL acquired substantial shareholdings in the rival telephony and Internet access provider, One.Tel.

The acquisition of Melbourne's Crown Casino gave PBL three 100%-owned businesses - the top-rating Nine Network, the country's largest magazine publisher Australian Consolidated Press and the Casino. 20% of ecorp, formerly PBL Online, was floated in June 1999, leaving PBL with 80% of the shares. ecorp is involved in the NineMSN consumer Internet services joint venture with Microsoft and a joint venture with the US-based eBay inc to operate Australian and New Zealand versions of eBay's person-to-person Internet trading site. It also owns the computerised network ticketing business, Ticketek.

The Packer private company, Consolidated Press Holdings, which holds around 40% of PBL's shares, took over Australian-based cinema exhibitor Hoyts Cinemas in mid-1999 and has substantial interests in Australian ski resorts and the FXF Trust, which holds just under 15% of the shares in John Fairfax.

Telstra acquired some new Internet-based businesses and indicated it was looking for more. It also acquired some new owners, with the privatisation of a further sixth of the company, bringing private shareholding to just under 50%. The legislation to facilitate this further sale provides for the full privatisation of Telstra, once an independent review has established the adequacy of Telstra's service quality levels. Early in 2000, the federal government began preparing the political path for the further sell-off.

Telstra also announced in early 2000 that it would be taking over Ozemail's retail Internet access customers, but the ACCC indicated it would oppose the move on competition grounds.

Cable & Wireless Optus had been handed a similar fate in 1999 when it attempted a hostile takeover of AAPT - a scrap which saw Telecom NZ emerge with a substantial stake in AAPT.

The Productivity Commission

The Productivity Commission commenced a review of Australia's broadcasting laws in March. Some interpreted the review as another federal government attempt to change the country's media ownership laws, but its brief was much wider than this and the government insisted that it was unlikely to revisit the laws while the Opposition parties continued to oppose any changes.

Most of the major media companies took the opportunity to argue for substantial changes to the laws including the abolition of cross media and media-specific foreign ownership rules. They needed to get bigger, they argued to buy or be bought.

The Commission's draft report, published in October, recommended the removal of media-specific foreign ownership rules. It also recommended the removal of cross media rules once regulatory barriers to entry into broadcasting had been removed and spectrum had been made available for new broadcasters, the foreign ownership rules had been abolished and a new "media specific" public interest test had been introduced into the Trade Practices Act.

Digital TV

The Commission was also highly critical of the Government's plans for the introduction of digital TV.

Late in 1999, the Government made further decisions about this. The decisions confirmed the core elements of the model announced in early 1998, but required television broadcasters to transmit a second "standard definition" digital signal which would allow consumers to buy cheaper reception equipment. The new model was criticised by incumbent broadcasters and aspirant "datacasters" alike, and some form of Senate Committee inquiry seems likely in the first half of 2000.

AOL Time Warner

The twenty-first century opened with the biggest corporate merger in history. A new media player, AOL, announced that it was getting together with an old media player, Time Warner.

It was a big story and, in the silly season, it became enormous - a transaction argued to be symbolic of the directions the media and society was taking.

The merger is about commerce, convergence, competition and America.

Time Warner controls some of the brands which are most closely identified with media in the twentieth century: Bugs Bunny and Batman; Time,

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Life and Sports Illustrated magazines; CNN and the Home Box Office cable channels, which so changed notions of television news and film and TV production respectively.

AOL controls customers - about 20 million of them.

The new entity thinks it can make a lot of money by selling Time Warner's stuff to AOL's customers. Then people who aren't already AOL customers might hear about how good it is and sign up as Internet customers for the first time. Time Warner also has a lot of cable TV customers which it thinks might be interested in new kinds of media experiences, of the kind AOL has been giving access to through the Internet and the World Wide Web.

The Internet might have started out as a creature of military experiments and messages among academics, but companies like AOL Time Warner are punting that it's heading fast towards becoming a place where people buy things.

This is not the convergence of hardware (TV sets, video recorders, Walkman's) and software (films and TV programs, music, video games) we heard so much about in the 1980s and early 1990s. It's the convergence of media and communications with the whole economy of buying and selling: intangible things, like financial advice and services, movies, TV shows, news and messages, as well as physical things ordered on-line instead of in shopping malls or showrooms - books, clothes, cars, anything.

It's worth remembering the convergence rhetoric which motivated the consolidations in the 1980s, like Sony and Columbia, and the corporate pain that followed. It's worth remembering back even further, to the 1970s, when the Australian Government broke up Australia's post and telephone service, run since Federation by a single organisation, the Post Master General's Department. It was thought then that post and telecommunications were such completely different businesses that it made no sense to have them under the same roof.

Over time, some things converge and others fragment. Telstra has shed tens of thousands of staff while buying up "content" businesses. The ABC is "contracting-out" the production of more of its programs to independent producers while trying to combine TV, radio and its web-site into "One ABC". Mobile phones get sold though independent dealers quite separate from the companies which provide the telephone services themselves.

There is no single recipe for success in this new media and communications universe. No-one is sure where most of the value is going to be created. The strategy of the companies that can afford it, like AOL Time Warner, is simply to have a stake almost everywhere.

When it rains, the customers will be on the Internet. When it's fine, they'll be at the theme park. Wherever they are, they'll be buying.

But by following this strategy, these vast conglomerates give rise to major fears about the competitiveness of markets, and the diversity of voices in the information economy.

US anti-trust-regulators spent most of the twentieth century trying to unravel one of the greatest monopolies the world has known: the American Telephone and Telegraph Company's (AT&T) control of the country's telecommunications system.

The company was the descendant of the one established by Alexander Graham Bell, who invented the telephone in the 1870s. It was the oldest of old powers in the telephone business, an effective monopoly in a country that worships free enterprise.

But before the century was out, anti-trust regulators had to do it all over again This time, it was about the market power wielded by Microsoft, the world's largest company, but which hardly existed a quarter of a century ago. Microsoft is a creature of the "new economy" of personal computers, the Internet and electronic commerce, and it has sorely tested the resources and the intellectual underpinnings of competition regulation.

AOL Time Warner, Telstra Ozemail and others in the pipeline will further test the commitment of governments and regulators around the world to the practice, rather than the rhetoric, of competition and diversity.

Finally, AOL Time Warner is about America.

There was a buzz-phrase doing the rounds of conferences a few years ago, before the Asian economic crisis: the nineteenth century had been the European century, the twentieth century was America's and the twenty-first would be Asia's.

Right now, as the first big business story of the century breaks, you wouldn't mind having a silver dollar on America pulling off a double.

Jock Given

Part of this article appeared in the Sydney Morning Herald *on 13 January 2000.*