

The Chair
Review of Broadcasting Legislation

Dear Sir/Madam

Please find attached my submission to the above Review
(A:\Productivity
Commission sub.wpd).

It is an extract of a larger article I wrote for an social issues
journal
earlier this year. It covers the ownership issue and a shorter
piece on the
Internet.

I am quite concerned that proposed changes to media ownership will
lead to a
marked concentration of ownership of media in Australia. In a few
year a
large proportion of the media could be owned by Consolidated Press
and News
Limited. This would leave only the ABC (financially Strapped) and
Network
Ten (which is focussed on entertainment) as alternatives.

I am not necessarilly opposed to foreign ownership if it leads to
new media
infrastructure in Australia. However, I see no point in allowing
foreign
firms taking over existing media.

I basically want a more diverse mix of ownership in a competitive
environment that will deliver quality not just quantity.

I would be please to elaborate if you require further information.

Yours sincerely
Terry Giesecke
13 May 1999

Ownership and diversity issues

Media ownership in terms of aggregate market shares is:

Media owner	Company name	Share of voice ⁽¹⁾ per cent
Kerry Packer	PBL	28.67
Rupert Murdoch	News Ltd	20.39
Brierly Investments	Fairfax	4.13
Kerry Stokes	Seven	10.67
Izzy Asper	Ten	7.88
Kirby family	Village	16.89
Tony O'Reilly	APN	9.23
JB Fairfax	Rural Press	1.45
Diverse	WAN	1.33

(1)Percentage figures combine television market share, radio network market share and newspaper and magazine circulation

Source: Australian Financial Review May 13 1997.

It is argued that concentration of ownership leads to lack of diversity in terms of issues and opinions presented.

However, the issue of ownership and diversity is more complex than at first glance. Ownership needs to be analysed in terms of:

- ◆ Concentration of ownership
- ◆ Concentration of ownership within the media company
- ◆ Organisations involved in ownership
- ◆ Regional distribution of ownership
- ◆ Involvement of media companies in other ventures
- ◆ Cross media ownership
- ◆ Foreign ownership

Concentration of ownership

Ownership of mass media outlets is certainly concentrated in Australia as are other areas of industry such as Airlines, food processing, retailing and car manufacturing. It is often argued that economies of scale and barriers to entry prevent a more dispersed ownership pattern. But is it true?. Media ownership has become more, rather than less concentrated, over the last thirty years. Economic growth and technological innovations over that period should have provided a more favourable environment for smaller media entities. In 1920 Australia had 26 metropolitan dailies with 21 Independent proprietors compared to today's 14 and 3 respectively.

That monopoly and oligopoly is such a feature of the Australian economy is more a reflection on current and past business regulatory legislation than economic parameters. Australia has never had a rigorous approach to mergers and monopolisation as have some other countries, in particular the USA.

Concentration of ownership within the media company

Australia's largest media companies have a very concentrated ownership. Both Consolidated Press (Packer) and News limited (Murdoch) are dominated by single owner families. Fairfax has a more diversified ownership which may explain their orientation to quality and a less editorial interventionist ownership. Although, for reasons unknown, the Prime Minister, Mr Howard, saw this as a problem when he discussed proposals to do away with cross ownership legislation in 1997.

The power that can be exercised by Murdoch or Packer is undesirable. The views expressed, and promoted, by their outlets is often a product of their current whims. If Kerry Packer likes a particular politician then that view is likely to be reflected in their outlets.

Organisations involved in ownership

All of Australia's large media organisations, except the ABC, are owned by commercial enterprises. Very little mass media is owned by organisations such as the church or the labour movement. They did own some radio stations in the past but tended to operate them as commercial entities rather than as vehicles to promote their causes. Australia has no Christian Science Monitor and only outback Broken Hill has a daily newspaper owned by trades unions.

Regional distribution of ownership

Apart from the well known metropolitan media conglomerates, media ownership in regional Australia is also heavily concentrated. The local small town newspaper, or radio station, is now, more often than not, part of a nationwide corporate empire. Even suburban throwaways are owned by the major companies.

Involvement of media companies in other ventures

An increasing problem is the involvement of media companies in non media operations. So far this is not extensive in Australia but World Series Cricket and Superleague are examples of how such ownership can distort views expressed in media organs. Another example is the ski resort Perisher Blue of which Consolidated Press has a substantial share. The resort located in the Kosciuszko National Park which is administered by the NSW National Parks and wildlife Service. The Service controls any development within its boundaries. Perisher Blue is proposing a large scale development which will impact on the Park's eco system. How will this be handled by media owned by Consolidated Press? Will environmental concerns obtain adequate coverage?

Vertical integration is another problem. Large media companies own or have interests in newsprint and distribution facilities and can indulge in restrictive trade practises.

Cross media ownership

The decision by the Hawke Labor Government to limit ownership to one section of the media (cross ownership) is often criticised on the basis that it has extended ownership concentration in one sector. However, it should be acknowledged that it did break up local monopolies. For example in Canberra it used to be that the same company (Fairfax) owned the local paper, commercial television channel and, until, 1975 the only commercial radio station.

Similar cross media ownership occurred in most cities around Australia and it certainly limited diversity of ownership.

However, the old arrangements were quite restrictive on ownership of the electronic media. One owner could only control two television channels. In radio ownership was limited to 8 Stations and only one in a service area. But they could own newspapers TV and radio in the same region, and usually did. In respect of the electronic media these restrictions have been considerably liberalised.

Apart from breaking up local cross media monopolies the cross media restrictions have done little to increase diversity.

Foreign ownership

Media is one area where Australia forbids substantial foreign ownership. We do not mind if the car industry and most food processing companies are foreign owned. There are good reasons for restricting foreign ownership but if it were managed so as to promote diversity, it may well be beneficial. The entry of Courage into the Victorian beer market did ultimately provide much needed diversity in beer styles. This was an entry whereby the foreign owner set up new facilities rather than just buying out existing enterprises. This could be a model for admitting foreign owned media organisations.

Ownership concentration and diversity

If diversity of views and opinion is the objective will breaking down the current ownership concentration provide it?

If for example the current dominant groups were broken up into 6 or 7 companies (as was the monopoly US telephone company Bell in the 1970s) would we obtain a greater diversity of views, styles etc. The answer is not so obvious.

In Sydney and Melbourne the press is divided between two owners, commercial television three owners and commercial radio over five owners. One could argue that there is more diversity in the press than television or radio. The Age is quite different to the Sun Herald whereas in television the 3 commercial channels present identical programming. Radio is a choice of hits and memories, hits and memories, bigoted talk back and bigoted talk back. I am not sure that if there were say 6 media groups whether we would get more diversity. The result could be lowest common denominator tabloid publications. If some media company perceived a market for progressive views, then it might happen, but it is just as likely that someone would cater for a market demanding bigotry and conservatism. For example the US has a huge number of radio stations where talk programs are dominated by the rabid right. The large number of outlets not apparently producing much in the way of diversity for one reason or another.

Also it would depend on how the companies were distributed. If it were regional they may just carve

out territories and be monopolies within each of their areas, in much the same way as the breweries used to do¹.

In any case commercial enterprises have a common culture, they are in it to make profits for their owners. Consequently values which do not reflect those of the business world are not likely to be promoted. The increasing emphasis on profit will only accentuate this culture.

Consequently is concentration of ownership an important issue? Yes, it is important to constrain monopolisation. Monopolies can, and do, exercise considerable power over suppliers, employees and consumers. While more owners may not automatically guarantee diversity there are still powerful reasons to support a reduction of concentration.

While legislation to reduce ownership concentration is essential real diversification can only be achieved by the entry of new groups, some of which are independent of the profit making ethos of the business world.

Expanding the number of participants

Media barons often say that anyone can set up a newspaper. But this is being disingenuous on their part.

New newspapers are hard to establish. Even the major players have had more failures than successes. The "Australian" took many years to become profitable even though it was a breath of fresh air when it first appeared. For organisations starting from scratch the task is daunting. Newspapers to be successful demand considerable business and journalistic skills as well as access to considerable financial resources. New entrants are also subjected to anti competitive actions by existing groups, such actions include predatory pricing, limited access to distribution networks and printing resources. Australian law is relatively weak in these areas and is seldom rigorously enforced.

An example of another anti competitive process is subsidised market saturation. In the ACT the entry of a throwaway Sunday Paper prompted the "Canberra Times" to produce a Sunday Edition and the continuing threat of suburban throwaways is enough for that paper to publish its own weekly local free papers. Such activities "soak up" advertising revenue making it harder for new entrants to gain a foothold.

Electronic media is different in that new entrants must have access to frequencies which can be limited by the available technologies. In respect of radio more new frequencies have been made available, especially with the introduction of Frequency Modulation (FM). The introduction of digital broadcasting promises to provide even more opportunities. Television is similar, Ultra High Frequency (UHF) cable and satellite promise a huge number of channels.

However, the proliferation of broadcasting services is not always a boon for consumers. Deregulation in the USA and other countries has led to the creation of many poor sub standard services. Radio could become a poorly resourced industry with low profits if too many new stations are introduced without considering the economic climate of the service area. The same can be said of Television, the song "67 channels and nothing to watch" (Bruce Springsteen) while apocryphal does reflect the frustrations of many viewers. In the early Eighties US newsreader Walter Cronkite commenced an address with the words "*I come from the land of the satiated eye....*".² Words I have never forgotten.

More sub standard radio and television services are not the answer.

Areas for reform-ownership

Company law that is specific to media companies must be enacted. It will need to concern ownership concentration, non media subsidiaries, foreign ownership and anti competitive business practices.

1. Individual companies must be limited to national market share of 20 per cent (as defined in the table above)
2. In any region ownership must be restricted to one branch of the media (cross ownership restriction)
3. Media companies must be precluded from owning controlling interests in companies whose main business is not media
4. Companies controlling marketed newspapers must be precluded from owning free newspapers in the same area
5. Foreign companies should be permitted to enter the Australian market only if they intend to set up new ventures (a new newspaper, magazine, television channel or radio station) takeovers of existing facilities should be prohibited
6. A code of fair competitive practice should be drawn up to prevent existing owners from obstructing new entrants (for example allowing freedom of distribution, access to retail outlets and access to printing)

While these add to the regulatory framework, a competitive market is essentially an artificial construct heavily dependent upon a regulatory framework. Capitalism left to its own devices tends to oligopoly or monopoly.

These measures are designed to reduce excessive ownership concentration. Although, the real need is for those with different perspectives to enter the market with their own publications. Items 4 and 6 will provide assistance. Item 4 prevents existing owners from soaking up potential advertising support and Item 6 gives new entrants protection from unfair anti competitive practices.

However, more pro-active approaches are needed.

Organisations less dependent on profit and the business culture need to get involved. A more pro-active regulatory framework (as outlined above) that prevents barriers to entry is a start. A non profit company arrangement is worthy of consideration. Before anyone feels this concept to be "pie in the sky" they should note that the following are all such companies:

- ◆ all credit unions (and there are many)
- ◆ building societies (which used to be a major source of home lending)
- ◆ the NRMA (one of Australia's biggest insurers)
- ◆ registered clubs in NSW and the ACT
- ◆ group training companies

These are large successful enterprises employing many people. Hospitals and hotels in many country towns are also operated by such companies.

Non profit companies, sometimes called incorporated associations or under federal law "a company limited by guarantee", can make profits but they cannot be distributed to shareholders. All profits must be "ploughed" back into the company. Shares are not listed on the stock exchange and takeover bids are much more difficult.

Although small media outlets, usually community radio stations, are already operated by non-profit companies, this form of incorporated company structure provides a promising opportunity for the expansion of independent media. New media based on such company structure should be encouraged.

Another possible approach was considered in the later years of the Dunstan Government in South Australia. In his auto-biography Felicia (page 317) Don Dunstan looked at media problems and some solutions to complaints of bias etc, he wrote:

"But there is one other course suggested to me be senior journalists of principle in Australia. The new techniques of printing means that the capital cost of establishing a printery capable of producing a daily newspaper is much less than before. If the State established an independent commission to provide lay-out and printing services to the public, it would be possible for independent journalists to form a company, get the State industrial assistance available in South Australia, and start a competing, independent newspaper. The printery would be available to service community groups, many of whom now seek to publish their own small papers and access press"

Don Dunstan was forced out of office by illness before the proposal could be evaluated and was not taken up either by his successor, Des Corcoran, or the Bannon Labor Government.

The proposal contains two components, journalist's companies independent of the major media companies and a State owned printery and lay-out facility. Both of these have considerable merit and ought to be put back on the agenda. it may even be useful to combine elements of this proposal with the non-profit company idea discussed above. Don Dunstan's proposal dates back to the late 1970s before investment in public undertakings became unfashionable.

Areas of reform-encouraging different media ownership

1. That State and local governments actively encourage the establishment non-profit community based companies to produce newspapers and other periodicals. These companies to be eligible for all the usual incentives available for businesses in the State/Region

The Internet-does it really reduce the need for a less concentrated media ownership?

No discussion on media is now complete without looking at the phenomenon of the nineties, the

Internet. Nothing has attracted so much attention as this new form of multi-media communication. It is continually developing and evolving. It holds considerable promise and could provide opportunities for a more diverse media, but how much so?

The Internet has three basic components:

Email

Newsgroups

the World Wide Web

Email is essentially a personal communications tool and will revolutionise communications at this level. Newsgroups provide a forum for points of view in much the same way as letters to the editor do. Its style in some areas, sampled by me, is similar to talk back radio. The World Wide Web could eventually allow persons to have electronic access to news and viewpoints from anywhere in the world. Already most of the world's leading newspapers have Web pages.

Theoretically anyone can set up a newspaper Web site and establish an independent journal; the potential for diversity is enormous. On page 9 the possibility of companies of journalists using an independent printery was cited as a possibility, similarly they could contribute to a web page. All this without the hassle of printing and distribution costs and problems. No doubt it is being done somewhere, but there are problems.

Firstly, despite the publicity, dare I say hype, the Internet is scarcely mass media. According to a report in the Canberra Times (November 17, 1997) an Australian Bureau of Statistics Survey found that of 4,000,000 home computers in Australia only 300,000 (7.3 per cent) could access the Internet. In terms of the total population only 1.7 per cent have Internet access. Furthermore, the Survey found that the biggest users of home computers were children and that the most popular computer activity is playing games.

Secondly, it should not be forgotten that despite the large capacity of the modern home computer it is still an expensive piece of equipment, especially when compared to a television, video or sound system. In addition connexion to the Internet also involves significant costs. Moreover, due to rapid technological advance, home computers tend to lose value very quickly. A 1995 state of the art 486 machine is by 1997 fit only for the rubbish tip (well almost)¹.

Thirdly, the Internet like any other media needs content and good well produced content will dominate. Such content demands high order skills and creativity and these due to their scarcity cost money, lots of money. The large and powerful media companies are in a position to provide attractive content whereas, smaller potential new entrants are not. Consequently, the Internet will not necessarily lead to significantly greater diversity in any practical sense.

¹ Compare this with television. If you bought a TV in 1959 when TV started that TV would not need to have been upgraded until 1975 when color transmission commenced. A 1975 color TV will still work in all of the capital cities today if you are prepared to forgo SBS.

The Internet has a long way to go before it matches the penetration of television, radio and newspapers.

Despite this the Internet may provide a means of expanding media outlets and diversity in the longer term.

1.For example some years ago in NSW the areas south of Holbrook was Carlton territory and North was Resches territory)

2.At a conference organised by the Department of Communications on cable television-the Lakeside Hotel in Canberra.