Case Study 6: Media Ownership

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Introduction

The new economy makes media dynasties among the most powerful organisations on Earth.

The Media Entertainment and Arts Alliance (MEAA), which represents Australian journalists, and other professional media groups, says the consolidated power of the large media owners is damaging the quality and depth of national and international media and related forms of mass communication. Press councils, whose major interest is in defending freedom of expression, are similarly concerned about the increasing concentration of media ownership and its effect on democracy. Convergent media in the twenty-first century are owned by a select group of owners. The case of one of the world's most famous media personalities, Rupert Murdoch, illustrates how one successful owner has adjusted to the challenges of convergence and the digital age.

Spotlight on a media owner

In July 2007, the world's media watchers held their breath as Rupert Murdoch's News Corporation bid more than $5 billion for the *Wall Street Journal*. The shares of parent company Dow Jones rose by more than 11 per cent in anticipation of the deal going through. Opponents of the takeover said Mr Murdoch's journalism was unsuited to the independent traditions of the journal.

Similar objections are made to most media takeovers. But for all their protests, the proponents of free and pluralistic media systems have so far failed to stop the rampant expansion of the free enterprise activities of the largest media moguls.

News Corporation is one of the world's three largest international media groups, owning companies in:

- newspaper, magazine, and book production and distribution
- football teams
- film, television, and other broadcast media
- music publishing
- advertising
- multimedia and information technology.

A select list of specific News Corporation operations illustrates more starkly the extent of media power Rupert Murdoch wields: *National Geographic*, Fox Broadcasting Company, *The Herald Sun*, *The New York Post*, *donna hay* magazine, Myspace.com, *HarperCollins Publishers*, the National Rugby League, Thomas the Tank Engine and *The Simpsons*.

In 2006, *The Bulletin* magazine named Murdoch the most influential Australian, more influential than politicians, sports heroes, scientists, doctors, humanitarian workers, artists and activists. At the awards ceremony in Sydney, he sat with Australia's most eminent people: other media owners, federal politicians and bankers. However, Murdoch's Australian heritage had years earlier given way to a global identity, sealed when he took out American citizenship in 1985 in order to advance his TV interests.

> When I look at the list of scientists and doctors and people on the list who have done a great deal more to improve the whole world, I am very, very humbled to be chosen today (*AAP* June 2006: report of Rupert Murdoch's reaction to the *Bulletin*'s naming him most influential Australian.)

Bulletin editor Garry Linnell has described Murdoch as 'close to being the most powerful unelected person on Earth'. He was born into the media business, inheriting the Adelaide *News* from his father, Sir Keith Murdoch. Since 1903 Keith Murdoch had been a newspaper person, starting work at the Melbourne *Age* at the age of eighteen, moving to Fleet Street in London five years later, and taking over as manager of the United Cable Service in London in 1915. Keith Murdoch received much acclaim for his intrepid war reporting on Gallipoli. After the war, under his editorship, the Melbourne *Herald* gained the highest circulation of any newspaper in Australia.

Rupert Murdoch was born in Melbourne in 1931, two years before Keith received a knighthood. His destiny seemed always to find a career in media. While studying at Oxford, the young man spent his summers working in Fleet Street. In 1954, two years after graduation and two years after his father's death, he took over the Adelaide *News*, thereafter buying up newspapers across the country and launching *The Australian* in 1964. His expansion to the UK began in the 1960s, and his moves into television and the US market in the 1970s.

The purchase of the London *Sun* in 1969 (when he outbid Robert Maxwell, the most powerful British media owner of the time), earned Murdoch the accolade of having changed the character of British journalism forever. Roy Greenslade worked on the first edition of the *Sun* under Murdoch's ownership: 'I recall it was very exciting, especially for people like me for whom this was the first day in Fleet Street … It was felt somehow that Rupert Murdoch represented a new start in Fleet Street … and we thought there was a possibility here that this man could save this paper, which had been going downhill fast for about 25 years.' (*Media Report*, ABC, 18 November 1999).

The formula that Murdoch introduced to the *Sun* was sex, sport, and sensationalism at a time of new social permissiveness. The profits enabled Murdoch to invest in the United States, and eventually in the television industry. 'The *Sun*, right through his career, but particularly in the first ten years, and the money it made, enabled him to become the global media owner that he has become' (Greenslade 1999). Murdoch launched the Fox TV network in 1986. In 1997 he purchased the International Family Entertainment cable network (renamed Fox Family Worldwide).

The list of his manoeuvres in global and new media since then exceeds the Murdoch dynasty's previous activities over nearly a century, culminating in Rupert's $US5 billion bid for the illustrious Dow Jones magazine the *Wall Street Journal*. The takeover carried assurances that an independent board would oversee the hiring and firing of top editors, and a promise to preserve the editorial independence of the *Journal*.

Unlike other media personalities, Rupert Murdoch seems to have shown little interest in political control for its own sake, other than to further his business interests. Confirming his mission of corporate survival in the digital age, seventy-four-year-old Murdoch told the American Association of Newspaper Editors on 14 April 2005 that the new technologies presented 'a huge opportunity to improve our journalism and expand our reach':

> I grew up in a highly centralized world where news and information were tightly controlled by a few editors, who deemed to tell us what we could and should know. My two young daughters, on the other hand, will be digital natives. They'll never know a world without ubiquitous broadband Internet access' (Rupert Murdoch, addressing the American Association of Newspaper Editors, 14 April 2005).

Pluralism for a healthy media

To appreciate the significance of powerful individual media owners, it is necessary to understand the sociopolitical context within which they rise to eminence and the debates surrounding the increasing concentration of media ownership.

The centralisation of media ownership matters because of its potential to limit freedom of expression. Whoever owns the media owns the message. That is not to say proprietors always wish to control the message, but they can limit free public discussion through the traditional media at times when they have an interest in particular public issues. Notwithstanding variables such as economic, cultural, social and political conditions, a nation with only five media owners probably has less freedom of expression than one with twenty-five, because you would expect the twenty-five to represent a greater variety of views:

> Multinational corporations have been blamed for eroding the public sphere around the world through colonial practices by taking over and 'globalising' local media institutions (Beattie & Beal 2007).

Attempts to halt the trend towards greater concentration of media ownership over the past 50 years have failed in Australia and elsewhere. With every amendment to cross media laws, industry watchers forecast a decline in journalism standards. Communications law scholars Scott Beattie and Elizabeth Beal (2007) predict a 'less critical' media as a consequence of convergence, a media 'more geared to entertainment and less likely to see itself as having a role in the protection of the public sphere'. According to a 2006 Roy Morgan Research survey in conjunction with the news website www.crikey.com.au, journalists too are wary of the tentacles of big business. The survey found that 82.6 per cent of media-worker respondents believed that a loosening of cross media and foreign ownership laws would 'negatively affect reporting integrity' (MEAA 2006).

Editorial independence

The concentration of media ownership also matters because of its potential for the control of editorial matter, news and other information throughout the media.

> If you stand up against something that you feel is wrong you're out on your ear and that's it' (Australian journalist Jana Wendt speaking at the 1997 Andrew Olle Memorial Lecture).

The 2006 Roy Morgan Research survey found that media workers were influenced by the political and commercial agendas of their employers. More than 37 per cent had been instructed to 'toe the commercial line', and 16.3 per cent had been instructed to 'take into account their employer's political position' (MEAA 2006). Compliance with the wishes of an editor or proprietor can be conscious or subliminal. The Morgan survey reveals an acute consciousness among media staff of the power their employers could wield.

A US survey showed similar results to the Roy Morgan Survey. The Pew Research Center poll found that '86 per cent of those surveyed believed commercial pressures had forced the US media to avoid complex issues' (Nichols 2004). In the ten years from 1994 to 2004, the number of US journalists who thought commercial pressures damaged the quality of their work had risen from 41 per cent to 66 per cent (Nichols 2004).

Kim Jackson (2006) of Australia's Social Policy Group says the relationship between proprietors and editorial staff, which is relevant to any discussion about media ownership, is a 'particularly difficult subject for legislative action'. 'Ownership is easily monitored and regulated whereas concepts such as diversity of views are much more difficult to assess and regulate' (Jackson 2006).

> Kerry Packer publicly supported the conservative Howard government. News Ltd had close ties with the previous Labor government. The media magnates and their sons, James Packer and Lachlan Murdoch, have battled over several issues, including digital television and cross-media ownership rules (Conley 2006)

To illustrate professional independence, take two media clashes more than thirty years apart. The first was in 1973, when a US court demanded reporters Carl Bernstein and Bob Woodward of the *Washington Post* surrender their notes on the Watergate scandal. The second was in 2005, when a US court demanded reporters Matt Cooper and Judith Miller reveal their confidential sources to an investigation into the leak of the identity of CIA agent Valerie Plame. On both occasions the journalists refused to cooperate with the court, because their professional code prohibited their revealing confidential sources. In 1973, *Washington Post* publisher Katharine Graham defended her staff, Woodward and Bernstein, taking possession of the notes on their behalf and refusing to hand them over. In 2005, Norman Pearlstine, editor for the world's largest media company, Time Warner, surrendered the notes of his reporter Matt Cooper, as the law demanded. To refuse was to risk going to jail for contempt of court. Here is the difference. The *Washington Post* was a company whose sole business was journalism. *Time Warner* is a conglomerate, whose various business activities are more diverse than any mere journalistic principle such as protection of sources.

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> The ultimate consequence of consolidation, critics argue, is a poorly informed public, restricted to a reduced array of media options that offer only information that does not harm the media oligopoly's growing range of interests (*Wikipedia*)

Healthy competition

The third reason media ownership matters is competition. For the sake of fair and free trading, governments and journalists agree on the need to limit the control media organisations might exercise. They often disagree on the extent of those limits. Does ownership of 10 per cent, 15 per cent, or 50 per cent give too much control to one company? Does ownership of a newspaper and a television station in one region give too much control? In a digital media environment, how can the authorities separate the activities of newspapers and electronic forms of communication? The answers to these questions are found in the policies of the day and are open to challenge at any time. The definition of control then is central to all cross-media policy. Contemporary policy is moving towards the idea that ownership limits are no longer appropriate to protect media diversity because all forms are becoming integrated. In such an environment, restrictions on media ownership might also restrict healthy competition.

Advocates of deregulation argue that enabling national media to control more of the media in any country could provide a buffer against global takeovers. Another benefit of deregulation is increased efficiency of production. With a capacity to provide a range of media products, a company can meet consumer demand more easily. The tradeoff is a risk of increased censorship in all its forms.

Relaxation of crossmedia laws would 'reduce the number of independent voices from the existing 12 or 13 to five', the MEAA stated in its press freedom report (2006), and further deregulation would exacerbate the trend of news as a 'prepackaged commodity'.

Media mergers, rising share prices, increased capital investment and economies of scale accompany relaxation of ownership restrictions. Governments tend to argue these are essential for a healthy economy. But does the general public really care about who owns the media? Many would argue that they do. According to US journalist John Nichols (2004), the public is very interested in media reform. When the US Federal Communications Commission in 2003 attempted to lift restrictions on cross media ownership, 700,000 citizens lodged complaints, breaking the record for complaints 240 fold.

Shifting boundaries, shrinking voices

In April 2007, changes to Australian media ownership came into effect, allowing foreign investors to buy local media, raising the limits on the number of media outlets a single proprietor could own in a particular market, and allowing newspaper publishers to own a radio or television station in the same city. The government believed in boosting competition by allowing more freedoms for convergent media. To protect diversity, coinciding with the changes was a requirement for at least five operators in mainland capital cities and four in rural centres.

Two key media bodies opposed the changes: the journalists' union (the Media Entertainment and Arts Alliance), and the main non-legal press regulatory body (the Australian Press Council). Traditionally ardent advocates of media freedom, both organisations feared declining standards of journalism as the doors opened wider for a wave of takeovers.

> The health of Australian democracy is at stake and these media law changes will clearly result in fewer choices for the Australian people (MEAA federal secretary Christopher Warren (2006) commenting on changes to cross-media ownership laws in Australia).

Ownership of Australian newspapers has been shrinking since the early twentieth century. In 1923 there were twenty-six metropolitan dailies, owned by twenty-one proprietors (APC 2007). By 1950 there were fifteen, with ten owners. By 1988, only two major proprietors of metropolitan newspapers remained: News Limited, and John Fairfax. Some independent operators survive today. The trend is for larger organisations to take over successful smaller publications, and it has extended even beyond commercial publications to successful nonprofit community newsletters. The purpose of takeovers is usually to tie up advertising rather than to enhance the quality of news reporting.

Laws introduced in 1992 restricted cross media ownership between television and newspapers. Before 2006, the *Broadcasting Act* prohibited a holder of a commercial television or radio licence from owning a newspaper in the same region. Other laws have ensured foreign ownership of Australian metropolitan and national newspapers cannot exceed 30 per cent. The Australian Communications and Media Authority and the Australian Competition and Consumer Commission, under the *Trade Practices Act*, are likely to have an increasing role in monitoring the media's commercial activities under a more deregulated system.

> Both nationally and internationally, evidence suggests that quality, pluralism and diversity in the media can only be achieved through diverse ownership (MEAA 2006).

Australia ranks surprisingly low on a world scale of press freedom. One reason is the state of crossmedia ownership. Despite regulatory mechanisms, Australian media are among the most highly concentrated in the world.

The distribution of media ownership in Australia

RSVP, the *Sydney Morning Herald*, and *Big Brother*, have something in common. They are all owned by the media company Fairfax. What unites *Sky News*, *Cleo*, *Dolly*, *Better Homes and Gardens*, Ninemsn, Crown, and Ticketek? The Packer company PBL (Publishing and Broadcasting Limited) owns them.

Notice how each media owner has acquired diverse kinds of media. Notice the audience reach of each proprietorship. Two companies own more than half of Australia's newspapers: News Ltd owns 30–35 per cent by circulation, and Fairfax owns 21 per cent. These two companies also control the press in all capital cities except Canberra and Western Australia, and, with three other major companies, they own most of the regional and suburban press.

Five companies own most of Australia's newspapers across city and country (APC 2006). Rupert Murdoch's News Ltd is the biggest, controlling 70 per cent of metropolitan newspapers and 23 per cent of the regional dailies (Communications Law Centre 2005). Australia's major media owners are:

- John Fairfax Holdings Ltd
- Rural Press (chairman John Fairfax)
- APN News and Media
- News Corporation (chairman Rupert Murdoch)
- WA Newspapers.

Three major companies own most of Australia's broadcast networks:

- Publishing and Broadcasting Ltd (chairman James Packer)
- the Seven Network (chairman Kerry Stokes)
- the Ten Network (largest shareholder CanWest Global Communications)

Other extensive media organisations include Southern Cross Broadcasting, Prime Television, Village Roadshow Ltd, WIN Corporation and Australia's largest radio network, DMG Radio. Australia had 215 commercial radio operators and 47 television licence holders in 2003. The largest of these is the Nine Network, dominated by the Packer family. Telstra Corporation owns 50 per cent of Foxtel and Big Pond Internet Services.

According to A. C. Nielsen, around 20 per cent of Australian households (or 1.4 million) now have pay TV subscriptions; by September 2002, there were 3.9 million household Internet subscribers.

Despite the digital revolution and Internet access, Australian Communications and Media Authority research indicates that 'most people still rely on traditional media as their source of news and current affairs'. The ACMA research showed that 88 per cent of survey respondents used free-to-air television for news and current affairs, 76 per cent used radio, 76 per cent used newspapers, 10 per cent used pay television, and 11 per cent used the Internet.

Global trends

The traditional distributors of media information, the media owners, no longer exclusively own the means of production and distribution. This explains why corporate media are consolidating interests in film, broadcast, print, entertainment, sport, journalism, public relations, and networked communication.

Seven media conglomerates own more than 90 per cent of media in the United States:

- Disney
- CBS
- Time Warner

- News Corp
- Bertelsmann AG
- Viacom
- General Electric.

Other big media companies include Sony, TCI, Universal, NBC and Polygram. Among them all, they produce television, magazines, newspapers, films, books and music. The US *Telecommunications Act 1996* removed limits on how many stations one firm could own, and so the largest radio conglomerate in the US has gone from owning about 40 stations to 1200 (Nichols 2004). Five media firms now control the majority of television content. Some 281 of 1500 US newspapers remain independent (Nichols 2004):

> There is a battle today between journalism and big media, being fought in every country on the planet. We are fighting to determine whether the media will be defined by the quality of journalism or by profit for profit's sake.

The European media landscape is dominated by Axel Springer AG, which owns more than 150 newspapers and magazines in more than thirty countries. The other large European conglomerates include Bertelsmann and Italian Prime Minister Silvio Berlusconi.

The same considerations govern media ownership rules in most Western democracies. The differences lie in the extent of regulation. Governments in the US, the UK and Canada have recently reviewed media ownership policy. Controversially, most reviews have resulted in mergers and reduced limits on proprietors but louder protests from journalists.

> Joseph Stalin, a media critic of some note, once suggested that starving Ukrainians ought to be fed grass because, while grass was not nutritious or healthy, it could fill their stomachs and give them the sense of having been fed. That is what the media in many markets has become. It feeds readers, listeners and viewers a steady diet of the media equivalent of grass. People feel as if they are partaking of news, but they are actually starved for information (Nichols 2004).

Washington correspondent for *The Nation*, New York, John Nichols, says big media will always sacrifice truth for content. 'Profit will always trump principle'. Nichols (2004) predicts 10 ways big media leads to smaller journalism: cutting costs, eliminating people, eliminating quality, reducing coverage of government agencies, shutting down investigative projects, de-emphasising international coverage, piling more responsibilities on fewer reporters, focusing on celebrity gossip, discouraging controversial reporting, and filling news stories with tips from corporations with something to sell.

> There is no necessary connection between diversity of ownership and diversity of views. For example, it is possible for different licensees to broadcast the same networked program material. Alternatively, a single proprietor could maintain separate newsrooms for each of their media outlets (Jackson 2006).

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