Media landscape on hold

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The decision by the federal government to defer consideration of its media policy until the next election stems largely from the cleft stick it has got itself into by trying to trade off favours between the two moguls – Packer and Murdoch.

Certainly the reasons given publicly by Prime Minister Howard and Communications Minister Alston – that the government needs to focus attention on a range of other more urgent matters – also partly explain the deferment. However, media change was never going to be easy, especially because of the posturing carried out by Howard and Alston while in Opposition, when they accused Labor of doing deals and kowtowing to the reality of the enormous political influence wielded by the moguls.

Then there's the government back bench and opposition in the Senate which will make favours for (would be) mates a very drawn out affair.

All indications had pointed to the federal government wanting to soften up the media regulatory process either by easing restrictions on foreign ownership of Australian media, or by watering down domestic cross-media ownership limits, or both.

Murdoch & Packer

Scrapping or easing cross-media rules would let Packer increase his current 15 per cent interest in Fairfax; and then there's Murdoch. The government's need to keep both moguls happy would also require raising foreign ownership limits on television to allow Murdoch have more than his current 15 per cent in the Seven Network. It's doubtful the government would favour one mogul over the other and risk the likely political savaging.

Murdoch wants an Australian outlet for his Fox Studios. Packer is seeking massive economies in merging his magazine interests with those of Fairfax and panning the rewards from the group's 'rivers of gold' advertising fortunes.

Although Seven's major shareholder, Kerry Stokes, would not be happy to see Murdoch increasing his board vote, the major cultural change in the Australian media would likely come from Packer's desire to increase his share of Fairfax.

Fairfax's future unclear

Whatever course the government may eventually seek to take, Fairfax is in the firing line for a radical shake-up in its ownership. Currently the major shareholder in Fairfax is the New Zealand based Brierley Investments (25%), with Bankers Trust holding 15 per cent. Ron Brierley picked up Conrad Black's 25 per cent share in Fairfax when the Canadian publisher quit the scene late last year, frustrated as a foreign investor at being unable to increase his shareholding.

Whether Brierley will be interested in holding his Fairfax share, or whether he is seeking more short-term speculative gains, is presently unclear, and somewhat obfuscated by the delay in any proposed changes to Australian media regulation.

The Packers' Publishing and Broadcasting Limited (PBL) is certainly interested in Fairfax. PBL would need changes to the Broadcasting Services Act which currently prevents it from having major interests in television and newspapers in the same licence areas at the same time – despite David Flint – current head of the Press Council and anointed to be next head of the ABA – having recently told the ABC's *7.30 Report* that Packer could move on Fairfax now without breaching the rules.

Kerry Stokes is also a possibility. Although Stokes, who is the only West Australian media entrepreneur to have survived the 1980s asset bust, is a cautious investor and probably has his hands full with the *Canberra Times*, the Seven Network, Seven's recent purchase of MGM, the AFL's Docklands development, and the need to keep at bay a possible desire by Murdoch to move on Stokes' major shareholder status in Seven.

On the other hand, relaxing foreign ownership regulations could see Black's re-entry, or the entry by organisations such as UK group Pearsons, which publishes the *Financial Times* and *Wall Street Journal*, and which has long been interested in the *Australian Financial Review*.

Even Rupert Murdoch has long cherished the thought of owning Fairfax, but that would only be possible after massive divestment of the Murdoch Australian newspaper holdings to dilute its current print monopoly. But who knows, even that may be acceptable these days.

The Federal Coalition likes to think of itself as a government of change, after all.

Future role for ABA?

The question is though, are shifts in media regulation a recognition of the current economics of media management or are they a return to the dark ages? The answer is complex, but the means by which much of this change will be possible may ultimately focus to some extent on one man – lawyer Professor David Flint, who until now was head of the archly conservative Press Council.

The announcement in July this year that Flint would be new head of the Australian Broadcasting Authority is perhaps an indication of the government's desire for dry, free-market thinking to dominate media policy.

Until the recent announcement that the government was putting media policy on the backburner, it was widely thought that Flint's Australian Broadcasting Authority would become the vehicle for change, by taking over the monopoly watchdog role on media from Professor Allan Fels' Australian Competition and Consumer Commission, and the foreign investment guidelines from the Foreign Investment Review Board.

Both the ACCC and FIRB are overseen by the Federal Treasurer, and it was unclear whether Treasurer Costello would have been happy for specific media provisions to have slipped from these current agencies.

Fairfax culture

What is clear is that changes either to domestic ownership laws, foreign ownership limits or both could see the final break-up of not only the three major Fairfax mastheads, but the important culture which has developed at Fairfax over the past century or so. The danger is that few lessons have been learned over the past decade about the special nature of the Fairfax organisation.

Fairfax publishes the country's smallest but most profitable newspapers – *The Sydney Morning Herald*, the *Age* and the *Australian Financial Review* – but has been somewhat rudderless for the past ten years, since Warwick Fairfax, the maverick son of Lady Mary Fairfax, tried to privatise the publicly listed family company in 1987.

Warwick's attempt to privatise failed, partly because the 27 year old Harvard business graduate didn't calculate on the October 1987 stock market crash which virtually demolished assets he needed to sell to finance his pre-crash price offer on the Fairfax shares.

The other reason for Warwick's failure was that he didn't recognise the importance of the principle of editorial independence which had operated as the culture in Fairfax almost since the dynasty was established a century and a half ago.

Arguably it was that culture which was hostile to the attempt by the so-called Tourang syndicate of Kerry Packer and Conrad Black to subsequently pick up Fairfax in 1992 after it had been in receivership for several years following Warwick's rapid exit from the bourse and country.

Packer's alleged association with Black was lambasted by Fairfax journalists and many concerned citizens, and overtook a major joint parliamentary inquiry into the general state of media ownership in Australia, chaired by Labor backbencher and later Communications Minister Michael Lee.

As a result Packer pulled back and Black went alone to pick up 15 per cent of Fairfax in 1992. The Canadian publisher, who also owns England's *Daily Telegraph*, then successfully pushed the Keating government to increase the FIRB limit on foreign ownership of Australian newspapers from 15 to 25 per cent.

Not content either that 25 per cent gave him sufficient control over the company, or that he could push this limit higher, Black sold his Australian investments in November 1996 and left the country.

But that was another political and economic era.

With convergence dominating media technology and ownership policy, and despite the deferment of political action until after the present term of the Howard government, the agenda remains wide open. ■