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Change is in the air

Australian Broadcasting Corporation

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Reporter: **Greg Hoy**

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There's growing trepidation across the media sector as the government finalises changes to the 'anti-siphoning list' - the law dictating which national sports must be broadcast on free to air television stations and which are allowed to sell broadcasting rights to pay television.

Transcript

TRACY BOWDEN, PRESENTER: With an announcement imminent in Canberra, there's growing trepidation across the media sector as the Government finalises changes to the Anti Siphoning List, the law dictating which national sports must be broadcast on free to air television stations and which are allowed to sell broadcasting rights to pay TV.

There's been strong speculation that looming changes in the rules may have something to do with the recent raid on Channel Ten's share register and board by James Packer and Lachlan Murdoch.

Laws governing media ownership limitations are also about to be reviewed and there are critics who argue change is long overdue.

Business Editor Greg Hoy reports.

(Masterchef opening segment plays)

PRESENTER: Welcome to junior Masterchef...

GREG HOY: Junior chefs have been a smash hit on Network Ten and now junior management is taking charge of the boardroom.

Two scions of Australia's once rival media dynasties - James Packer and Lachlan Murdoch have joined forces and outlaid \$280 million for 18 per cent of Ten. But with lingering memories of that disastrous investment in One.Tel - which cost their media dynasties \$1 billion - debate has mostly focussed on the wisdom of their latest move.

ROGER MONTGOMERY, MARKET ANALYST: Channel Ten has increased its profits over the last decade by about 4.5 per cent per year. That's about the rate of inflation or about the rate of income and population growth in Australia.

So the results aren't spectacular and that's why you've seen over time these assets are really the play things of the rich and famous.

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GREG HOY: The rich young raiders soon forced the resignation of the network's chairman Nick Falloon under whose direction Ten was soon to expand both its news and sports coverage through its new free to air multichannel One.

James Packer and Lachlan Murdoch have made it known they oppose both these news and sports strategies on business grounds, suggesting they cost too much and wouldn't make enough money.

Neither were prepared to discuss this in interview, but the sensitive question for regulators is, what possibility is there for anti-competitive action by these two to protect their conflicting business interests? And an even bigger issue for policymakers per se - even before you consider his family interests, Lachlan Murdoch has extensive radio and regional TV interests, so is the Channel Ten move in the public interest?

(Series of TV show intros)

SENATOR SCOTT LUDLUM, GREENS COMMUNICATIONS SPOKESMAN: These networks bring with them political clout and we've seen media proprietors from Packer and Murdoch families and those dynasties in the past very happy to use that political clout and none of this is in the public interest.

STEPHEN MAYNE, SHAREHOLDER ACTIVIST: Well, I think the Murdoch family have long been the most dominant and influential media proprietors in Australia. And when you've got close to 70 per cent of the newspaper market, management control over the dominant pay TV provider in Foxtel, a big magazine empire - throw in a stake in Channel Ten, board representation and clearly you've got a situation of, I believe, excessive market influence.

ROGER COLMAN, MEDIA ANALYST, CCZ STATTON EQUITIES: Really, this is a moving feast where the ACCC's got to start looking at the same way as the Office of Fair Trading has done in the UK.

GREG HOY: The leading Australian media analyst Roger Colman of CCZ Statton Equities.

Now in the UK that same family - the Murdoch family - is essentially allowed to own newspapers, were prevented from owning significant, controlling or strong minority interest in ITV, the free to air broadcaster, and is even having trouble consolidating gaining a majority interest in BSkyB.

The UK is not allowing it to go further so there's going to be a lot of pressure on the ACCC.

GREG HOY: One of three Murdochs on the board of News Corporation, Lachlan Murdoch previously served as chief executive of News Limited Australia. His replacement, John Hartigan, was not available for interview, but News issued the following statement.

VOICEOVER: News does not believe competition issues arise from investment in free to air television and pay television.

In any event, as one of 17 directors in News Corporation, Lachlan Murdoch does not influence the management of its subsidiary in Australia.

GREG HOY: But complicating what constitutes control is the increasing interrelationships of the media corporations.

In news and sports et cetera, free to air Channel Ten is meant to compete not only with other free TV, but with Australia's highly profitable pay TV network Foxtel.

But here, the Australian subsidiary of Rupert Murdoch's News Corporation - of which son Lachlan remains a director and, of course, an heir owns 25 per cent - appoints Foxtel's management and owns half of Premiere Media, which buys sports rights to supply Foxtel's sports coverage so vital in attracting subscribers for Foxtel.

Meantime, James Packer's Consolidated Media also owns 25 per cent of Foxtel and the other half of Fox Sports supply company.

Then Kerry Stokes company, which effectively controls the Seven Network, has bought heavily into James Packer's Consolidated Media to secure a hearty share of Foxtel's pay TV spoils.

Then there's Channel Nine, or PBL - 33 per cent owner of Foxtel's news service Sky News - now run by James Packer's best man - and vice versa - David Gyngell, who's also a director of Mr Packer's lucrative gambling empire Crown.

So does all of this make for competition or collaboration?

For starters on the soon to be negotiated broadcast rights for the AFL and National Rugby League, which is itself already half owned by News Limited.

STEPHEN MAYNE: I think that is troubling for competition because they may all come to an arrangement that could potentially suppress the price.

There are problems around Channel Ten in particular. Even things like bidding for sports rights where Channel Ten runs Channel One, a specialist sports program on free to air, and Fox Sports and Foxtel would love that to be shut down.

GREG HOY: Coincidentally, all of this is happening just as the Government's finalising its review of anti siphoning laws, which prevent key sporting events being siphoned off onto TV you must pay for.

The Government's long said it would allow important sports events to be aired on new free to air multi-channels like Ten's sports Channel One, which Mr Packer and Mr Murdoch would now like to strip of its sports specialty.

But what say if the Federal Government was hardline, insisting major sports remain on free TV? Would Government fear the wrath of an increasingly cozy coterie of media magnates with a keen interest in making pay TV... well, pay.

STEPHEN MAYNE: The Murdochs in particular can be aggressive in their media coverage and at the moment they're being pretty savage on the Labor Party and the Gillard Government federally.

GREG HOY: In its response, News Limited stated:

VOICEOVER: Newspapers owned by News Limited can be aggressive, but that is because editors take their tole of scrutinising government policies and programs very seriously.

GREG HOY: Roger Colman insists that his is not an attack on Mr Murdoch, more a concern for the future. The danger illustrated, he says, by empirical studies from Oxford and Harvard Universities suggesting media can easily influence the very outcome of elections.

ROGER COLMAN: Some of the influences go towards 7 to 9 per cent of voting intentions. Now, you look at 25 polls in Australia since 1949, 40 per cent have been won on two party preferred margins of 2 per cent or less.

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GREG HOY: Of further concern to critics is that large media players have extended their reach into the online environment, which was meant to dilute concentration of media ownership.

ROGER COLMAN: The diversification that the Internet was supposed to bring has not occurred to any significant extent to date.

GREG HOY: After developments at Channel Ten, how soon might we expect contemplation of all this by the competition regulator?

Well, the ACCC told us it's awaiting a submission from James Packer's company. No mention of the Murdoch matter.

So while changes to Network Ten proceed and anti siphoning details are finalised, don't hold your breath the ACCC might soon deliver its assessment.

Communications Minister Stephen Conroy was not available for comment either, though the Government will soon announce its all important Convergent Media Review Panel. As all publishing and broadcasting converges online, this panel will seek submissions on future ownership of Australia's media to decide what can be controlled, and what can no longer be controlled.

SENATOR SCOTT LUDLUM: I think we made grave decisions in the last 10 or 15 years that has allowed this enormous concentration in the hands of a very few people of media organisations in Australia.

This will be a good opportunity to pull that apart and take a look at whether that's good for the diversity of democracy and for debate in this country and I suspect it's not.

STEPHEN MAYNE: I think the ACCC and the Federal Government need to be stepping in here.

GREG HOY: Not surprisingly in its response, News Limited disagreed:

VOICEOVER: Competition in Australia is already well regulated by the ACCC.

GREG HOY: In the end, it seems, the Government's imminent media ownership review, like the anti siphoning review, is another minefield in the making.

TRACY BOWDEN: Business Editor, Greg Hoy there.

