

# THE AUSTRALIAN

## Let market forces determine the future of media

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**A STRANGE thing happened to the "public interest" test for media ownership as it made its way from the Productivity Commission's 2000 broadcasting report to Stephen Conroy's 2012 Convergence Review. The PC designed the test to apply only to major media mergers. But with little discussion and less explanation, the Convergence Review, while citing the PC report as the authority for such a test, expanded it to cover mere changes of ownership.**

As a result, any substantial shift in Australian media ownership would require regulatory approval, even if it did not involve one media company taking over another and so had no effect on market concentration. And to make matters worse, the Convergence Review proposed the test apply to all "content service enterprises", with a definition stretching from websites to the largest media entities.

Some of the consequences would verge on the absurd. Ownership of the publishers of those magazines found at supermarket checkouts - which cover, with the passion normally reserved for the spectre of thermonuclear war, the latest starlet's success in shedding 20kg by adhering to a strict regime of bat guano - would be more tightly regulated than that of producers of explosives, pharmaceuticals or poisons.

Other consequences, however, would be no laughing matter. So uncertain a test would inevitably discourage investment in the media, aggravating the difficulties confronting quality journalism. And the scope this test would create for government intimidation is obvious. A media organisation that got the government offside could find access to new capital blocked. As for investors with unpalatable views, they could be prevented from investing in the media on any substantial scale. True, the task of vetting shifts in control would fall to an independent regulator; but experience, most recently with Fair Work Australia and the Climate Change Authority, highlights the danger of governments using their powers of appointment to mould such a regulator's stance.

No wonder the PC, with all these risks in mind, suggested any public interest test would be unnecessary should the internet become a widely used source of information, eliminating bottlenecks that might otherwise threaten media diversity. Yet, just as that has happened, the Convergence Review proposes extending to all media acquisitions controls that have only applied to commercial broadcasting (where government policy limits the number of licences) and that do not apply in any other part of the economy.

That the Convergence Review's proposal could be taken seriously is therefore extraordinary. But with Gina Rinehart's acquisition of an 18.7 per cent stake in Fairfax driving Labor into convulsions, these are not ordinary times. The problem, Britain's Guardian newspaper succinctly explains, is that Rinehart has "extremely pronounced views on climate change and politics in general". And to add insult to injury, having poured hundreds of millions of dollars into a company galloping towards extinction, she seems determined to have a say over how its newspapers are run. Were that permitted to occur, the claim goes, Fairfax's readers risk being deprived of the content they crave, as its papers would be reduced to parroting Rinehart's abominations.

Even by undemanding local standards, this argument seems difficult to credit. It completely ignores the fact that publishing newspapers involves extremely high fixed costs. Those costs can only be covered by appealing to a broad audience, forcing papers to cater for a wide range of views.

It is true that in an ever more fragmented media, "echo chambers" can develop that attract an audience by merely confirming its prejudices. But it is far easier to play that role when generously taxpayer funded, as is the ABC's Radio National, than when commercial constraints apply. Indeed, the 13 per cent decline in circulation suffered by Fairfax's main mastheads since July 2009, and its share price's resulting collapse from \$5 in 2007 to below \$1 today, shows how little scope there is for major newspapers to rely on the echo chamber strategy to meet their costs. Far from shrinking Fairfax further, Rinehart's incentive is to retain its existing base while expanding circulation to a more diverse public.

But avoiding being an echo chamber should not mean lacking a point of view. In fact, the opposite is the case: the world's leading papers have invariably had a clear orientation. David Syme built Melbourne's The Age into the paper with the highest per capita circulation in the British Empire around its tireless advocacy of "tariff protection, abundant labour and cheap land". And Adolph Ochs, when he purchased the "failing and demoralised" The New York Times in August 1896, was forthright in declaring the paper would "intensify its devotion to sound money and tariff reform, opposition to wastefulness in public affairs, and

advocacy of the lowest tax consistent with good government."

Yet Ochs also stressed that the Times, to advance its cause effectively, had to "give the news impartially; make its columns a forum for all questions of public importance; and to that end, invite intelligent discussion from all shades of opinion." It was that broad church that allowed Ochs to raise circulation from 25,000 in 1898 to nearly 350,000 in 1920, justifying his investment in presses that fully exploited the economies of scale. And it was the paper's credibility that made it an enduring shaper of the US agenda.

Credibility, however, is as easily lost as it is difficult to secure. News International (a UK subsidiary of News Corporation, publishers of this paper) has learned that to its cost in Britain. And as a prominent executive of The New York Times said after the 2003 scandal that forced the resignation of top editors Howell Raines and Gerald Boyd: "They had to resign. Any company has to sell the credibility of its product. But a media company has nothing else to sell."

It is that brute economics, which will apply to Rinehart as much as to any other media investor, that best protects our market of ideas. No one could claim it is perfect. Yet it is a far more effective constraint than public interest tests and charters of editorial independence.

And it is far less capricious in its application too. That may not appeal to some in the Labor caucus, who would prefer a test that favours Labor's friends while punishing its enemies. But that only makes Thomas Jefferson's observation all the more compelling.

"It is", he said, "so difficult to draw a clear line between the abuse and the wholesome use of the press, that we have found it better to trust the public judgment, rather than the magistrate, with the discrimination between truth and falsehood. And the public judgement has performed that office with wonderful correctness." Amen.

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