

Widening media scandal in Australia

Big business pays millions to radio talkshow host**Our correspondent****31 July 1999**

A widening scandal has troubled mass media proprietors in Australia over the past two weeks. It began on July 12 when *Media Watch*, a weekly 15-minute media monitoring segment on the government-owned Australian Broadcasting Commission (ABC) television network, uncovered a multi-million dollar deal between the country's major banks and an influential radio talkshow host.

Media Watch somehow obtained a three-page memo prepared last October for an executive meeting of the Australian Bankers Association, whose membership comprises all the big banks, as well as smaller regional ones. It showed that all 12 member banks agreed to contribute, between them, \$1.2 million a year to John Laws, the morning talk-back host on Sydney's radio 2UE, in exchange for favourable on-air comments.

Laws, a right-wing demagogue who presents himself as a voice for ordinary people, is one of Australia's richest individuals. According to the *Business Review Weekly's* Rich 200 List for 1999, Laws is worth \$76 million and enjoyed a gross income of \$11.6 million in 1998 from his radio program—which is syndicated on 75 stations nationally—his five-nights-a-week *Laws* on Rupert Murdoch's Foxtel cable TV and royalties from Laws-branded products that include CDs, books and cooking sauces.

This estimate was made before the details began to emerge about his previously secret payments from the banks and a host of other big business interests.

Prior to the deal with the banks, Laws had for some years been one of the more vocal critics of their mounting billion-dollar profits, escalating fees, evictions of small farmers, foreclosures on small businesses, branch closures and shedding of tens of thousands of jobs.

To his daily audience of some two million, Laws presented himself as an opponent of bank profiteering. Then Bob Miller, Laws' close friend and business partner, made the banks an offer. Laws would read four advertising segments entitled "The Whole Story" each week, as well as provide favourable comments, without disclosing his contract. Bankers Association members were reassured that if news leaked out, they need not be concerned for their image, because "the approach has come from the Laws side".

"The objective is to reduce negative comments about the banks by John Laws from the present of four a week to nil; concurrently to receive positive comments from Mr Laws (over and above the paid advertisements) and by doing so shift Australia's perception of and attitudes towards banks. This shift would be measured by the association's ongoing tracking research," the memo said.

Laws' anti-bank editorialising immediately ended. He was transformed, almost overnight, into the industry's most earnest apologist. His former epithets, such as "Uncle Scrooge," were replaced with: "we do forget sometimes when we criticise them, that banks are made up of people too" and "banks make very big profits, but are they unreasonable about it?"

Maybe not, when you know the whole story."

Once the pact with the banks became known, other revelations followed. Clients who have received "advertorials" from Laws include Toyota, the Registered Clubs Association of NSW (which was lobbying to prevent hotels from breaking its monopoly over poker machines), RAMS Home Loans, Valvoline motor oils, Mortein, Ansett Airlines, Rosemont Estate Wines, Galaxy cable TV, Samsung, Arnotts, AMP insurance and the NRMA motorists' group.

Unbeknown to its several million members, the NRMA board has this year paid Laws \$300,000 and Radio 2UE \$790,000 to promote its financial services and its image "as being for mutual benefit of its members". This is precisely as the board plans to transform the organisation and its insurance business into a company—and float it on the share market—a plan opposed by most members.

Much remains to be revealed about Laws' business arrangements. But, so far, he is reported to have:

- * A \$200,000 a year contract with the Australian Trucking Association to boost this lobby group's campaign against fuel excise taxes.

- * A three-year \$660,000 deal to provide positive comments on the Australian Meat and Livestock Corporation.

- * An arrangement with Qantas Airlines, which earns him \$200,000 per annum plus four first class air tickets anywhere on the Qantas network.

- * A contract with Sydney's Star City Casino, including a clause barring Laws from criticising gambling.

Laws initially responded to the *Media Watch* revelations by denying the deal. He then claimed that no ethical problems arose because he was not a journalist but an "entertainer" and, in any case, one million dollars was "not a great deal of money".

Laws said he was being witchhunted by "evil people". ABC journalists were failures in life and jealous of his success. He mobilised support from many high-level friends, including John Brown, a former minister in the Hawke Labor Party government of the 1980s. Brown described those demanding action against the announcer as "pedigreed pooches" who were "yapping" at the announcer simply because "he happened to use his brains to turn a decent quid".

Further damaging information leaks, however, have proven that Laws' transactions are but the tip of the media iceberg. For a start, it soon became obvious that payments of substantial kickbacks for friendly live-to-air comments on radio are commonplace.

Alan Jones, another millionaire announcer from 2UE, portrays himself as the champion of "Struggle Street". Yet it emerged that he has a \$10,000 a week contract with Cable and Wireless Optus to provide favourable remarks. The contract—to promote the company's bid to break Telstra's dominance of the telecommunications market—will net Jones \$2.6 million over its five-year life. Jones also has a \$1 million a year deal with

Channel Nine, the TV network owned by Kerry Packer, Australia's richest man. In the contract, Jones guaranteed to deliver a pro-Packer editorial line.

These payments are not simply arrangements by individual announcers but involve the radio stations themselves. On July 22, for example, Sydney's *Daily Telegraph* published an internal 2UE staff memo directing all its announcers not to make any criticisms or use any "derogatory terms" against the McDonalds fast food chain. The memo was issued last February after the station secured a \$170,000 breakfast advertising contract with the company.

This week *Media Watch* broadcast a story on the activities of 5AD, a South Australian radio station. 5AD established an arrangement in the early 1990s whereby companies were given "industry authority status" in exchange for an annual \$30,000 fee. The station's news staff and live-to-air announcers would always contact those companies to provide "expert" advice or information on issues relating to their industry. When a former employee lodged a complaint with the Australian Broadcasting Authority, the government's media watchdog ruled there were no breaches of the broadcasting laws and advised the employee to take the matter up with the station's licensee.

The scandal has begun to spread beyond commercial radio. *Media Watch* also broadcast internal memos between the management of the government-controlled ABC and one of its best-known radio current affairs broadcasters, Peter Thompson, over his private business affairs. While conducting interviews and making news commentary for the ABC's Radio National, including its prime-time AM show, Thompson owns a business that provides media advice to corporate executives. Two other ABC employees are reported to be running media consultancies that could generate conflicts of interest. This includes Sydney TV announcer Richard Morecroft and the Radio 2BL station manager Peter Wall.

But it is the involvement of the banks with the right-wing radio talkback hosts that reveals most clearly, at this early stage of the media scandal, the actual relations between big business, the media and the political establishment.

The banks have become reviled among broad sections of the population in recent years. Their ruthless profit-making at the expense of ordinary people epitomises the growing gulf between the corporate elite and the majority of people, for whom life has become ever-more difficult.

To take just one example, it is worth reviewing the recent activities of the Commonwealth Bank of Australia (CBA), the former government-run bank that was privatised by the Labor government in the early 1990s. Last August, it announced plans to retrench 2,000 staff over the next two years, sending its share price soaring to a record high of \$20.75. It had already axed 7,500 jobs since 1995. Over the past 12 months it has closed 51 suburban and country banks, as part of a wide-ranging restructure.

The bank's response to the resulting outrage among its small customers, staff and rural communities has been contemptuous. Managing director David Murray last year described the objections to branch closures as a "political beat-up" and said people should be sending letters of congratulations to the banks for doing such a good job.

Likewise, Don Argus, the National Australia Bank chief, arrogantly answered protests over local bank closures and job losses by declaring that the banks could not afford "a bricks and mortar network for somebody who wants to go down and have a social experience at the local branch". His bank is in the process of eliminating 1,200 jobs, with the Australia New Zealand Bank cutting 2,000 and Westpac 1,000. In total, almost 10,000 full-time jobs have been eliminated since 1993-94.

The Labor Party and the trade unions have been complicit in the entire process of job cutting and "restructuring", making them indistinguishable, as far as the interests of ordinary working people are concerned, from the rest of the official political setup. The resulting disgust and alienation towards all the traditional parties has seen struggling farmers, small

business operators, rural workers and other working people seeking other channels to voice their concerns.

Radio talkback hosts such as Laws and Jones have advanced themselves as some kind of alternative, solidarising themselves, on air, with the resentment and anger of the "battler". Like all populist demagogues, they have seized upon these sentiments in order to channel them into a right wing and reactionary direction. Their inflated influence, to date, is largely an expression of the lack of a mass political movement advocating a socially-progressive solution to the crisis.

In fact, these radio hosts played a crucial role in propelling Pauline Hanson's racist One Nation party into national prominence, in the aftermath of the 1996 federal elections. They spend hours on air attacking immigration, blaming new arrivals for the lack of jobs and social facilities. They scandalise so-called welfare abuses by single parents, Aborigines and the unemployed. "Law and order" campaigns to boost police numbers, extend prison terms or demand the return of the death penalty are their daily fare. Listeners who phone in to back their comments are then cited in the mass media as evidence of widespread support for increased police powers and crackdowns on welfare spending.

The major political parties all recognise the political value of talkback radio. Leading politicians of all persuasions have seized upon it in an effort to boost their own sagging political stocks and to prosecute their corporate agenda.

Prime Minister John Howard, for example, regularly uses appearances on Jones' and Laws' programs to make policy announcements and give exclusive interviews. In effect, he launched his re-election campaign last year on Laws' show. His Labor Party predecessor Paul Keating had a similar relationship with Laws.

The current New South Wales Premier Bob Carr, another Labor Party leader, has been on close terms with Laws for years. According to one report published last week, when Carr was leader of the state Opposition his office staff often wrote Laws' radio editorials as well as his weekly column in the Sydney *Sunday Telegraph*.

The *Media Watch* exposure of Laws' business operations produced an initial flurry of press comment. Some rival talkshow hosts and competing radio stations, anxious to distance themselves from the scandal and maintain ratings, lambasted Laws and claimed his dealings were an individual problem. One Melbourne announcer declared they were a Sydney practice. A rival Sydney talkshow host denounced Laws for accepting "hush money". Concerned newspaper editorials and statements appeared, warning that corporate payoffs were undermining press "integrity" and public confidence in the media.

Typical was the Murdoch-owned *Australian*, which editorialised on July 21 that talkback audiences had been "mugged by cynics" and that Laws' deal with the bankers was a "none-too-subtle form of blackmail". It concluded: "The several inquiries into talkback radio, sparked by the banks and Laws will do us all a service if the medium is exposed for the fraud much of it is."

But these strong words were rapidly dropped as the scandal widened. On July 24, just three days after Murdoch's editorialists had urged the full exposure of talkback radio, the editorial line at the *Australian* changed dramatically. Opposing any full-scale investigation, the *Australian* warned that "free speech" could be undermined by "ill-considered prescriptive action". In particular, it was concerned about John Laws' right to "free speech". (One might wonder whether the word "free" is appropriate, given that most of Laws' "speech" appears to be very well paid for indeed.)

But the newspaper was now adamant. Laws' actions, its editorial declared, were "not new, nor are they unique within the radio industry" and therefore a response was, "not urgent, and must not be thoughtless". Laws would be constrained, but "remedies lie with his audience and employers". It was "the right of the employer [2UE] to determine if Laws

has breached the station's code of conduct and to decide on suitable action."

"It surely does not require the whole panoply of official investigations to determine whether work guidelines have been broken. And it certainly is not the role of members of parliament to determine Laws' right to speak on any issue he likes within the law."

The editorial switch gave some indication of how much is at stake for the media proprietors if the affair triggers a broader examination of the role of the mass media. For, although Laws has a certain influence, he is a small player compared to the Murdochs of the world, and even the Packers, whose business-financed media empires are virtual arms of corporate opinion and government policy.

In the short term, no less than six official inquiries have been announced to deal with the Laws scandal. Those conducting investigations include 2UE, the Australia Broadcasting Authority, the NSW Director of Public Prosecutions, the Australia Competition and Consumer Commission, the Australian Bankers Association and the federal parliamentary Standing Committee on Economics, Finance and Public Administration.

The Australian Broadcasting Authority inquiry can subpoena witnesses and investigate broadly but, as illustrated by its response to 5AD's sale of editorial comment, is little more than a rubber stamp for the media giants. The Keating Labor government in 1992 diluted its limited powers. Under Labor's amendments, a radio station can have its license revoked only if it ignores a complaint, ignores an ABA ruling on a complaint or ignores an order by the ABA to abide by a ruling.

Whatever emerges from the various investigations, none of the above bodies will examine the political part played by figures such as Laws, nor the underlying role of the business-controlled mass media. In fact, the main concern of such inquiries will be to restore its credibility.

An indication of this concern was voiced last week on the ABC TV program *Lateline* in a panel discussion that included Professor David Flint, the chairman of the Australian Broadcasting Authority. One panelist was Max Markson, who is a business agent for several talkshow hosts. He baldly defended Laws' contracts, declaring that he, Markson, was constantly arranging such deals. There would always be companies "prepared to spend millions to change public opinion," he said. "This is the market, this is how it works."

These comments drew a concerned response from another panelist, Robert Manne, a La Trobe University academic and political commentator. "The purchase of journalists will be dismaying to ordinary citizens, who will think all the time they are being gulled and conned," he cautioned.

"I can't think how it is possible, in the long term, to maintain something that looks like a democracy under these conditions. Society would be simply a place where the powerful could use their wealth to do virtually what they want and decent people would turn away in disgust from the media."

The Laws scandal provides just a small window into how big business creates and shapes public opinion every day. Manne, a more astute observer, has sounded a note of warning: a society where the powerful too blatantly "use their wealth to do virtually what they want" runs the risk of losing all political legitimacy in the eyes of broad masses of people.



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