

Murdoch's News Corporation scrambles to defend its media interests in Australia

Patrick O'Connor
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Rupert Murdoch's News Corporation is engaged in a frenzied defence of its media interests in Australia in the wake of the *News of the World* phone hacking scandal.

Labor Prime Minister Julia Gillard tentatively suggested last Wednesday that News executives in Australia had some "hard questions" to answer. Even as she refused to explain what these questions were, the various Murdoch newspapers issued thunderous denunciations, backed by opposition leader Tony Abbott, who accused Gillard of "smearing a perfectly good organisation." At the same time, the Murdoch press has expressed outrage over the prospect of new privacy laws and a parliamentary inquiry into media ownership and regulation.

Behind the sound and fury lie definite commercial rivalries. Murdoch is currently attempting to secure permission to take over rival pay-television network Austar, and is pressuring the Labor government to approve its bid for control of the Australian Network, a publicly-funded broadcaster that airs in Asia and the South Pacific. Both proposals are now in doubt as a result of the phone hacking affair.

In Britain, Murdoch's News International has lost its £12 billion (\$18 billion) bid to secure complete control of the BSkyB satellite channel. There is no doubt that the scandal has been fuelled by longstanding animosity between News International and rival British newspapers—including the *Guardian*, which pursued the phone hacking investigation after police dropped the matter—and the BBC. James Murdoch devoted much of a major speech in 2009 to denouncing the publicly funded BBC for cutting into News's market share. (See "Commercial rivalries underlay conflict with Murdoch's media empire")

While a comparatively small market, Australia remains a significant base of operations for News Limited, which has a secondary share listing on the Australian Securities Exchange (ASX).

The "Dirty Digger" became an American citizen in 1985, in order to expand his business interests in the US, but he maintains close control over the editorial content of his Australian newspapers. He has wielded extraordinary political power in Australia for decades. Labor and Liberal leaders alike have grovelled before the media baron, implementing whatever dictates News Limited issues. When Gillard made time for a private lunch with Murdoch in New York during her trip to the US last March, she was only the latest in a long line of

prime ministers beating a path to his door.

Australia has the most concentrated media ownership of any economically advanced country, largely due to the watering down of media ownership laws by successive Labor and Liberal governments, at News Limited's insistence. Seventy percent of the country's newspapers are Murdoch-owned, including local "community" newspapers, city-based tabloids, and the only national broadsheet, the *Australian*.

As in Britain and the US, Murdoch uses his media holdings to push a "free market" economic program that benefits big business and the ultra-wealthy at the direct expense of the working class. Many of his publications feature sensationalist coverage of various celebrities, alongside pseudo-populist right-wing campaigns, from demands for "law and order" to chauvinist denunciations of refugees, Aborigines, Muslims, and welfare recipients. Such filth is consciously utilised in order to debase political and cultural life, desensitising the population, and diverting social discontent into reactionary channels.

The *News of the World* scandal has coincided with an ongoing strategic shift within News Corporation away from a focus on its newspaper division—which now delivers around just 6 percent of the company's revenues—towards television, film, and internet-based news and entertainment.

In Australia like in Britain, Murdoch is seeking to extend his pay TV interests. News has a 25 percent stake in Foxtel, which dominates the pay TV market. Last May, the company announced a \$2 billion takeover bid for rival Austar, a smaller provider that has a customer base in regional and rural areas. If successful, the takeover will give Foxtel a 97 percent share of the Australian pay-television market.

The move was nevertheless expected to be approved by the Australian Competition and Consumer Commission (ACCC), which has the power to block corporate mergers and takeovers. Yesterday, however, the ACCC announced it was postponing a decision on the Austar bid until September. The commission indicated that it had serious concerns over the proposal, which it said would "create a near monopoly subscription television provider across Australia." Austar's shares plummeted on the news—at one point yesterday they were down 20 percent. News Corporation's ASX-listed shares also fell by more than 2 percent after the ACCC statement was released.

The timing of these developments, and the clear parallel with

Murdoch's failed takeover of BSKyB in Britain, compelled ACCC chairman Graeme Samuel to insist that the phone hacking scandal "has nothing to do with it [the Foxtel decision] at all, not even a consideration."

In reality, the *News of the World* affair now hangs over every commercial and regulatory issue affecting Murdoch's interests. It now appears increasingly unlikely that Sky News—one-third owned by BSKyB and headed by News Limited CEO and chairman John Hartigan—will win its bid for control over the Australia Network, which broadcasts to 44 countries in Asia and the Pacific and is currently run by the publicly-owned ABC.

An independent panel of public servants, responsible for reviewing the rival bids for the \$233 million contract, reportedly endorsed Sky over the ABC earlier this year. The *Age* has reported that the Labor government then "made an extraordinary intervention," reopening the tender process last month in order to block Sky. The Department of Foreign Affairs and Trade, now run by Foreign Affairs Minister Kevin Rudd, who was ousted as prime minister last year in a coup supported by News Limited, was initially responsible for awarding the contract. The decision, however, was postponed until September and has now been assigned to Communications Minister Stephen Conroy, subject to cabinet approval.

Last week, News Corporation retaliated with front page stories in the *Australian* of alleged "inappropriate" lobbying of Gillard government ministers by ABC chief executive Mark Scott and corporate affairs director Mick Millett.

Sydney Morning Herald journalist Hamish McDonald responded caustically on July 16: "It's wonderful shock horror. Reliable sources say the indignant News Ltd itself has hosted the Foreign Minister, Kevin Rudd, at its headquarters at least twice in recent months, in the period when Rudd and his department had sole carriage of the Australia Network decision, until it was taken off him and transferred to the Communications Minister, Stephen Conroy, by cabinet colleagues appalled at Rudd's flagrant courting of News's favour. Until then, *the Australian* had noticeably softened its routine excoriation of the former prime minister, with columnists suddenly finding much to praise in his deft and professional handling of diplomacy... News is understood to have offered the services of Sky's worldwide connections to promote Rudd's other goal of getting elected to the United Nations Security Council."

Whatever Rudd's motivations and manoeuvres, the furore over the Australia Network tender points to the geo-strategic sensitivity of the decision. There is clearly enormous opposition within ruling circles to Murdoch getting his hands on an important instrument of Australian imperialist propaganda in the region.

News Corporation has its own agenda in bidding for the Australia Network. The central aim is not to generate profit—the Seven Network lost money when it was given control of the broadcaster between 1998 and 2002—but to increase the company's presence in Asia, and, above all, to extend its operations in China. Murdoch has spent substantial time and money in the last decade attempting to win favour with Beijing and expand his media empire into the largest market in East Asia. According to the *Age*, Sky's bid for the Australia Network

features "an aggressive bid to expand Australia's presence in China", including a proposal for a "dedicated channel for China to run separately from the rest of the network as a way of expanding Australia's reach in the Asian powerhouse."

In an extraordinary speech delivered two years ago, ABC chief executive Mark Scott bluntly asserted the need for the Australia Network to serve Canberra's interests in the region. "Both Australia Network and Radio Australia represent a significant public investment in public diplomacy objectives," he declared. "When you look at the expansion of international broadcasting as an arm of soft diplomacy, governments are using their public broadcasters to do this work. You shouldn't outsource your diplomatic efforts."

Scott warned that rival powers including Japan, France, and Germany were investing far more money than Australia was in developing publicly-funded networks specifically targeting China and East Asia. "What is interesting is not only the scale of these investments, but their focus and intent, which is squarely to Australia's north," he concluded. "They represent an attempt to build a presence, for a voice to be heard, to entice and attract at the very heart of what will be the Asia-Pacific century... we need to ensure our voice is heard clearly and strongly amidst the increasing clamour."

The struggle for control of the Australia Network is another indication of the extent to which the *News of the World* scandal is being fuelled by commercial and strategic rivalries that are deepening around the globe.

The author also recommends:

Socialist Equality Party public meeting in Sydney:

The crisis of the Murdoch empire and its implications for the working class

Wednesday, August 3, 7pm



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