The year of the accountant

ABSTRACT

While the news media in New Zealand—and internationally—continued to search for their place in the increasingly digital world in 2007, the names of the companies which dominate them in New Zealand—Fairfax, APN News and Media (ANM), MediaWorks, News Corporation—remained stable. Yet even there, changes in who controls the purse strings were intensifying the commercial drivers that frequently conflict with the social needs we have for news and information. These drivers led to job losses in news rooms and intensified moves to rationalise production, in ways that aroused concern in the industry about the quality of the news available to New Zealanders. If it was the year of anything for New Zealand media, it was the year of the accountant. This review of the year 2007 surveys what happened in each media sector, and takes a closer look at the changes in the owners and their companies.

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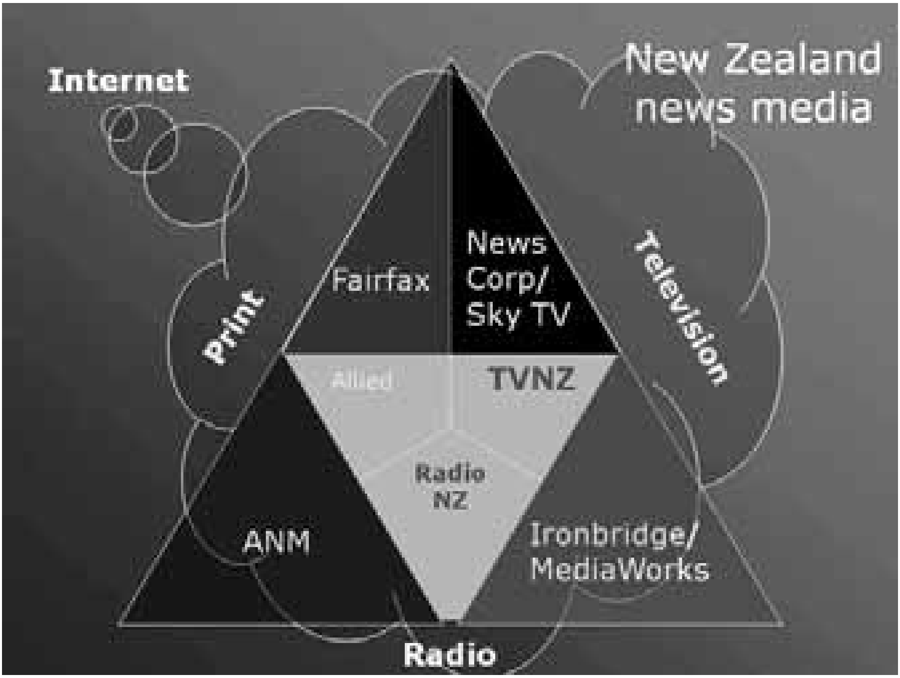
Introduction

FOUR companies, all overseas owned, dominate the New Zealand news media. There is a near duopoly in two of the three main media—print and radio—a monopoly in pay television, and only three significant competitors in free-to-air television including the state-owned channels.

In 2007, John Fairfax Holdings Ltd owned newspapers which had nearly half (48.3 percent) of the daily newspaper circulation in New Zealand. Its main newspaper competition was from APN News and Media (ANM), which had 42.8 percent of the daily newspaper circulation in 2007 (28.1 percent of which came from the *New Zealand Herald*, the largest circulation daily newspaper in New Zealand) and substantial radio holdings. In addition they



Graphic: BILL ROSENBERG 2008

had extensive and increasing ownership of community newspapers, and magazines. ANM's main competitor in commercial radio was MediaWorks, owned by Australian private equity corporation Ironbridge. MediaWorks owned the other of the two largest radio networks, and two television channels. Its competitors in television were state-owned television, plus the News Corporation controlled Sky Television, which had a monopoly on pay television and also owned Prime Television.

While the news media in New Zealand—and internationally—continued to search for their place in the increasingly digital world in 2007, the names of the companies which dominate them—Fairfax, APN News and Media (ANM), MediaWorks, News Corporation—remained surprisingly stable. Yet even there, changes in who controls the purse strings were intensifying the commercial drivers that frequently conflict with the social needs we have for news and information (Rosenberg, 2008). These drivers led to job losses in news rooms and intensified moves to rationalise production, in ways that aroused concern in the industry about the quality of the news available to

New Zealanders. If it was the year of anything for New Zealand media, it was the year of the accountant.

This review of the year 2007 first looks at what happened in each media sector, and then takes a closer look at the changes in the owners and their companies.

Media sectors

Newspapers

The daily and weekly newspapers continued their steady circulation slide (New Zealand Audit Bureau of Circulations (Inc.), 2007). At the same time (discussed in more detail in the section on the Internet below) they were leaking advertising to the digital realm. The two dominant newspaper chains, ANM and Fairfax, reacted in different ways to reduce costs and to take on the new digital competition by joining it. The internet became a major part of their current operations and future plans.

As Table 1 shows, in the year to September, all the dailies with circulation over 25,000 either just held their own or lost circulation. Only Fairfax's Christchurch *Press* (0.02 percent increase), Hamilton's *Waikato Times* (0.11 percent increase) and New Plymouth's *Daily News* (0.06 percent increase) held their own in 2007—and then only by the skin of their teeth. The situation looks even worse if New Zealand's 2007 1.02 percent population growth is taken into account (Statistics New Zealand, 2007)[1]—most of which is occurring in the over 15 age groups. None of the newspapers have managed to hold their potential readership except the *Daily News* in the face of falling population in Taranaki. Over the last five years, only the *Waikato Times* has not lost circulation, and again that is against a background of a national 6.85 percent population increase, virtually all of which is in the 15+ age groups.

It was not only the metropolitans that were fighting to stand still. The dailies with a circulation under 25,000 lost ground at an even higher rate (see Table 2). The increasingly rare independents (only two of which were left among even the smaller circulation dailies) did the best with the *Ashburton Guardian* more than keeping up with population growth with a 2.55 percent circulation increase in 2007 and the *Gisborne Herald* rising 0.94 percent (in the face of falling population) while ANM's *Northern Advocate* (0.17 percent) and Fairfax's *Timaru Herald* (0.04 percent) held on grimly among the big corporate packs. Some (particularly Fairfax's *Nelson Mail* and

Table 1: Circulation of daily press with circulation over 25,000, 2007						
Publication	**Owner**	**30/9/2007**	**30/9/2006**	**Increase 1 year to 2007 (%)**	**30/9/2002**	**Increase 5 years to 2007 (%)**
NZ Herald	ANM	194,706	196,182	-0.75	211,246	-7.83
Dominion Post	Fairfax	98,134	98,256	-0.12	101,511	-3.33
Press	Fairfax	89,049	89,027	0.02	90,759	-1.88
Waikato Times	Fairfax	42,152	42,104	0.11	41,983	0.40
Otago Daily Times	Allied	41,448	42,503	-2.48	44,099	-6.01
Southland Times	Fairfax	28,797	29,384	-2.00	29,830	-3.46
Hawke's Bay Today	ANM	27,201	28,061	-3.06	30,912	-12.01
Daily News	Fairfax	26,525	26,510	0.06	26,783	-0.96
Total		548,012	552,027	-0.73	577,123	-5.04

Source: ABC, 2007

ANM's *Wairarapa Times-Age*, both losing over 5 percent of their circulation in one year) are in real trouble. For these two it came only 4-5 years after they were taken over by the two oligopolists. The Ashburton and Gisborne dailies also held their own (though not as well) over the last five years, as did Allied's *Greymouth Evening Star* and ANM's *Bay of Plenty Times*, though only the Greymouth and Gisborne papers kept up with their region's population growth and the *Bay of Plenty Times* was in trouble in 2007.

But it is interesting that the small group of 'non-daily press' with audited circulation figures (Table 3), which are small provincial papers, were doing noticeably better than the rest, without a negative sign in sight (though the *Westport News* appeared to have given up on getting its circulation audited). Three of the four in this group were independents.

There were significant changes in the weekly press over the last five years. *Truth*, which changed owners in January 2007 in the face of disastrous drops in its circulation over many years, no longer got a circulation audit. *Friday Flash* was put down by Fairfax in 2006. ANM's *Herald on Sunday* has been

Table 2: Circulation of daily press with circulation under 25,000, 2007						
Publication	**Owner**	**31/3/2007**	**31/3/2006**	**Increase 1 year to 2007 (%)**	**31/3/2002**	**Increase 5 years to 2007 (%)**
Bay of Plenty Times	ANM	23,179	24,038	-3.57	22,726	1.99
Manuwatu Standard	Fairfax	20,165	20,578	-2.01	20,840	-3.24
Nelson Mail	Fairfax	17,497	18,445	-5.14	18,274	-4.25
Northen Advocate	ANM	15,012	14,987	0.17	15,319	-2.00
Timaru Herald	Fairfax	14,120	14,114	0.04	14,308	-1.31
Wanganui Chronicle	ANM	12,532	12,486	0.37	14,059	-10.86
Daily Post	ANM	11,796	12,056	-2.16	11,955	-1.33
Gisborne Herald	Ind*	8,667	8,586	0.94	8,623	0.51
Wairarapa Times-Age	ANm	7,276	7,698	-5.48	7,713	-5.67
Ashburton Guardian	Ind*	5,670	5,529	2.55	5,497	3.15
Greymouth Evening Star	Allied	4,383	N.A.	N.A.	4,219	3.89
Oamaru Mail	ANM	3,446	3,517	-2.02	3,644	-5.43
Daily Chronicle	ANM	2,661	N.A.	N.A.	3,789	-29.77
Total		146,404	142,034	-1.88	150.966	-3.02

Source: ABC, 2007

Note: * No data is available for 2006 for the *Greymouth Evening Star* or the *Daily Chronicle* (formerly *Horowhenua-Kapiti Chronicle)*. These newspapers are excluded from that column's total and the total i year percentage change.
* Independent publisher

going only since 2004. The picture shown for the remainder by Table 4 is bleaker even than for the dailies. *Herald on Sunday* was still gaining readership, but its 1.06 percent increase in 2007 was still behind the year's 1.7 percent population growth in the Auckland region. The *Independent Financial Review* chopped back its audited circulation radically in 2006 after its

Table 3: Circulation of non-daily press, 2007

Publication	Owner	31/3/2007	31/3/2006	Increase 1 year to 2007 (%)	31/3/2002	Increase 5 years to 2007 (%)
Marlborough Express	Fairfax	10,381	10,371	0.10	10,113	2.65
Northland Age	Ind	6,454	6,222	3.73	5,344	20.77
Westport News	Ind	N.A.	N.A.	N.A.	2,010	N.A.
Whakatane Beacon	Ind	8,412	8,409	0.04	8,234	2.16
Total		25,247	25,002	0.98	23,691	6.57

Note: Totals exclude the Westport News Source: ABC, 2007

takeover by Fairfax—by 62 percent, raising a few eyebrows—because it 'changed the way the paper dealt with distribution to the Exporters Institute and the Chartered Secretaries of New Zealand under promotional deals' (Drinnan, 2006). In the last year it recovered some of that, with its circulation rising by a highly creditable 25.65 percent, but it still had less than half its recorded figures of five years previously. The other three weekly newspapers—*National Business Review* and the two Sundays—were haemorrhaging circulation significantly, even without taking into account the gains they should be making from the rising population. Not only is *NBR*'s circulation falling, it has lost senior staff.

Other than the sale of *New Zealand Truth*, 2007 saw little change in newspaper ownership. The 100-year old *Truth*, once the country's biggest selling weekly investigative and scandal sheet, was sold to a private consortium led by Hawkes Bay businessman Dermot Malley in January 2007 after its muck-raking, tits-and-bums journalism (financed by a high proportion of sex advertisements) lost its audience, and sales had dropped from over 200,000 a week in the 1960's to 12,500 at the time of sale (Yska, 2007). The new owners said they would increase its reporting staff from three to seven, 'keep the sport focus, but we want to get back to the *Truth's* editorial origins of uncovering scandals and standing up for the little guy' (Janes, Fairfax sells The Truth, 2007). The high proportion of tits, bums and sex advertisements

Table 4: Circulation of audited weekly press, 2007

Publication	Owner	30/9/2007	30/9/2006	Increase 1 year to 2007 (%)	30/9/2002	Increase 5 years to 2007 (%)
Herald on Sunday	ANM	92,120	91,154	1.06		
Independent Financial Review	Fairfax	4,090	3,255	25.65	8,934	-54.22
National Business Review	Ind	11,712	12,394	-5.50	13,692	-14.46
Sunday News	Fairfax	92,109	96,279	-4.33	113,422	-18.79
Sunday Star-Times	Fairfax	182,314	190,804	-4.45	205,916	-11.46
Total		382,345	393,886	-2.93	341,964	-15.13

Source: ABC, 2007

Note: Total for 2002 and 5-year percentage increase excludes Herald on Sunday (which did not exist in 2002).

continued however. At the same time Fairfax started up the monthly *Sky Sport*, 'an intelligent sports read', published jointly with Sky Network Television (Vaughan, Fairfax, Sky launch sports magazine, 2007).

One of Fairfax's most significant recent acquisitions was *The Independent* business weekly, one of the few independent news media which actively displayed its independence. Triggered by the death of its founder, Warren Berryman in 2004, Fairfax acquired the newspaper in February 2006, relaunching it three months later as *The Independent Financial Review* after its Australian national financial publication, the *Australian Financial Review*, saying it would use its business journalists throughout New Zealand and Australia to provide copy. Initially Berryman's widow, Jenni McManus, also a prominent investigative journalist, remained as editor stating bravely that 'under Fairfax, readers can be assured of the same commitment to cutting-edge business news, analysis and investigation that have been hallmark of *The Independent* since its inception' (Fairfax New Zealand, 2006) but left within weeks. Bernard Hickey, managing editor of Fairfax's business publications, took over for the relaunch. One of the newspaper's own journalists, Nick

Stride, replaced Hickey as permanent editor in October 2006. (Hickey moved on initially to head Fairfax's Media Digital, but left Fairfax late in 2007.) The revamped publication lost the sharp edge of its independent past, raised eyebrows by closing its hard fought-for Parliamentary office in the run-up to an election year, and was very much a product of the Fairfax template and part of its news-gathering machine, with a high proportion of its content lifted from the group's Australian publications. Its advertising sales were centralised within Fairfax, and subediting carried out from the *Sunday Star-Times* offices (though still using *Independent* subeditors).

The successful *Ashburton Guardian* is owned by the Bell family's Ashburton Guardian Company Ltd, also owner of 75 percent of printing company, Guardian Print Ltd, Fairfax New Zealand owning the other 25 percent. *Ashburton Guardian* is also minority owner of Scene Media, which in December 2007 announced a 'glossy-cover tabloid weekly giveaway' in Dunedin to be launched early in 2008. The majority shareholding is owned by Queenstown's lively local newspaper, *Mountain Scene*, owned by Queenstown businessman and casino investor Barry Thomas and family (Wood, 2007; New Zealand Companies Office, 2007).

Despite the small market share held by independent dailies (even including Allied Press, publisher of the largest independent daily, the *Otago Daily Times*, only about 60,000 readers still had an independent daily newspaper—about 8.7 percent of the total audited circulation), it appeared to be the independents that were making the running in retaining and expanding newspaper readership. That picture was even clearer in the magazine market.

An announcement in March 2007 by ANM magnate, Tony O'Reilly resulted in concern around the world. His Irish and New Zealand print media would be outsourcing their sub-editing and layout operations. Those affected in New Zealand included his daily papers, community newspapers and magazines such as the *Listener* and *Herald on Sunday*.

Subediting can be seen as a simply technical job of checking for errors of fact, typographical and spelling errors, and applying standard styles to reports. Taking this conveniently mechanistic view, O'Reilly wrote in 2006 (Independent News and Media Plc, 2006, p. 6):

> With the exception of the magic of writing and editing news and views that the public really wants to see and feel—and that is the ethos of

> every newspaper, local and national—almost every other function, except printing, is location-indifferent. No reader knows where the page is made up.

Yet there are real concerns. Checking of facts frequently requires intimate local knowledge which only a local journalist can acquire. A person in a centralised, distant location, perhaps in another country, can hardly be in a good position to check such facts in the constantly pressured environment of a newsroom, and particularly when the facts are on issues that might be controversial, surprising, or subject to contention. Location in another country is not fanciful with a growing number of examples internationally, and in this case the outsourcing is to Pagemasters, a Melbourne-headquartered subsidiary of Australian Associated Press, although it was at least initially carrying out the role from Penrose, Auckland.

Journalist Simon Collins, *New Zealand Herald* Journalists Collective delegate, saw the subeditors as the 'second line of defence for the Journalist Code of Ethics', often making ethical judgments needing knowledge of the context of any judgement made by a reporter. Collins also feared that what he called a 'factory environment' would compromise the quality, accuracy and integrity of New Zealand journalism (Henehan, 2007).

It can be more sinister: a source of central control for imposing a particular political view. This was strikingly exemplified in an example relating to CanWest's control of its newspapers in Canada. Reuters complained to CanWest about its policy of inserting the word 'terrorist' into news stories to describe 'primarily Arab' groups—in many cases, erroneously or disputably. The key passages of that report make the power of the 'technical' function of the subeditor clear (CBC News, 2004):

> In an interview, *Ottawa Citizen* editor Scott Anderson conceded fighters in Fallujah were not terrorists but said CanWest has a policy of renaming some groups as terrorists. He added the paper had applied that term primarily to Arab groups, and that mistakes had been made occasionally.
>
> However, Anderson said he did not believe the paper had a duty to inform its readers when it changed words. 'We're editing for style...,' he said. 'We're editing so that we have clear consistent language to describe what's going on in the world. And if we've made a mistake, we should correct that. And we will.'

Here, 'style' and 'clear and consistent language' had become a cover for enforcing a particular political slant on world events.

Outsourcing also has important employment implications. Employees concerned were understandably reluctant to move to the outsource suppliers, losing pay, conditions and career prospects. Particularly in smaller centres, it would reduce employment opportunities, and especially for younger journalists. It was also seen as a move to weaken union representation, strong in O'Reilly's operations in both countries where the outsourcing was occurring. Up to 70 jobs were affected by the move, cutting editorial staff by 20-25 percent. The outsourced equivalents would presumably keep working if a strike occurred.

O'Reilly's motivation was clear: reducing his cost of labour. He preceded his previously quoted comment with (Independent News and Media Plc, 2006, p. 5):

> it is on the production side that I believe that the internet can yield an extraordinary opportunity to the newspaper industry in putting together its products at a much lower cost. If we except newsprint, the real cost of newspapers lies in putting them together—writing them, editing them, producing pages, getting them camera ready, producing plates, printing—and finally, in distribution.

Members of the main journalists' union, the Engineering, Printing and Manufacturing Union (EPMU), reacted to this development by interrupting proceedings at the Qantas Media Awards. The EPMU also called a 'journalism matters' summit at Parliament Buildings in August to discuss the state of the industry.

Meanwhile, less brazenly, the New Zealand Fairfax Group was steadily centralising its news collection and dissemination. It has become increasingly difficult for a reader to tell which of its newspapers a story or a journalist comes from. The newspapers have a common 'look and feel'. Its *Stuff* website blends contributions from its stable of newspapers so that a print of an article shows no sign of the newspaper (nor often the journalist) from which it originated. Successful Christchurch *Press* editor Paul Thompson was moved to a new position of group executive editor. The role 'involves the continued development of quality news gathering and content across Fairfax Media's three business platforms of newspapers, online and magazines' (Fairfax New

Zealand, n.d.). Subediting is likely to be carried out within the group, but not necessarily in the offices of the newspapers or magazines from which a report originates, say insiders. Already we are seeing a homogenisation of writing styles (such as the edge being taken off writing in the *Independent Financial Review*) but it is difficult for a reader to know if that is because of changes in the management of the publication or of the group's influence. Fairfax New Zealand chief executive Joan Withers described Fairfax as being in the business of 'advertising and information delivery' and said it had to find innovative ways to 'monetise' its content (Vaughan, New Fairfax name as brand broadens, 2006). Advertising sales have been increasingly centralised.

In late 2007 the *Herald* actively campaigned against the *Electoral Finance* (then) *Bill* which capped election spending, including by organisations other than political parties. The campaign reached a crescendo on 12 November 2007 when it (in its own words) 'carried a rare front page editorial' against the bill alongside a photo of a person with mouth taped shut (Editorial: Democracy under attack, 2007). While the bill was widely criticised as badly drafted, even by supporters, the *Herald's* largely one-sided coverage and heated rhetoric was widely seen as campaigning against the Labour government. Its front page editorial concluded that if the bill passed, it would 'be Labour's epitaph'. Yet the legislation followed the revelations in Nicky Hager's 2006 book *The Hollow Men.* This provided evidence of anonymous and third-party donations which raised concerns that policy favours were being bought, or existing electoral spending limits were being avoided. Hager used National Party sources to show that 93 percent of donations to it in the 2005 election year were anonymous according to its public records, yet many were in fact known to the party but 'converted' into anonymous donations through private trusts. He said other parties used similar subterfuge. Similarly the book revealed large-scale third party spending which assisted National in its 2005 election campaign—not only from the Exclusive Brethren, whom the news media focused on almost exclusively (Hager, 2006, pp. 233ff, 239 and elsewhere). The bill also came at the same time as numerous would-be presidential candidates for both the Republicans and Democrats in the US were spending record amounts simply to get their parties' nominations— some of them hundreds of millions of dollars each—making it clear that the logical outcome of uncapped spending was to make standing for election unaffordable for all but those with substantial personal wealth and the favour of wealthy donors. It was the power of the megaphone that was being controlled in the bill, not the right to speak through it. Similar legislation was in place or being advocated in many other countries. The main losers would be those carrying the electoral advertising (such as the news media) rather than voters. The bill was in fact weak in controlling the financial excesses, and that should have been the nub of the public interest debate but was lost in the visceral fury of the coverage.

Meanwhile Fairfax risked compromising court hearings in November 2007 by publishing conversations recorded by police during investigations of what they alleged were terrorist activities in the Ureweras. Despite a ruling by the Solicitor-General that terrorism charges were not justified, the *Dominion Post* and other Fairfax publications published lengthy reports on the conversations without attributing them to particular individuals. The implication was that the allegations of planning terrorist actions were justified. In April 2008 the Solicitor-General announced he was prosecuting Fairfax New Zealand and the *Dominion Post's* editor for contempt of court, saying that the reports could compromise the ability of the defendants to a fair trial. He asserted: 'The articles were sensational in tone and highly memorable. The fact of the publications themselves became national news' (Fairfax NZ, editor to be prosecuted, 2008).

Internet

The line between the internet and other publishing and communications has become increasingly blurred. Both Fairfax, with its *Stuff* website, and ANM, with its own websites including the *New Zealand Herald*, routinely published over the internet as well as conventionally. All the main broadcast media networks have their own sites, which are becoming increasingly sophisticated.

But on one hand the media companies have been going well beyond conventional news, advertising and information into online auctions (such as the Fairfax acquisition of TradeMe in March 2006), job advertising (like PBL's stake in Seek), dating services, holiday accommodation, house, and car sales, and even managed funds (Allen & Bathgate, 2006; Fairfax to invest, 2007). On the other, companies like Telecom have been expanding into information and entertainment: it is an internet service provider (ISP) through its subsidiary Xtra, has had stakes in INL and Sky TV as well as an interest in cable television, and has its own 'online shopping mall', Ferrit.co.nz. TelstraClear has shown similar ambitions.

Vodafone bought New Zealand's third-largest ISP, ihug, in October 2006 and was making Sky TV channels available through its 3G cell phone network. It claimed (based on unreleased industry sales data) that it was New Zealand's biggest retailer of music singles in December 2007 through its download service.

The media owners' interest in online advertising was sharpened by its growth, which was partly at the expense of the conventional media. Interactive Advertising Bureau and PricewaterhouseCoopers estimated after their first online advertising survey that spending in the first half of 2007 was $57.6 million, about 5 percent of total advertising expenditure. But this market share was increasing, and could look to the threat and opportunity of the 15.3 percent share in the UK in 2007, a share which had been higher than either daily broadsheets or magazines in 2006, and was expected to pass television by the end of 2009. Half of the New Zealand online spend was on classifieds, a direct threat to print media (Janes, Internet grabs 5 percent of ad spend, 2007; PricewaterhouseCoopers, 2007). Half of job advertisements are now online (Job hunting, 2007; ANZ Bank, 2006).

The websites of the media groups, while beginning largely as alternative outlets for their conventional material (whether print, radio or television), by 2007 had gathered a life of their own. Fairfax and the *Otago Daily Times* were charging for archival content and material not freely available on their public websites. TVNZ was hoping to raise income from reselling some of its broadcast programmes through its TV on demand web service. Fairfax's *Stuff*, with its own editors, added TVNZ video content. Both Fairfax and the *New Zealand Herald* were releasing news on their websites before it appeared in their print media, and both brought pressure on their journalists to regularly use blogs on their sites which gained increasing visibility (one gaining brownie points by attracting a sharp retort from the Prime Minister via her press secretary). Most invited reader comment or voting on polls.

But the media owners were expanding into other commercial online ventures as well, using their news sites as portals to attract customers, and vice versa attracting consumers to their news services. Fairfax's acquisition of one of New Zealand's most successful internet ventures, TradeMe, in turn provided a line up of associated sites such as Find Someone, Old Friends, Smaps (New Zealand street maps), and SafeTrader (providing a secure means of exchanging money and goods), and provided another link to *Stuff*. Like

Fairfax, ANM entered the online trading world, buying half of classifieds website finda.co.nz in October 2006. Its other internet holdings included Search4 jobs and property classifieds, co-ownership of sellmefree.co.nz with ACP, the Wises and UBD online directories, '50-plus' website GrownUps, and YourBody online 'shop for health and fitness supplements'. MediaWorks was trying to increase its income from the internet, with eight websites it claimed were among the most frequently visited from New Zealand (Vaughan, CanWest airs ad impact, 2006).

Fairfax chief executive David Kirk excitedly described the attractions after buying Trade Me: '… the economics of the business is extraordinary. There is virtually no capital required, high margins and double or triple traditional business growth…' ($700m jackpot for web guru, 2006). Kirk saw the internet, not newspapers, as driving growth at Fairfax (Internet top priority at Fairfax, 2006).

The mutual dependence between internet, publishing and communications was emphasised in July 2007 when Telecom's head of Wholesale declared that he did not believe his broadband network was capable of supporting downloads of TV programmes, such as those planned by TVNZ and by Sky and other digital media providers, until late 2009. Sky and FreeView providers were gearing up to provide set-top boxes to viewers which were also capable of connecting to the internet to download programmes. Such developments, critical for some of the media companies, would be impossible until Telecom invested sufficiently—or sold off its network to someone who would (TV revolution put on hold, 2007). Even more demanding would be the development of 'IPTV—TV channels over the interne—currently under trial in Europe.

Illustrating other possible developments, in April 2007 state-owned transmission company Kordia (also owner of the ISP, Orcon) announced it was working with independent production company, the Gibson Group, on an animated children's programme for TV3, 'The Simon Eliot Show'. Kordia would use its mainly rural wireless broadband network, Extend, to allow children to 'participate in Simon's interactive quiz show. They would appear on-screen via Apple iChat web-cams in their bedrooms' (Kordia, 2007).

In contrast to the foot-in-every-camp majors are internet-only media services. Notable in New Zealand are *Scoop* (www.scoop.co.nz), *Newsroom* (www.newsroom.co.nz), and *Indymedia* (www.indymedia.org.nz). A recent addition is *Infonews* (infonews.co.nz).

During 2007, Newsroom was acquired by the operator of the New Zealand Stock Exchange, New Zealand Exchange Ltd (NZX).

While Scoop and Newsroom provide 'disintermediated news' (Newsroom as a commercial service to clients, Scoop from a belief 'in the power of information to transform lives' (*Scoop*, n.d.)), *Indymedia* and *Infonews* exemplify two forms of 'citizen journalism'. Infonews.co.nz was founded in 2006 by Fraser Mills and Peter Hodge, graduates of the Peter Arnett School of Journalism at the Southern Institute of Technology, specialising in New Zealand local news. The website invites membership and 'allows any member of the community to publish news, photos and event details while also providing a forum for opinions, messages and interaction'. In contrast to Indymedia, it carries sponsorship and includes press releases and NZPA items.

Magazines

Magazines are exceptionally popular in New Zealand – we are second or third in the world in magazine readership by one estimate (Weir, 2005).

However all is not well within New Zealand's magazine world.[2] Reader purchases of magazines have stagnated since 2002, audited average net paid sales (ANP, which records individual paid sales, as opposed to bulk sales and give-aways) falling from 2,159,814 for the period ended 31 December 2002 to 2,031,056 in the period ended 30 June 2007—down 6.0 percent. The major magazine publishers largely experienced stagnant or falling sales. ACP's paid sales fell from 511,949 to 480,153 (6.2 percent) in this period, despite the introduction of a new title, *Taste*. Fairfax lost a desperate 19.4 percent, from 538,973 to 434,629, with all of its major titles except specialist publications *New Zealand Trucking, New Zealand Fishing News,* and *New Zealand Horse and Pony* losing paying readership. The three audited titles of ANM's subsidiary New Zealand Magazines managed to hold onto a 2.9 percent gain (from 172,272 to 177,229) but that was a slide from a peak of 181,086 in 2003. Both its major titles, the *Listener* (falling 3.7 percent) and *New Zealand Women's Weekly* (10.0 percent) lost paying readers; the publishing house's total was saved only by the introduction of *Crème* in 2002 which had added 15,977 to the company's sales by 2007. Pacific Magazines did the best of the big overseas publishers, though only three of its magazines have an audited circulation. Two of them (*New Idea, That's Life!*) have gained sales since 2002, but *Girlfriend* has fallen behind. Local publisher 3-Media did as badly as the major publishers, its total ANP falling 11.9 percent from 30,719 to 27,074 (the latter for the period to 31 December 2006).

ACP and Fairfax were the sector leaders. When Fairfax in Australia acquired Rural Press in December 2006, it also got New Zealand Rural Press, publisher of seven titles including *Straight Furrow* and 6 percent of magazine market revenue, making Fairfax the largest magazine publisher in New Zealand.

ACP Magazines challenges Fairfax with 20 percent of magazine revenue in New Zealand (in 2006) (APN News and Media, 2007, p. 87), 55 titles and 'more than a dozen' websites. It was owned by PBL Media, itself 75 percent owned by private equity investor CVC Asia Pacific and 25 percent by the Packer family in Australia after they sold off parts of the late Kerry Packer's empire to expand their gambling interests and to place them in a position to exploit new Australian media ownership rules which came into force in 2007.

Dish and *Top Gear NZ* are published by Jones Publishing Ltd, and *Healthy Food Guide* is published by Healthy Food Media Limited. However, despite initial success, attracting over 10,000 reader purchases per issue in their first year (and in the case of *Top Gear NZ*, design awards) the two Jones magazines then either stagnated (*Dish*) or lost circulation (*Top Gear NZ*—Average Net Paid Sales fell from 11,977 per issue in 2005, its first year, to 8,371 in the six months to 30 June 2007).

The falling sales were not quite the whole picture though: there appeared to be a move to increasingly ambitious publications in the multiple sales market. These are bulk sales to purchasers such as Telecom, airlines, major retailers, or the Automobile Association, who distribute copies free to their own customers or members. The inclusion of these multiple sales doubles the audited total number of magazines purchased per issue, and this was rising during the five years: from 3,909,771 in 2002, to 4,287,082 in the June 2007 period, an increase of 9.7 percent (though it was a fall from the peak of 4,546,107 a year earlier). It appears that the most rapidly growing segment of the magazine market was that under direct control of major commercial clients, and where the readers don't make the decision to buy the publication.

Independent media commentator, Martin Gillman of Total Media attributed the disappointing state of the main publishers to preoccupation with other battles (Gillman, 2007):

> [Fairfax and ANM] are far too distracted by the loss of classified revenue and are focusing on online—I think they sometimes forget they have magazine divisions which are small revenue compared to newspapers. ACP has gone through too many management changes and Packer's focus is certainly not New Zealand nor magazines these days.

In part the falling sales of the big companies were made up by challenges from energetic startups. Gillman continued:

> This has left a window of opportunity for entrepreneurial publishers like Kate Coughlan [editor of *NZ Life & Leisure*—see below—which increased its average sales to readers by almost three-quarters from 10,365 at its first audit period to 31 December 2005, to 17,890] and *Healthy Food Guide* [which almost tripled its reader sales from 11,377 to 33,623 in 2007 since launch in 2005] to launch strong new products. I suspect that the newspaper publishers will continue to ignore their magazine divisions for a while yet but perhaps ACP will get into gear again under new local leadership. Most attention of recent years has been tweaking existing titles rather than developing new ones. The market needs new products as is evidenced by the successes of the smaller independent publishers.

Coughlan also pointed to the lack of 'anything new' from the big publishers (Coughlan, 2007):

> Growth in the category has come from new independent publishers launching titles which are now impacting seriously on traditional leaders. *Dish*, *TopGear*, *Healthy Food Guide* and *NZ Life & Leisure* are the titles which have grown very rapidly and all are owned by independents. Big publishers are likely to soon seek to remove or acquire these threats.

Coughlan was right. Her own magazine, *NZ Life & Leisure*, was sold to Fairfax in November 2007, just three months after she made this comment. It had poached five key staff from Fairfax direct rival *NZ House and Garden*. The purchase continued the pattern of the major publishers growing by acquisition rather than innovation. In May 2007 Fairfax acquired Christchurch glossy lifestyle monthly, *Avenues*.

ACP's *North and South* received a reprimand from the Press Council in June 2007 about an article it had published on crime in the New Zealand

Asian community (New Zealand Press Council, 2007). Written by former ACT MP, Deborah Coddington, the article, 'Asian angst: Is it time to send some back?', 'breached its principles on accuracy and discrimination' said the Press Council. Coddington quoted crime statistics without pointing out that their increase was less than the increase in the Asian population and was in fact dropping per capita. The Press Council described the language used as 'emotionally loaded' giving examples of phrases like 'the Asian menace has been steadily creeping up on us', 'Asian crime continues to greet us with monotonous regularity' and 'as each week passes with news of yet another arrest involving a Chinese sounding name' which it said 'combine to portray a group that has a disproportionate tendency to crime'. Group publisher of ACP Magazines, Debra Millar defended the magazine saying 'the article was subject to a two-week editing process which included additional checking of statistics and verification of quotes'. Clearly their editorial process had failed, but they appeared to be unrepentant: *Press* columnist Simon Cunliffe reported Millar saying that the Press Council decision was 'igniting interest in the title'. 'How revealing', commented Cunliffe. 'No matter how wrong, contemptible or just plain ignorant your article might have been, if it was raising the profile of the magazine, then it was justified? Come again?'

Meanwhile ACP Magazines' *North and South* editor Robyn Langwell had been made redundant, apparently because ACP were combining the managerial control of *North and South* with *Metro*. Noting the change in ownership of the company, including CVC Asia Pacific, Cunliffe concluded: 'We should be very afraid for responsible journalism and media ethics' (Cunliffe, 2007).

Television

MediaWorks, owner of TV3 and C4, changed owners in June 2007, after years of dithering by its seller, CanWest of Canada. More of that in the section on the media owners. The sale came when, for the first time in several years, TV3 was gaining audience at the expense of the market leader, state-owned TVNZ. Both TVNZ and MediaWorks were readying themselves for free-to-air digital TV, which was expected to greatly expand the number of channels and bring them more directly into competition with Sky.

Prime, owned since 2006 by News Corporation's Sky TV, also gained audience share, but based on mass-appeal imported programmes and exclusive delayed sports coverage handed to it by Sky, in contrast to the realisation by MediaWorks that New Zealand content could differentiate its channels and attract audiences. TV3's lively *Campbell Live* current affairs show steadily gained ground against TV One's *Close Up*, while Prime continued to operate what amounted to a virtual news service from Sydney, weighted heavily with easily sourced international news.

Sky had about 20 percent of the television market and as at August 2007, had 714,664 subscribers, being in 44.5 percent of homes. It broadcast more than 70 channels including '6 sports channels, 5 movie channels, 7 general entertainment channels, 5 documentary channels, 5 news channels, 4 children's channels, as well as other niche channels' (Sky Television, n.d.).

From a strategic viewpoint, the big news in television was in digital broadcasting with the arrival of free-to-air, government-sponsored Freeview.

Free-to-air digital TV plans were announced in June 2006, heavily shadowed by the digital pay TV dominance of Sky TV. The government and free-to-air broadcasters TVNZ, MediaWorks, Māori TV, Trackside (the New Zealand Racing Board (TAB), and Radio New Zealand agreed to build a digital television transmission network. About 75 percent of homes would be able to receive it via an aerial (DTT—Digital Terrestrial TV) when terrestrial transmission began in early 2008, but the remaining 25 percent would require satellite dishes (DTH—Direct To Home), available to almost all homes. The terrestrial services are high definition (HD) capable. The government is paying $25 million over five years toward the cost of FreeView, with the broadcasters contributing $50 million.

In June 2007, TVNZ announced two new government-funded digital channels, TVNZ 6 and TVNZ 7. They are to be free of spot advertising, but sponsorships are a possibility. This freedom from advertising was not simply to respond to audience demand for release from commercial-packed programming: Unitec senior lecturer in communications, Peter Thompson pointed out that TVNZ was concerned that advertising on these channels would risk 'cannibalising' the revenue from its existing analogue channels (Thompson, 2007, p. 48). The government was contributing $79 million over six years (less generous than it appeared, being little more than special dividends extracted from TVNZ in 2006) and 'around 30 percent of the launch budget is money earned from TVNZ's commercial activities'.

TVNZ 6 said it would carry about 70 percent local content, catering to pre-school children until late afternoon, then family entertainment and educational programming until 8.30pm, finishing the day with 'more challenging programming centred on arts and drama'. It began broadcasting on 1 October 2007 amid accusations that it would be largely broadcasting repeats (Back to the future with digital channels, 2007). TVNZ 7 would carry news every hour, documentaries, sport and current affairs and go to air in March 2008. In fact, TVNZ started broadcasting sports events on channel 20 of FreeView soon after the network became available in May 2007.

By August 2007, Freeview had reported about 21,000 decoders for the service had been purchased, and observers were beginning to watch Sky seriously for effects on its profits (Vaughan, Storm clouds over Sky's forecast profit, 2007). Freeview said sales were above expectations and it had set a target of 40,000 households accessing the satellite service within a year (Back to the future with digital channels, 2007).

Other Freeview channels were appearing. Auckland-based Triangle Television, describing itself as 'New Zealand's first non-commercial, regional TV station', had been broadcasting in Auckland since 1998 and in Wellington since August 2006. It broadcast on government-owned channels, though in 2007 it was also planning a Telstraclear Saturn channel in Wellington. Triangle and commercial associate Stratos Television set up a FreeView channel, Stratos. Announcing the launch in July 2007, Triangle said it 'will make regional television available to the entire country … and will offer a wide variety of programmes from a number of sources: programmes provided by other regional stations around New Zealand; programmes provided by ethnic and minority groups around the country; and international news services and current affairs shows from prestigious global broadcasters including Germany's DW-TV, Voice of America and Al Jazeera' (Triangle Television, 2007). Stratos was also broadcasting on Sky.

Also away from the mass-market channels, Alt TV began broadcasting on a free-to-air UHF channel in Auckland from November 2005 and on Sky TV from December 2006. It was founded by Aucklander Thane Kirby with an ethos of "Here are the keys, have a good time, don't wreck the station", including plans for a late evening (literally) *Naked News* programme. It ran into trouble with both the Broadcasting Standards Authority for broadcasting racist and sexually explicit text messages earning an unprecedented penalty of five hours off the air and $5,000 in court costs, and the Commerce Commission for charging viewers to enter a competition to win a scratch-and-win ticket while thinking they were entering for a $10,000 prize. But it attracted a monthly viewing audience of 191,000 (competing most closely with MediaWorks' C4, though with a broader programme), and was described by one supporter, author Chad Taylor, as 'true reality television … a mass of energy' (Knight, 2007).

TVNZ's steady loss of market share led in April to yet another restructure and blood letting not only among senior managers (news and current affairs head Bill Ralston had resigned in February), but also among news and current affairs staff. Between 50 and 60 staff from its newsrooms (including provincial and overseas based reporters), camera crew, *Breakfast, ASB Business, Close Up*, *20/20*, *Fair Go* and *Sunday* lost their jobs. Ralston reacted with fury, telling Radio New Zealand: 'We are watching here the destruction of something we have taken for granted for 20 or 30 years—that's a good quality public broadcaster who gives you a news and current affairs service that you can believe and trust.' He said that 'no one at the top echelon of the company understood news or current affairs… They come from a sales background or a marketing background, they don't understand concepts such as editorial independence' (Dye, 2007). He may well have been right, but the superficiality of TVNZ's news and current affairs under Ralston were not a good advertisement for a public broadcaster either. His replacement, Australian Anthony Flannery, was announced in April. While TVNZ management naturally introduced him in glowing terms, his reputation from Australia was not promising, especially for a public broadcaster. His most recent responsibility after a series of unsuccessful shows, *A Current Affair*, on Channel Nine, was described by ABC's *Media Watch* former producer David Salter as 'toxic sludge … the lowest form of tabloid TV journalism: foot-in-door, contrived outrage, hidden cameras, the lot'. Matthew Ricketson, media editor at the *Melbourne Age* described the show as 'widely perceived as diving head first into the muck, never to return to the surface'. Flannery promised to return to the 'core values' of journalism at TVNZ (Steward, 2007), but the combination of severe cuts in experienced staff and Flannery's background did not make a promising start.

Prime claimed that it was 'committed to building its New Zealand content. This is particularly evident in the network's news offering, Prime News: First at 5.30 as well as locally produced programmes such as Holmes, United Travel Getaway and Out of the Question' (Prime Television Ltd, n.d.). However its form of local 'documentary' is exemplified by 'Charlotte's Lists' which it describes as follows: 'A countdown of New Zealand's biggest and juiciest stories… From the sexiest men and women in New Zealand to our steamiest celebrity scandals, former model and A List TV Personality Charlotte Dawson brings us the ultimate inside scoop behind the hottest stories to hit the headlines' (Prime Television Ltd, 2007).

MediaWorks' conversion to lauding local content was a recent one, after virtually zero local content apart from news in the early years of its channels. It reached a nadir in 1999, the two CanWest channels screening no new local drama or comedy shows during the year (Roll credits, 2000). A Television Local Content Group was formed in December 2002 and members agreed to local content targets for 2003. By 2005, MediaWorks was realising that its viewers liked to see local programmes on their screens. It said it would increase its spending on New Zealand programmes such as cartoon broTown and comedy-drama Outrageous Fortune (funded with the assistance of New Zealand On Air). 'Local content was a way to differentiate channels,' chief executive Brent Impey said. 'If we didn't have local content we'd be just like a Sky channel' (Vaughan, CanWest Media confident after beating forecast, 2005). By 2006, he was saying 'the strategy that we have is to concentrate on local, particularly news and current affairs and other local programmes, and have less complete dependence on offshore.' Despite the added cost, it was paying off in increased audience share—but the company was still competing vigorously with TVNZ for overseas programmes such as those from Disney (Mixed MediaWorks in first half, 2006). It even found there was an international market for *Outrageous Fortune*: Channel 9 in Australia played it as part of its Australian drama quota, under the CER agreement between New Zealand and Australia which provides that the content produced in either should be regarded as local content in both countries—something Australian (and New Zealand) producers were not happy with (Aussie outrage over Outrageous Fortune, 2007). Nonetheless, MediaWorks is almost totally dependent on advertising for its revenue: 99 percent is from advertising (Vaughan, Ironbridge happy to keep CanWest listed, 2007).

Radio

Radio presents an apparently paradoxical picture of a high degree of concentration of ownership alongside an exceptionally high number of stations. According to the Radio Bureau, in 2006 there were 'over 320 individual licensed commercial radio stations, or radio "frequencies", however approximately 250 of those stations are consolidated into 17 branded networks. Therefore, nearly 80 percent of all radio stations are part of a branded network and approximately 85 percent of the listening audience share is covered by two primary media owners, CanWest [whose network, RadioWorks, has since been taken over by Ironbridge Capital—see below] and the Radio Network' (The Radio Bureau, 2006). In 2007 by comparison, Australia only had 261 commercial radio stations (APN News and Media, 2007, p. 92).

While there may be an appearance of intense competition on air, the cosy duopoly which controls 85 percent of the audience is symbolised in their joint ownership of the research and sales agency just quoted: The Radio Bureau (TRB). It says of itself: 'The Radio Bureau is unique in the world in that it represents nearly all of the country's radio stations…' (The Radio Bureau, n.d.).

In 2007, The Radio Network (TRN) broadcast as Classic Hits (26 stations), Newstalk ZB (26 stations), ZM (18 stations), Hauraki (13 stations), Viva (4 stations) Radio Sport (19 stations), Coast (10 stations), and Flava (2 stations) (Radio Network, n.d.).

> TRN operates as a hub structure with metropolitan hubs in Auckland, Wellington and Christchurch supporting regional station in these areas. Due to the absence of a significant regional television presence in New Zealand, regional radio has an increased role in providing content and news relevant to each region.
>
> TRN operates the top three stations in the Auckland market. TRN also operates the number one station in both Wellington and Christchurch. TRN has New Zealand's top talk and music networks: Newstalk ZB and Classic Hits. In the second half of 2006, TRN had 45.2 percent of the total New Zealand national radio listener market share and a 49.6 percent in the Auckland market. In addition, TRN represented approximately 54 percent of the radio advertising market in New Zealand and 70 percent of the Auckland market. (APN News and Media, 2007, p. 112)

RadioWorks (part of MediaWorks) continued to acquire independent stations, adding two stations in Marlborough (Sounds FM and Easy FM owned by Marlborough Media) at the end of 2007. The group had six 'Network Brands' (The Edge, Kiwi FM, The Rock, Solid Gold, Radio Live and BSport), plus two operating locally (More FM and The Breeze). The Radio Pacific name it had acquired in 2000 finally died in October 2007 after RadioWorks made a deal with the New Zealand Racing Board to rebrand it as BSport—'sport radio you can bet on'—a dedicated sport and racing network (MediaWorks, 2007).

RadioWorks operated these 'formats' over more than 140 frequencies throughout New Zealand in a highly homogenised and centrally controlled system. According to RadioWorks, the six network brands

> operate centrally from premises in Auckland. Network programmes are distributed from Auckland, with each geographic operation inserting local commercials into pre-defined time slots. These brands rely entirely upon RadioWorks' Network Centre in Auckland for group management, content production, technical engineering, national marketing and promotions and news production. (RadioWorks, 2007)

Kiwi FM was launched with great publicity by CanWest on Waitangi Day in 2005 to play 100 percent local music, replacing its low-rating music network Channel Z (Mollgaard, 2005). It was in the centre of controversy in May 2006 when the government gave it New Zealand On Air funding and three new FM frequencies to keep it on air. The frequencies had been reserved for a youth public radio network. Kiwi FM was required to work towards becoming a not-for-profit organisation over the next year. It was criticised by the Australasian Performing Right Association which represents New Zealand music writers and publishers. Spokesman Arthur Baysting was concerned that the move would undermine the plan for a public youth radio network because Kiwi could claim it was doing the job of a public broadcaster. In other countries, public youth broadcasting was protected by law but here, youth were seen as 'the market'— 'and CanWest and other commercial broadcasters have worked long and hard to preserve their monopoly in this market'. He was supported by one of New Zealand's best known songwriters, Neil Finn, who in a letter to the *New Zealand Herald* accused the government of 'cosying up' to commercial interests (Govt attacked over Kiwi FM bailout, n.d.). Kiwi FM chief executive Karyn Hay defended the bail out saying 'there was no advantage in the new arrangement for CanWest, which had been going to can the station. CanWest is being a good corporate citizen. It was completely wrong to insinuate that government money was going into a commercial enterprise' (Criticism of Kiwi FM deal 'wrong', 2007).

The media owners

Rupert Murdoch and News Corporation

Having sold its print media to Fairfax in 2003, the US-based News Corporation's influence over the New Zealand news media is through Sky Network Television Ltd, in which it has a controlling 43.65 percent ownership through its subsidiary Nationwide News Pty Limited (Sky Television, 2007). News Corporation is controlled by Rupert Murdoch, who through direct and family shareholdings owns 38 percent of the voting shares (News Corp. Shareholders Accept Liberty Deal, 2007). In 2007 Murdoch was valued at US$9.0 billion according to the Forbes Global list of the richest people in the world. As well as substantial holdings in Australia, the group owns important newspapers in the Pacific including the *Fiji Times* and *Sunday Times* in Fiji, and the *Papua New Guinea Post-Courier* (63 percent) (News Corporation, 2007, p. 4).

A critical issue for Sky in 2007 has been to maintain its dominance of digital television. When it bought Prime Television New Zealand in February 2006, it boasted it had gained 'the opportunity to showcase its channels and programmes whilst ensuring that New Zealand consumers can view delayed free-to-air sports programmes such as rugby, rugby league and cricket in primetime' (Prime Television Ltd, n.d.). Perhaps it was also a useful base for expanding its free-to-air holdings; it would certainly make Prime a more formidable bidder for the programmes that TVNZ and MediaWorks (both of which asked the Commerce Commission to stop the takeover) need to maintain their ratings. Sky was reported to have considered starting its own free-to-air channel a year earlier (Sky mulls launch of free-to-air channel, 2005).

The primary motive was clearly to give Sky a free-to-air outlet to increase its bargaining power for selling sports programmes to other free-to-air channels. Sky gave Prime the coveted rights to delayed Rugby coverage for 2006 after the purchase was announced—'winning' against MediaWorks (Sky-Prime deal opposed by TVNZ, 2006). In November 2007 Sky won the television and internet rights for the 2010 Winter Olympics and 2012 Summer Olympics—the first time the Olympics had not been won by free to air television. It was seen as sure to provide a boost for Prime, then with only about 7 percent audience share and only 4-5 percent share of advertising (Vaughan, Sky wins rights to Olympics TV, 2007). Playing the sports programmes on Prime means that some 10 percent of New Zealand households miss out because they cannot receive Prime—driving them to subscribe to Sky (Chalmers, 2005). There are also questions over how Prime will broadcast the 2012 Summer Olympics given that the old analogue network is planned to be switched off before then (Brown, 2007).

O'Reilly, Clear Channel Communications

APN News and Media (ANM) is an Australian-registered company which is controlled by Independent News and Media (INM), of Ireland, through its 45 percent shareholding. ANM also shares ownership of The Radio Network with Clear Channel Communications of the US through their company ARN.

O'Reilly: INM is controlled by the O'Reilly family, headed by the Irish former rugby international and billionaire magnate, Sir Anthony (Tony) O'Reilly. INM has interests in Ireland, the UK, South Africa and Australia, as well as New Zealand. Headquartered in Ireland, it is that country's largest media company. It owns the largest newspaper group in Northern Ireland, and the *Independent* and other newspapers and magazines in the U.K. It owns the largest newspaper publisher in South Africa, along with interests in magazines, outdoor advertising and electronic media. Through ANM it owns Australia's second largest radio network (ARN) and claims to be Australasia's largest radio broadcaster, and the largest operator of outdoor advertising in both Australia and New Zealand, with subsidiaries in Hong Kong, Malaysia and Indonesia (APN News and Media, n.d.; Independent News and Media Plc, 2008).

As noted above, O'Reilly has spent 2007 reorganising what he sees as the production lines of his newspapers in Ireland and New Zealand. He also attempted to reorganise the ownership of his Australasian dominion. In May 2007, ANM minority shareholders rejected a A$3 billion offer from a consortium comprising INM (35 percent), Providence Equity Partners (37.5 percent) and The Carlyle Group (27.5 percent), the latter two being major private equity investors (see the section on Private Equity Investment Corporations below). It would have given O'Reilly more direct control, but raised the prospect of even more financially driven news media due to the demands of the private equity investors.

Clear Channel Communications: Partner with ANM in its ownership of the Australian Radio Network (ARN) is Clear Channel Communications, of San Antonio, Texas. It was reviled enough in the USA, where it is the country's largest radio station owner, to merit a dedicated Clear Channel Sucks web site (since corrupted) and even the mainstream internet news and commentary site, Salon.com, ran a series of articles entitled 'Radio's big bully: A complete guide to Salon's reporting on Clear Channel, the most powerful—and some would say pernicious—force in the music industry' (Boehlert, 2001).

But the most striking complaint against Clear Channel in the context of news, was its behaviour during the invasion of Iraq. Booker Prize-winning Indian writer Arundhati Roy described it most clearly (Roy, 2003):

> When hundreds of thousands of American citizens took to the streets to protest against the war on Iraq, Clear Channel organised pro-war patriotic 'Rallies for America' across the country. It used its radio stations to advertise the events and then sent correspondents to cover them as though they were breaking news. The era of manufacturing consent has given way to the era of manufacturing news. Soon media newsrooms will drop the pretence, and start hiring theatre directors instead of journalists.

Clear Channel lobbied intensively and successfully to remove restrictions that try to preserve some degree of competition in the news media, and has a history of close ties to the Bush administration (Krugman, 2003). In September 2007, Clear Channel accepted a takeover bid by leveraged buy-out investment company, Thomas H. Lee Partners LP, and private equity investor, Bain Capital LLC, for US$19.5 billion, subject to antitrust clearances and Federal Communications Commission approval (White, 2007). More on this in the Private Equity Investment Corporations section.

Fairfax

In 2006 John Fairfax Holdings Ltd became Australasia's largest print and digital media group, valued at about $10.3 billion and owning some 240 publications, with the takeover of Rural Press Ltd (Perry, $10b paper deal, 2006). In 2005 the pre-merger company had 20-24 percent of the Australian capital city and national newspaper market (all but 10-15 percent of the rest of the Monday-Saturday market was owned by News Corporation, and the two shared the Sunday market) (Gardiner-Garden & Chowns, 2006). The Rural Press acquisition increased this share further. Fairfax holdings' chief executive is David Kirk, former executive assistant and chief policy adviser to then National Prime Minister Jim Bolger, Rhodes Scholar and All Black captain. He had no newspaper experience when he took the job in 2006 (Internet top priority at Fairfax, 2006).

At the time of Fairfax's purchase of its New Zealand media empire in 2003, it was commonly regarded as the weakest of the major media companies in Australia financially, but with highly desirable assets. The Packers and O'Reilly have all shown interest in purchasing it. News Corporation bought 7.5 percent of the company in October 2006 but sold out again in May 2007 (News sells stake, 2007). Kerry Stokes of Seven Network also bought about 5 percent at around the same time (Perry, $10b paper deal, 2006).

However Fairfax now appears to be relatively strong financially, partly on the shoulders of its New Zealand acquisition which has been very profitable after lowered costs due to repeated cuts in staff numbers, increases in advertising charges and volumes, and raised cover prices for the newspapers. It obviously feels strong enough to continue making substantial purchases in both the internet where it sees its main growth occurring (such as the $700 million Trade Me acquisition) and conventional media (such as Rural Press and numerous individual newspapers and magazines). In July 2007 it announced an expansion of its Australian operations by the acquisition of parts of Southern Cross Broadcasting, broken up by Macquarie Media (Perry, Talkback radio, television company to join Fairfax media stable, 2007). In August it signalled a continuing commitment to its print media by announcing a new $30 million printing press for its Christchurch newspaper, *The Press* and the following month committed to $7 million extending a 17-year-old press used for printing the *Dominion Post*.

In a 2006 move which brought debate over whether Fairfax was trying to control or to support the professional training of its journalists, the company approached journalism schools in New Zealand asking them to be part of an internship scheme. Fairfax wanted to offer each student it selected a place at one of the schools, reimbursing them if they passed their course, and giving them work in a Fairfax newspaper, bonding them for two years. The controversy was over Fairfax's requirement that it select the students, which could conflict with the universities' own entry criteria. Auckland University of

Technology (AUT), which had limited entry to its journalism course, initially declined the proposal because 'the places allocated to students are funded by the taxpayer and the public has an expectation that each student has an equal opportunity for selection' whereas Fairfax would have required AUT to accept the interns without them going through the usual university process. However in June 2007 AUT reached a formal agreement with Fairfax that AUT journalism curriculum leader Dr Martin Hirst described as 'fair to everyone and does not give the Fairfax interns any special treatment', giving AUT final say as to who is admitted, but providing an opportunity for Fairfax to discuss matters in the event of any of its applicants being rejected (Hirst, 2007). The University of Canterbury, Aoraki Polytechnic, Massey University and Waikato Institute of Technology accepted Fairfax's 2006 proposal (Fairfax Media, 2006). Canterbury's Jim Tully felt uncompromised, saying the university had the right to say 'no' to any of the students Fairfax offered (Twose, 2006).

MediaWorks

MediaWorks was controlled until 2007 by CanWest of Canada, which created it in 2004 from its New Zealand assets, retaining 70 percent of the shares and selling the remaining 30 percent on the sharemarket. In June 2007, CanWest accepted an offer by private equity company Ironbridge Capital for its MediaWorks shares (accompanied by payouts of $7 million to MediaWorks' management team, including $3 million to chief executive Brent Impey (Vaughan, Payouts to reduce MediaWorks profit, 2007), leading eventually to 100 percent Ironbridge ownership. It appears that CanWest rejected a slightly higher offer from PBL Media which would have benefited the minority shareholders but would have lengthened the sales process for CanWest (Vaughan, PBL bid extra—source, 2007).

The MediaWorks chain runs close to the edge of the law and public taste to attract attention and audience share. In November 2007, when introducing the controversial show Californication, TV3's director of marketing and communications, Roger Beaumont, defended the decision in similar terms: 'TV3 has a reputation for being edgy and pushing the boundaries a little' (Families told to boycott 'evil' show, 2007). Church groups condemned the show as 'crass, sick and evil' and pressured a dozen companies to withdraw their advertising from the programme, though they were quickly replaced with others.

Examples go back several years, but two more recent ones give a taste. In July 2006, RadioWorks was fined $750 for breaching suppression orders related to the Louise Nicholas police rape case after pleading guilty (Radioworks fined, 2006).

In 2007, TV3 tried to wring the last dollar out of its coverage of the Rugby World Cup by trying to flout the ban on Sunday morning advertising. It did this by broadcasting its coverage from temporary studios in France to numerous other Pacific countries as well as New Zealand. The Sunday advertising ban can be avoided if the programme's signal originates outside New Zealand, it is broadcast to audiences outside New Zealand, and it has a primary target outside New Zealand. However the Ministry for Culture and Heritage was not impressed and filed proceedings against MediaWorks in November 2007. The potential fine of $100,000 was arguably low enough for MediaWorks to treat the risk of conviction as simply a cost of doing business (Vaughan, TV3 sued for showing ads on Sundays, 2007).

The private equity investment corporations

A new and worrying trend became evident in 2006-2007. Increasing numbers of media companies were being taken over by 'private equity investors' or 'LBO (Leveraged Buy Out) investors'—to simplify, corporate entities whose sole interest and expertise lies in getting the best return from the money they own or borrow. As noted above, in 2007 ANM came under an offer from a consortium of its ultimate parent, INM, Providence Equity Partners and the Carlyle Group, the latter two being major private equity investors. CanWest was in the process of selling its New Zealand assets to another, Ironbridge Capital. Many of our magazines were owned by joint ventures between Seven Network and huge US private equity investor Kohlberg Kravis Roberts (KKR); and between PBL and private equity fund CVC Asia Pacific. Clear Channel Communications was sold to leveraged buyout investors, Thomas H Lee Partners LP and Bain Capital LLC in September 2007.

These financially tunnel-visioned corporations introduce a further degree of commercialisation of the news media. They are typically investing for at most 3-5 years – often shorter if an attractive offer comes along. They have no interest in any particular industry or sector, as long as they can see opportunities for profit. The defence made by Kerry McIntosh, the New Zealand representative of Ironbridge, against the charge that the company had no media experience was: 'Ironbridge did not know much about waste either before buying EnviroWaste' (Vaughan, Agent for private equity in NZ, 2007).

Ironbridge, which bought CanWest and other shareholders out of MediaWorks, also owns one of the largest aged care chains in New Zealand, Qualcare Group Holdings Limited, which operates 16 retirement villages and 976 rest home and hospital beds, acquired in 2005, and the waste firm EnviroWaste Services Ltd, acquired in December 2006. CVC has become one of the most controversial private equity companies in the UK as a result of its purchase (with another private equity company, Permira) of the AA (Automobile Association) in 2004 for £1.7 billion. The massive job cuts which followed were one of the factors leading to a parliamentary investigation of the private equity industry in the U.K., with evidence presented of collusion between such firms. In June 2007 CVC and Permira announced they were merging the AA with a holiday and financial services company, Saga Holdings, valuing the AA at £3.35 billion, a £1.65 billion increase (almost 100 percent, NZ$4.3 billion) in just three years (British AA, Saga form $16b firm, 2007).

A graphic example shook German television. KKR and Permira took control of Sat.1 for €3.1 billion, in March 2007. Sat.1 is Germany's oldest commercial network and owns TV broadcasters ProSiebenSat.1, Kabel 1 and N24. Three months later, KKR and Permira sold another of their TV companies, SBS Broadcasting, which operates in Scandinavia and eastern Europe, to their new German acquisition. They had bought SBS two years previously for €1.9 billion, and sold it to ProSiebenSat.1 for €3.3 billion (a profit of €1.4 billion in two years). This was achieved by loading the German network with debt—almost five times its operating earnings. The new owners set profitability targets to force earnings to rise from 23 percent of sales to 30 percent, and cut 200 jobs. A *Sydney Morning Herald* report went on (Steffens, 2007):

> Sat.1 eliminated several news and current affairs programs to save costs, sparking speculation it could lose its broadcasting licence, which is tied to fulfilling certain content requirements. The moves fed into a fear of private equity firms in Germany, dubbed 'locusts' by federal politicians. Media policy experts in Chancellor Angela Merkel's party said the cost cuts seemed to 'unilaterally hurt the information and news programs on Sat.1' and 'dramatically' reduce regional content.
>
> 'The financial investors Permira and KKR … destroy one of the leading German TV channels, fire half its staff and think they're doing a good thing,' wrote the nation's biggest conservative broadsheet,

> the *Frankfurter Allgemeine Zeitung*. 'These investors don't know any values, other than those that can be expressed in return expectations.'

So we can anticipate that these developments will lead to even more intensive use of cheap imported programmes and reporting, deskilling of the professional work force, closures of small local operations, centralisation and outsourcing of skilled operations. That in turn implies greater homogenisation and more focus on advertisers' needs rather than those of readers, listeners and viewers.

In addition to these general concerns, some of these companies cannot be said to be politically neutral.

HT Media Ltd, the company in the Ironbridge group which bought MediaWorks, is 26.3 percent owned by the Singapore government, not the greatest friend of press freedom (Overseas Investment Office New Zealand, 2008).

Bain Capital, which bought out Clear Channel Communications with another investment company in 2007, was run from 1984 until 1999 by co-founder Mitt Romney, former governor of Massachusetts and US Republican hopeful in the 2008 presidential election. He was still an investor in it in 2007 (Kirkpatrick, 2007).

But another private equity group, Carlyle, which was part of the failed offer for ANM, has an extraordinary background which raises the stakes even higher. Its closeness to the Reagan and Bush administrations in the US and its intelligence and military involvement in Saudi Arabia and surrounding countries have made it one of the most controversial corporations of recent years.

One of the world's largest private equity firms, in 2001 it was the 11th-largest defence contractor in the United States. Among those associated with Carlyle are former US president George Bush senior (father of George W), former UK prime minister John Major (as Chairman of Carlyle Europe), and former president of the Philippines Fidel Ramos. Former members of the Bush administrations have appeared in senior positions, such as chairman Frank Carlucci, who was Ronald Reagan's defence secretary, George Bush senior's secretary of state, James Baker (senior counsel to Carlyle, who in 2006-07 chaired a panel desperately looking for ways to exit the Iraq war), and current Carlyle Group managing director Robert Grady, speech writer and Deputy Assistant to the first President George Bush in the White House. Carlyle clientele have included the Bin Laden family of Saudi Arabia, and a Saudi Prince. Its services to Saudi Arabia have included training and expanding the Saudi Arabian National Guard, troops sworn to protect the monarchy—at US$50 million a year. Its mercenary-like Vinnell Corporation subsidiary (owned 1992-1997) had such close ties to the Pentagon and other arms of the US state that its activities in Saudi Arabia gave it the reputation of being a cover for the CIA (e.g. Briody, 2001; Wilkinson, 2003; Cobain, 2003; Carlyle Group).

New Zealand is fortunate this particular takeover failed. But the failure was on the basis of the price offered, not the nature of the investment corporations seeking control, let alone the particularly inappropriate nature of Carlyle. The trend towards financially driven ownership of the major media companies makes it increasingly likely that such a corporation will at some point succeed.

Notes

1. Population data are from National Population Estimates, September 2007 Quarter, and Subnational Population Estimates: At 30 June 2007, Statistics New Zealand.
2. All data in this paragraph are from the New Zealand Audit Bureau of Circulations web site (New Zealand Audit Bureau of Circulations (Inc.), 2007), accessed 29 September 2007, using ANP (Average Net Paid Sales) circulation data provided there. Totals include magazines appearing and disappearing from audit. It does not include bulk magazines. Most of these have patchy or irregular circulation audits and many function largely as give-aways. Fairfax circulations reported here include titles from Fairfax Magazines, Fairfax Magazines Specialist Titles, and Fairfax Business Media. Two Fairfax Business Media magazines whose circulation is largely bulk or free distributions, also increased their sales: *CIO* from 157 to 317, and *New Zealand Reseller News* from 46 to 76.

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