PRESS RELEASE

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A Fairfax-NZME Merger Would Be Bad News For All Of Us

The proposed merger between Fairfax's New Zealand holdings and APN's NZME subsidiary would effectively create a monopoly with too much market power in the newspaper sector, the Coalition for Better Broadcasting has warned.

With the exception of the Otago Daily Times, a merged NZME and Fairfax company would control all the major metropolitan and regional dailies as well as one half of the commercial radio duopoly. Such a concentration of market power, editorial control and agenda-setting influence in a single company poses a direct threat to the news media's function as Fourth Estate.

Some business commentators have speculated that the Commerce Commission need not intervene to prevent such a merger because digital convergence and cross-platform competition for advertising has rendered concerns over market share within any one media subsector redundant.

The Coalition for Better Broadcasting believes such a view misses the point entirely. The accelerating trends of financialization, consolidation and convergence are undermining the ability of our news media to provide the cultural and democratic functions we need as citizens.

The print news sector in particular has struggled to cope with declining sales while online advertising revenues have been fragmented across a range of new digital media services. The consequent drive to cut costs and restore profit margins has seen a series of newsroom restructures and moves toward consolidated news operations.

MediaWorks' 'Newshub', Fairfax's 'News Rewired' (including Stuff's new cooperative arrangement with TVNZ news) and NZME's video news initiatives are all indicative of intensified competition for advertising and eyeballs/clicks across platforms.

These consolidated operations may be more efficient from the shareholder's point of view. Unfortunately they all entail employing fewer journalists to produce more content across multiple platforms. The obvious implication is that less time and resources will be available to cover New Zealand events adequately.

Moreover, there is a risk that any company with a near-monopoly in newspapers and majority share of online news might exert an undue degree of influence if its owners or senior editors were to pursue a political agenda in an environment where the weak market competition failed to generate countervailing points of view.

A merged company would also have no incentive to maintain competing publications in the same city/region, probably leading to closures of smaller titles and reducing diversity, local representation and consumer choice.

This is precisely why a merger of news media ownership on such a scale would be unthinkable in any other developed economy. Unfortunately, the disinclination of successive governments to introduce controls on cross-media holdings or foreign ownership of the media makes New Zealand the exception, not the rule here.

The recent events at MediaWorks are indicative of the dangers of operating our media companies according to the short-term imperatives of offshore shareholders who neither understand nor care about the democratic role the news media fulfil as the Fourth Estate.

The parlous state of the newspaper sector evidently makes a merger commercially attractive to NZME and Fairfax. Some commentators have suggested the move would break the current deadlock and allow a transition to paywalls in the hope of regaining the subscription base that the current free online model has eroded.

Forming a newspaper monopoly to facilitate a move to paywalls might be economically rational. But it is still tantamount to collusion to exert control over the supply and priccing of print and online news. Indeed, the anticipated success of such a manoeuvre is premised on the expectation that a merged Fairfax/NZME could exploit its dominance and force freeloading consumers to pay their way once more. Even if the motive is understandable, this is precisely the kind of abuse of market power the Commerce Commission is intended to prevent.

The Coalition for Better Broadcasting is nevertheless sympathetic to the news media's need to increase its declining revenue base. The public cannot reasonably expect the quality and diversity of news to be sustained if they do not help to pay for it. However, we believe that allowing a merger between Fairfax and NZME would be the wrong way to achieve this.

Three alternatives are therefore proposed:

a) Return to the cooperative NZPA model and, in consultation with the Commerce Commission, negotiate the introduction of a paywall system with a generic subscription model allowing online access to all publications. This would provide a new revenue stream, maintain a level of market competition, regional diversity, include the ODT, and prevent the abuse of monopoly power.

b) Introduce a marginal levy (perhaps 1%) across a range of media services (advertising, subscriptions, telecommunications and audio-visual retail) to provide support for public interest media- including a contestable, platform-neutral fund for investigative journalism.

c) Increase the funding for commercial-free public service news providers which are insulated from market pressures. In particular there is a need to improve the funding for RNZ which has had its budget frozen since 2007, and is now struggling to retain staff and extend its online services.