Private treaties, public information

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Sebi has revealed a shocking phenomenon of 'paid news' that is no longer confined to some corrupt journalists but which has infiltrated the formal revenue structures of certain media companies, says Aditi Roy Ghatak

On 15 July 2009, S Ramann, Officer on Special Duty, Integrated Surveillance Department of the Securities and Exchange Board of India, wrote to the Chairman, Press Council of India, Justice GN Ray, about media companies entering into "private treaties" with listed companies or those planning initial public offers. Media interests were picking up stakes in them for which they paid in kind: coverage through advertisements, news reports and editorials. Sebi said that such promotional and brand-building strategies in exchange for shares "may give rise to (a) conflict of interest and may, therefore, result in dilution of the independence of (the) press vis-à-vis the nature and content of the news/ editorials relating to such companies".

Shorn of the language of tact, what Sebi said was that there was a shocking phenomenon of "paid news" that was no longer confined to some corrupt journalists but that it had infiltrated the formal revenue structures of certain (very large) media companies. That, in effect, meant that the reader was receiving advertisements masquerading as news. Sebi was only articulating a pernicious problem that has been discussed in journalistic circles and, in more recent times, in public and even in Parliament. A malpractice that a handful of journalists were suspected of suddenly became a smart marketing device for media corporations that created a cozy club of media owners and public relations/lobbyists and used journalists to pass off press releases and bylined stories for a fee.

In Andhra Pradesh alone, the unions of journalists have said the size of the market for "paid news" is between Rs 300-1,000 crore. Such information can come in the form of editorials, advertorials or simply news reports in the print media or take other sophisticated forms in the audio-visual medium. This revenue model was fine-tuned by media corporations that soon prepared rate cards for such advertisements disguised as news as the strategy paid rich dividends, especially in the pre-election phase in 2009. Wealthy candidates could bankroll media coverage through the paid news scheme that not only portrayed them in fanciful light but systematically ran down the opposition. So blatant had the practice become that the Press Council of India commissioned a report on the practice.

The exhaustive Press Council draft report, prepared by journalists Paranjoy Guha Thakurta and Kalimekolan Sreenivas Reddy, both members, Press Council of India, exposed this phenomenon, names media corporations guilty of such practice, publishes instances of when and where they have occurred and quoted those subjected to such "extortionist" practices even though the media organisations have denied the phenomenon. The report says, "Sections of the media in India have consciously chosen to become partners, participants and players in malpractices that contribute to the growing use of money power in politics that, in turn, undermine democratic processes and norms. At the same time, representatives of media organisations against whom allegations are levelled publicly condemn the practice of 'paid news'. Some such individuals behave in a hypocritical manner and pretend to occupy a high moral ground."

The draft report is currently with the Press Council that is grappling with pressures – from that segment of the media that has been thoroughly exposed by it – to have all references to it deleted from the report. Whether or not such sanitisation will happen remains to be seen but the fraud being perpetrated at three levels is clear. There is a fourth area of extreme concern; around the overall issue of subversion of democracy. The primary victim of the fraud is the lay reader or television viewer who takes such masquerades as independently produced news content. Second, when such news is about electoral candidates, by not officially declaring the expenditure incurred on planting 'paid news' items, the candidate violates the Conduct of Election Rules, 1961, which are meant to be enforced by the Election Commission of India under the Representation of the People Act, 1951. Third, by not accounting for the money received from candidates, the media company or its representatives are violating the provisions of the Companies Act, 1956 as well as the Income Tax Act, 1961, among other laws.

What was earlier an aberration has become the norm and the "fawning manner in which events/persons were described" even when the report gave an impression of being objective and fair, byline and all, left no one in any doubt that such transgressions have become institutionalised and some media houses are unabashed about it. In an interview to a website, medianama.com, in July 2008, S Sivakumar, a senior Bennett Coleman manager, said that the company had between 175 and 200 “private treaty clients” with an average deal size of between Rs 15-20 crore. Thus the aggregate investment could vary between Rs 2,600-4,000 crore.

The Press Council draft report says, “In 2005, ten companies, including Videocon India and Kinetic Motors, allotted unknown amounts of equity shares to BCCL as part of a deal to enable these firms to receive advertising space in BCCL-owned media ventures. The success of the scheme turned BCCL into one of the largest private equity investors in India. At the end of 2007, the media company boasted of investments in 140 companies in aviation, media, retail and entertainment, among other sectors, valued at an estimated Rs 1,500 crore. …”

The sudden slide in the Sensex in 2008 meant a loss of value for the corporation even though it had to allot space to its treaty partners on the basis of the contracted rates. More importantly, these had to be shown as assessable taxable income for Bennett Coleman on which corporation tax is levied. The point is that BCCL representatives argue that its private treaties scheme is open to public scrutiny and companies in which BCCL has picked up stakes are in the public domain and listed on its official website.

Does that satisfy concerns around the kind of influence that such companies wield on editorial content? That is for the reader to judge. On the one hand, there is misrepresentation about the quality of candidates, which is a serious assault on democracy. On the other, there is influencing choices through sophisticated product advertisements, again through creative programmes – as opposed to advertisements – that may be well be considered fraudulent. The report talks of an advertising campaign by razor blade manufacturing company, Gillette, called “war against lazy stubble”, broadcast on the CNN-IBN television news channel, showcased features, interviews of celebrities, as well as panel discussions on the topic of whether a man should shave or not with a foregone conclusion, “Indian women prefer clean shaven men”. It was claimed that the Gillette-CNN-IBN “exclusive partnership” was a mutually beneficial alliance.

Matters have essentially taken a serious turn since 2003 when the Bennett Coleman group stated to start a “paid content” service called Medianet. The Press Council report says, “For a price it openly offers to send journalists to cover product launches or personality-related events.” When competing newspapers pointed out the blatant violation of journalistic ethics implicit in such a practice, BCCL’s bosses argued that such “advertorials” were not appearing in newspapers like TOI itself but only in the city-specific colour supplements that highlight society trivia rather than hard news. There was another, more blatant, justification of this practice, not just by BCCL but other media companies that emulated such a practice after BCCL started it. If public relations firms are already “bribing” journalists to ensure that coverage of their clients is carried, what was wrong in eliminating the intermediary – in this instance, the PR agency – it was argued.

Veteran journalist, the late Prabhash Joshi, reported about Atul Kumar Anjaan, of the Communist Party of India who began his speech by “drawing a parallel between a marriage celebration and an election campaign. He would say that when a marriage takes place, those who build pandals and tents, decorators and food caterers, quote higher than normal rates for their services. On specific days, when marriages take place, these service providers increase their rates taking advantage of the rise in demand and shortfall in supply. Newspaper owners acted in an identical manner when they demanded money from candidates in exchange for publishing news about them just before elections”.

Indeed, media corporations in the paid news game have their advertising departments doubling up as advertising agencies, designing content and preparing power point presentations that were shown to candidates to lure them into subscribing to the “packages” on offer. Some even advertise such services as did one Hindi daily. The text of the advertisement said that some 36 Lok Sabha seats in two major cities in the state, including the state capital and the surrounding areas, were “feeded” by the daily. It then outlined the flow of the proposed campaign to promote the party or individual candidates along with a price list to deliver services at various levels.

Explaining the phenomenon, journalist Mrinal Pandey wrote in The Hindu that the modalities included putting in place dedicated teams each day, comprising political or city reporters and correspondents, sub-editors, area advertisement managers and area sales managers. General coverage for 15 days comes for Rs 20 lakh and seven days of exclusive coverage is pegged at Rs 25 lakh. Especially prepared four-page supplements in colour, exclusive interviews, positive views of the voters, positive editorial analysis, “only positive coverage”' and “no negative publicity” from the opposition candidate or party is separately negotiated. Extra copies of the newspaper could be available for a price. Payment modalities are flexible:

50 per cent can be paid in cash and 50 per cent by cheque. Mrs Pandey talks of the last frame in the presentation, ironically titled The Way Ahead, suggesting that the daily would be willing to offer publicity on “other occasions”' also, apart from the election-time offer.

The most interesting explanation comes from Ramoji Rao of the Eenadu Group that has dismissed allegations about itself. He explained the phenomenon to the Press Council of India in a letter on 1 February, 2010, “The politician of the old days enjoyed popularity and people’s love” thanks to his “involvement in the freedom movement, his activism in various social reform movements and his service to the public earned him great respect in the society. But the latter day politician, the one from the ranks of moneyed and muscled sections needed positive coverage to earn name and fame. With the money power at his command the new entrant manipulated the local media person to gain popularity and public acceptance... gradually, favourable coverage in the press and the capacity to spend big money in poll campaign became the sole eligibility on the basis of which political parties chose their candidates. Money thus acted as a ladder to gain political power. Quite naturally, those who spent money also began expecting returns. Thus was formed the vicious cycle of corruption. Elected candidates justified their corruption by citing the amount they spent for getting elected. The so-called paid favourable coverage by the press is one of the off-shoots of this tendency.”

That, one presumes, is that.

The writer is a former Assistant Editor of The Statesman