

Folha-UOL Merger Bad for Brazil's Media, Say Experts

Contributed by Lílían de Macedo
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The merger of the Folha Group and Universe On-Line Universe (UOL), forming Brazil's second largest media group, may be detrimental to the country's communications and journalism activities, according to certain specialists.

The business deal gives the Portuguese Telecom Company 21.09% of the shares, but the Folha Group's Frias family will retain 78.81% of shareholder control.

For Alberto Dines, news professional and editor of the Press Observer ("Observatório da Imprensa") site - www.observatoriodaimprensa.com.br -, "the deal has journalistic implications that cannot be ignored." In his view, "the merger is just the tip of the iceberg."

Dines contends that the most significant aspect of the deal is that the Portuguese Telecom Company is also the owner of a large portion of the Vivo telephone company, which belongs to Spain's Telefônica Company.

"We are facing a huge conglomerate unlike anything ever seen before. Not just because of its size but because of its nature. We're no longer talking about a new multi-media conglomerate such as the Globo enterprise, but, rather, a post-media giant.

"The production of information will no longer be the exclusive activity of a company with a strong basis in the news. This will be done by a telephone service company that has an interest in other areas," he pointed out.

According to Dines, in the near future an internet site associated with a telephone service provider may be able to transmit television programs without any specific authorization.

"In terms of business deals, the merger may be tremendous, but as an editorial arrangement, it was, at the very least, something to be lamented," he remarked.

Venício Lima, sociologist and journalist with a post-doctorate in Communications, also affirmed that the mergers "make a mess of the sector's entire historical logic," because the service company gained control of the country's biggest newspaper.

These are multi-media groups operating outside the market concession area in which they were authorized to operate," he said.

Nevertheless, according to Lima, this phenomenon is not an exclusive privilege of Brazil. "This is a concrete example in Brazil of a growing movement of capital concentration occurring throughout the world."

Law 10,610, passed in 2002, altered the Federal Constitution to permit the participation of foreign capital in newspaper and radio companies.

The law sets a 30% limit on this participation and determines that the National Congress be apprised of any changes in the ownership of companies.

In the view of the secretary of National Forum for the Democratization of Communication (FNDC), James Gorgen, the merger weakens the domestic audiovisual and radio market, besides the risk of unfair competition.

"It seems that the chief interest of Portugal Telecom is in the local information that the Folha produces. It is important to emphasize as well that this company does not produce anything of substance; all it does is to disseminate information," he stresses.

Translation: David Silberstein
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