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Betting on News Corporation

Interactive Media, Gambling, and Global Information Flows

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The desire by media companies in the United States to promote interactive television technologies despite the lack of success of previous interactive TV trials persists in the early twenty-first century. Multinational conglomerates are exploiting services like horse race wagering as a profitable platform for enticing users to sign up for interactive TV. News Corporation, for instance, offers interactive wagering services via the Television Games Network (TVG) in the United States, as well as services on its Sky Network in Australia and BSkyB in the United Kingdom, thus allowing wagering on races held across the world. The use of interactive wagering technology to create global information flows has proven highly successful for News Corp. Its role as part of conglomerates' global strategies to create and control interactive media users deserves serious attention and is examined in this article.

Keywords: *news corporation; new media; interactive television; Internet; satellite television; globalization; information flows; sport; horse racing; Television Games Network*

In the article "New Media, Old Ideas," Pyungho Kim notes that in the push for interactive television in the United States in the latter decades of the twentieth century, companies that tested interactive TV were hindered by the fact that the genesis of their systems came "not from the resolution of a demand but in search of a market" (Kim 2001, 81). The desire to push interactive television technologies onto audiences, despite the lack of success of, for instance, the 1970s Columbus, Ohio QUBE experiment that Kim describes, has not gone away. Although still operating with limited ideas of what constitutes viewer interactivity and based in traditional notions of TV structure and programming, media companies have continued to promote interactive television platforms in the three decades since the QUBE trial was launched.

An interesting development in interactive TV that began in the late 1990s is legal horse-race wagering through that platform as well as through the internet, with multinational conglomerates exploiting horse race wagering as a profitable platform for enticing users to sign up for interactive services. In the United States, cable and satellite channel TVG, owned until late 2007 by Gemstar-TV Guide and thus media giant News Corporation (News Corp.), enables bettors to view and wager on racing through their computers and television sets. Although in late 2007, Gemstar-TV Guide was acquired by Macrovision (Stelter, 2007), and then in January 2009, Macrovision sold TVG to the British-based e-gaming company, Betfair Ltd. (Hegarty, 2009), News Corp. still has a relationship with TVG. It has recently renewed a programming distribution agreement with Fox Sports West and Fox's Prime Ticket, and has ongoing agreements with Fox Sports Northwest , Fox Sports Ohio, as well other regional Fox Sports Net networks ("TVG renews distribution," 2009). News Corp. also has a stake in interactive wagering services that carry racing on Foxtel in Australia and BSkyB in the United Kingdom. The use of interactive wagering technology to create global information flows has proven highly successful for News Corp. Betting's role as part of conglomerates' global strategies to create and control interactive media users deserves serious attention.

Contexts

A variety of trends frame the discussion of News Corp.'s involvement in interactive wagering. The first set of trends to examine concerns the movement over the past two decades toward conglomeration, concentration, and internationalization in media industries of which News Corp. is an often-cited example. In this regard, of specific importance is how these changes in media companies coincide with changes in the nature of sports business, including the business of horse racing. Also, we should consider the role of interactive technologies, especially the internet and interactive television, in recent changes in media, in sport, and in gaming.

The move toward conglomeration, centralization, and internationalization in mass media industries since the 1980s has been well documented in many sources (including Kruse 2003). In discussing trends in mass media industry expansion, Alan Law, Jean Harvey, and Stuart Kemp (2002) observe that in recent years analysts have tended to focus on three media giants: News Corp., Disney, and AOL/Time-Warner (now again just Time-Warner.) They add, however, that such analyses ignore the key roles played by other players in the media landscape—indeed, in the media/sports landscape—and extend their discussion to include Viacom, Bertelsmann AG, and Vivendi-Universal. What is indisputable is that these corporations, and other media players like Liberty Media, the Tribune Company, and Sony, have interests in both new media technologies and platforms and, directly or indirectly, in sports content.

This case study, however, focuses on News Corp. and its media, sports, and gaming holdings. That News Corp. is both horizontally and vertically integrated corporation with almost global reach is obvious. Beginning in 1952 when Australian Rupert Murdoch inherited the *Adelaide News* newspaper from his father and growing in the 1960s as Murdoch added major newspapers in Great Britain and Australia to his operation, News Corp. grew in subsequent decades by acquiring newspapers in the United States, the UK, and Asia; television stations in Australia and the United States; and book and magazine publishers in the United States. The 1980s were a particularly busy decade for News Corp., with the establishment of Fox Broadcasting Company in the United States in 1986 and the launch of the Sky TV satellite network in Europe (*Columbia Journalism Review* 2005).

News Corp.'s acquisitions created serious debt problems for Murdoch, and in the early 1990s the company sold off several magazine properties, and its Sky satellite operation merged with British Satellite Broadcasting (BSB) to form BSkyB. BSB had been formed by a consortium of powerful British television entities and was granted the UK's first direct broadcast satellite license by the British government in 1986. Despite BSB's early securing of a direct broadcast license, it was Sky's satellite service that went on the air first, in 1989, and it was Sky that had more satellite dishes positioned in more households (Tunstall and Palmer, 1991, 4–5; Bose 1996). Neither Sky Television, which was a cable service when Murdoch bought it in 1982, nor BSB was in a good financial position at the time of the 1990 merger, although Sky was losing less money than BSB (Bose 1996). For two years after Murdoch gained control of the new merged entity, BSkyB, the service continued to lose money. Soon its fortunes changed, and by the mid-1990s BSkyB was producing substantial profits: largely because BSkyB gained exclusive rights to Premier League football (Bose 1996). Satellite television was more popular than cable in the UK, unlike the United States, and media scholar David Hesmondhalgh (2002) notes that BSkyB became "the dominant digital TV system in the UK" (Hesmondhalgh 2002, 228). News Corp.'s satellite television holdings expanded in 1993 when the company took control of Asia's Star TV satellite broadcasting system (*Columbia Journalism Review* 2005).

An important addition to News Corp.'s stable of interests came in 1992. With a near-bankruptcy crisis behind it, News Corp. extended its holdings into sports by purchasing the rights to broadcast Australian Premier League Rugby. Rugby league had become a major winter spectator sport in Australia, and international mogul Murdoch and domestic Australian mogul George Packer competed in the early to mid 1990s to control broadcasting of rugby league. The battle over rugby league culminated in 1998 in an agreement that enabled both News Corp. and Packer's Publishing and Broadcasting, Ltd. (PBL) to share in revenues from the sale of rugby league pay-tv rights (Miller et al., 2001, 79–83.) In the 1993, the year after it obtained rights to broadcast Australian Premier League Rugby, News Corp., through Fox Broadcasting in the United States, outbid CBS to acquire the right to broadcast NFC division NFL football. And in 1997, News Corp. became the owner of the Los Angeles Dodgers baseball team (*Columbia Journalism Review* 2005). At the end of the decade, a News Corp. annual report confidently affirmed:

> Virtually every minute of the day, in every time zone on the planet, people are watching, reading and interacting with our products. We're reaching people from the moment they wake up until they fall asleep. We give them their morning weather and traffic reports through our television outlets around the world. We enlighten and entertain them with such newspapers as *The New York Post* and *The Times* [of London] as they

> have breakfast, or take the train to work. We update their stock prices and give them the world's biggest news stories every day through such news channels as FOX or Sky News. When they shop for groceries after work, they use our SmartSource coupons to cut their family's food bill. And when they get home in the evening, we're there to entertain them with compelling first-run entertainment on FOX or the day's biggest game on our broadcast. Or the best movies from Twentieth Century Fox Film if they want to see a first run movie. Before going to bed, we give them the latest news, and then they can crawl into bed with one of our best-selling novels from HarperCollins. (Quoted in Law, Harvey, and Kemp 2002)

Thus far in the twenty-first century, News Corp.'s reach has extended, most notably through its purchase of a controlling interest in the DirecTV satellite service in 2003—an interest which it has now sold to Liberty Media (Roberts 2007)—and into personal communication with the acquisition of the MySpace.com social networking web site and the OGN online game site, and with the creation of Mobizzo, News Corp.'s storefront for providing video and audio content for mobile phones, including new content produced by the conglomerate (Holson 2006).

Despite its expansionist tendencies, the company limited its involvement in sports in North America in 2004 when it sold the Los Angeles Dodgers baseball team (*Columbia Journalism Review* 2005). It also sold its stake in the Staples Center in Los Angeles, home of the Los Angeles Lakers basketball team and Los Angeles Kings hockey team (News Corporation 2004), and in early 2005, in a restructuring of its relationship with Cablevision, News Corporation gave up its interests in the New York Knicks and New York Rangers (News Corporation 2005). News Corp.'s international sports and television holdings remain extensive, however, and are of particular interest in this case study. As News Corp. develops a presence in interactive media, the cross-continental foundation it has already established in sport, sports broadcasting, and interactivity is important to understand. In terms of direct involvement in sport, News Corp. remains the majority owner of the Australian National Rugby League, but it is the conglomerate's global involvement in sports broadcasting that really gives the company special bargaining power.

News Corp.'s strategy "to own every form of programming—news, sports, films, and children's shows—and beam them via satellite or TV stations to homes in the United States, Europe, Asia, and South America" (Herman and McChesney 1997, 70–71) was well underway by the mid-1990s. Toby Miller (1997, 324–25) notes that television sports in particular is inexpensive to produce and therefore makes an especially attractive product for companies like News Corp. to distribute. Moreover, because of the international popularity of television sports, News Corp. head Rupert Murdoch has described them as his "battering ram" with which to enter new markets (Law, Harvey, and Kemp 2002, 282).

Indeed, News Corp. possesses the distribution systems to carry television content, including sports, into an astonishing number of markets. According to its most recent annual report, in the United States the company owns thirteen local Fox broadcast television stations, as well as various cable channels, including the Fox News Channel, FX, the Fox Movie Channel, Fox Sports World, the SPEED Channel, FUEL, and thirteen Fox Regional Sports Networks. News Corp. has substantial interests in the National Geographic Channel, Rogers Sports Net, and Fox Pan American Sports, and it has a 34 percent interest in the DirecTV satellite group (News Corporation 2004, 4–5). In 2005, Murdoch took full control of the Sports Net channels in Florida and Ohio, and he increased his stake in the Fox movie studio and TV group to 98.8 percent, up from 82 percent (Grover 2005). In Murdoch's home country of Australia, News Corp. controls Fox Sports Australia and has a stake—along with old rugby league rival PBL—in the FOXTEL satellite television service. Asia is home to the News Corp.-controlled STAR package of television programming services, as well as News Corp.'s Phoenix Satellite Television, Hathaway Cable and Datacom satellite television service, and China Network systems. News Corp. is involved with television programming services in Latin America and with the Sky Latin America satellite platform. The conglomerate launched the Sky Italia satellite service in 2004, giving News Corp. another European presence to add to its British BSkyB satellite service (News Corporation 2004, 4–5).

In 2003, at the end of a lengthy quest to control a satellite TV provider in the United States, News Corp. acquired DirecTV. The transcontinental footprint of News Corp.'s satellite service—even as it has sold its controlling interest in DirectTV to Liberty Media in a deal that forced Liberty to relinquish its substantial voting interest it in News Corp. (Roberts 2007)—still gives the corporation significant bargaining power in negotiations to secure, and shape, content from programming services. Satellite television is better established in the other parts of the world than it is in the United States, where pay television service through cable has been the established delivery system, but satellite services like DirecTV are national in reach, not local like cable systems, and seemed to poised to become a preferred mode of content distribution. News Corp. hoped that satellite television would quickly catch up to digital cable in its ability to deliver video-on-demand and high-speed internet services—services that reach beyond what BSkyB is already offering in the UK—allowing it to become a, or even the, dominant national pay television delivery source. Howard Anderson, founder of the Yankee Group market research firm, noted when News Corporation's gained control of DirecTV that U.S. cable companies were "seriously scared" of losing their place in the market to satellite television, and he added: "The guy that keeps them up at night is Murdoch" because of his control over both content and delivery (quoted in Richtel 2003). Although News Corp., with its loss of DirecTV, currently controls a satellite television empire that is merely multicontinental, rather than virtually global, in scale, its sale of its interest in DirecTV was likely a shrewd move. The corporation encountered regulatory roadblocks in its attempt to partner with telecommunication companies to become a broadband provider (Roberts 2007). Despite the DirecTV sale, News Corp.'s vast global holdings reinforce a statement made the company's president, Peter Chernin, in 2005: "We don't believe synergy is dead" (quoted in Grover 2005).

One holding that might be overlooked when examining News Corp's television and interactive media synergies is listed in annual reports until 2008 under "Magazines and Inserts": Gemstar-TV Guide International, the publisher of *TV Guide* and provider of interactive program guides, and until late 2007 also parent company of the Television Games Network (TVG) interactive (via television, telephone, and the internet) horse race wagering service. TVG is available in the United States as part of basic packages offered by DirecTV and the DISH Network and on various cable systems in the United States. News Corp.'s stake in Gemstar-TV Guide was important to Murdoch's empire. It gave News Corp. a presence in interactive media, because, as the Gemstar-TV Guide web site (Gemstar-TV Guide 2005) explained, one of company's main businesses has been and remains producing and disseminating "interactive program guide services and products." This interactive television foothold gained by News Corp. in the 1990s mirrors the growth in interest in interactive projects among media conglomerates in the past decade.

After all, interest in interactive entertainment media, including television—media that allow multidirectional communication (see McMillan 2006)—isn't new. Warner AMEX, and later Time-Warner, launched notable experiments in interactivity in the 1970s and 1980s. Warner AMEX's QUBE interactive cable system in Columbus, Ohio proved to be an interesting but unsuccessful experiment. The in-home equipment QUBE required was extremely expensive for 1970s' viewers, the connections into and out of homes proved difficult to maintain, and programming was not of particularly high quality. Few subscribers used their systems, although users showed some interest in game-based interactive programming and pay-per-view (Carey 1999). Corporate interest in interactive television remained, however. In his book *The Digital Sublime*, Vincent Mosco (2004) observes that interactive television was seen as "a can't miss" technology among backers in the early 1990s (Mosco 2004, 26). An indication of this optimism was the experimental launch of Time-Warner's Full Service Network (FSN) in Orlando, Florida in the mid-1990s, which ran into obstacles caused by the inability of current technology to deliver everything promised to viewers. Although users were unfamiliar with interactive television and thus initially showed only marginal interest in having the services it might offer, some viewers expressed interest in on-demand services, like movies and news on demand (see Auletta 1994), but the service was unable to fully provide those services. As with QUBE, the FSN required expensive equipment and a relatively high level of viewer involvement. In the end, Time-Warner's pulled the FSN's plug earlier than planned, perhaps in part because in the United States, the internet was becoming the platform to which users were turning for some of the services that interactive television boosters had been promising.

The failures of QUBE and FSN, along with the growth of the internet, did not cause conglomerates to give up on interactive television. Instead, work continued on technology that would make providing interactive TV services viable, and interactive television experiments were ongoing in the North America and around the world. The search was on for a platform to truly engage viewers in interactive processes with their television sets. The British, primarily through the BSkyB satellite system controlled by News Corp., appeared to be more successful at selling interactivity than North Americans. An important reason for this was undoubtedly Europeans' preference for televised entertainment over that transmitted through the computer. Significantly, fewer Europeans than Americans were connected to the internet at the beginning of the twenty-first century (one-third of Europeans as compared to one-half of Americans in 2002, according to the *Economist*); and they spent much less time using their personal computers than they did watching television (*Economist* 2002). Moreover, Europe did not and do not have the tradition of cable television found in North America, so a few satellite services, like BSkyB and France's Canal Satellite, have dominated the pay-TV market, allowing for more centralized experimentation with different services, including interactivity. The *Economist* magazine (2002) points out that BSkyB has not only been "the leading test-bed of television interactivity" and Britain's biggest pay-TV service, but it was the first television system in the world to switch from analog to entirely digital service. It also has experienced great success using its television service to offer channels like PlayJam, which allows viewers to pay to play video games, and in encouraging telephone voting during televised competitions like "Pop Idol" (*Economist* 2002). Satellite television in Great Britain also offers different camera angles for viewers to choose from when watching sports broadcasts, and a "buy now" feature on remote controls that allows viewers to purchase products from QVC through their television sets (Lee 2002).

With a mix of cable systems and two major satellite services, in the United States there is no dominant digital programming distribution system. Therefore, interactive television development in the United States has lagged behind development in Britain, where digital services enjoy a more mature and national audience. Applications of most interest in the United States have included video-on-demand and local information and content, but the two-way program interactivity popular in Britain has not been established in the United States. Instead, cable companies have focused on offering services that allow users to pull up local traffic, theater, and weather information, as well as video-on-demand movies (Lee 2002). Furthermore, it should be noted that even in the UK interactive television has not been universally embraced. According to a survey of British viewers, interactive television devices were ranked as the fourth most difficult devices to operate, just two places below airplanes (*Economist* 2002). In *Diffusion of Innovations* (2003), Everett Rogers defines complexity as "the degree to which an innovation is perceived as difficult to understand and use" and identifies a high degree of perceived complexity as an important factor in slowing down the rate of adoption of a technology (Rogers 2003, 16). The notion that interactive TV is a complicated technology to use could certainly be one obstacle to widespread adoption, including in the United States. Moreover, interactive television, at least in its present commercial stage, has likely been advantaged by the powerful centralized nature of its providers—for instance, News Corp., via BskyB—in countries where it has been relatively successfully launched. In a possible analogy to interactive television, Leah Lievrouw (2006) charts the to the relative failure of videotex, a largely home-based information system technology launched in the late 1970s and the 1980s, mostly successfully in a few western European countries and in Canada, and used television monitors or dedicated terminals to display information. Lievrouw argues,

> . . . videotex was a top-down phenomenon, depending more on industry and government push than on consumer pull. It tended to be most successful where state agencies and national telecommunications monopolies sponsored and built systems along the lines of other telecommunications services such as the telephone. (Lievrouw 2006, 256)

At this point in its development, ambitious interactive TV service launches have tended to be top-down initiatives—"push" technologies—and promised services that consumers do really appear to want, like video-on-demand, are still not widely available after more than a decade of hype. One hope of News Corp. (and other organizations) is that a "pull" innovation that could generate demand for, and thus greater diffusion of, interactive television in the United States is horse race wagering.

Still, interactive television is diffusing among members of target audiences, especially in the UK, where it continues to grow in popularity. It also remains a technology of great interest to media companies in the United States, in part in acceptance of a difficult-to-support, technologically determinist myth that interactive TV represents the inevitable movement toward the future, the sort of "extension of logic, technical rationality, and linear progress" common in discourses of digital technology (Mosco 2004, 15).

Interactive Television Wagering and Horse Racing

The hopes for interactive television currently held by many current national and international media interests are focused on gambling, an application that has proven extremely popular in Europe. Although noninteractive broadcasts of poker, a gambling game, have become popular in the past few years in the United States, at the moment legal mediated gambling is more limited than its counterpart in Great Britain: in the United States, pari-mutuel horse-race betting is the only legal form of interactive TV or internet gambling. News Corp. is an important player in the interactive wagering business in both the UK and the United States. In Great Britain, for instance, betting has been the largest revenue producer for BSkyB's interactive TV service, as has horse race wagering for Canal Satellite in France (*Economist* 2002).

Interactive wagering on pari-mutuel horse racing has attempted to expand the horse race wagering market in the United States through three media: the telephone, the internet, and interactive television. A struggling horse racing industry introduced account wagering by telephone in states like Pennsylvania in the 1990s to increase the money bet on horse racing without requiring people to travel to racetracks or off-track facilities. The introduction of telephone wagering was often accompanied by programs of races from local and regional tracks carried on cable systems, as with Philadelphia Park's Racing Channel in the Philadelphia metropolitan area (Kruse 2002). Now, however, racing programming is available nationwide through TVG and Magna Entertainment's HorseRacing TV (HRTV); and not only through the DISH Network, DirecTV, and selected cable systems, but also via streaming video on these companies' web sites, where account holders can bet online (as can users of non-TV services like YouBet.com, which also provides video.) TVG has launched its interactive TV wagering service, as has HRTV through Magna's XPressBet service.

TVG usually carries about twelve hours of live racing each day. The vast majority of tracks carried by TVG are thoroughbred tracks, although it also offers racing from some harness tracks and tracks with both Thoroughbred and Quarter Horse racing. A large number of TVG's tracks are exclusive partners, which means that these tracks' races cannot be shown on any other domestic interactive television channel except TVG, and this has been a source of controversy in the racing industry and part of the inspiration for multiple-racetrack owner Magna to launch its own interactive wagering and horse racing channel, on which it airs and allows betting races from its major tracks, races, and bets that are denied to TVG.

Despite the presence of HRTV, in the United States TVG remains the dominant interactive horse-race wagering service. It was launched in 1999 in Louisville, Kentucky on the Insight cable system, and within several months Insight had added TVG to its cable line-up in Lexington, Kentucky. Early growth of the channel was slow, because only cable systems in a few states in which account wagering on horse racing was clearly legal—and in areas in those states in which there was interest in horse racing—added the channel (Kruse 2002). By the end of 2001, however, TVG became available nationwide via Echostar's DISH Network (Christiansen 2003), allowing Gemstar-TV Guide and News Corp. to begin to build a national audience for its interactive wagering channel. And of course, when News Corp. acquired DISH's competitor DirecTV, which also began carrying TVG in April 2003, it had greater control of another platform through which to disseminate its primary interactive channel.

In its description of the channel, Gemstar-TV Guide stated:

> TVG Network, the leading interactive horseracing network, combines the exciting sport of live horseracing with the convenience of in-home, account wagering. TVG's entertaining in-studio and on-location crew of anchors, analysts and correspondents

> bring viewers all the headlines and behind-the scene stories from the world of horseracing. The network offers three options for account wagering—automated telephone, personal computer, and interactive television remote control. (TVG 2005a)

According to Gemstar-TV Guide, in 2005 TVG could be viewed in fifteen million homes in the United States through the DISH Network and DirecTV, as well as through select cable systems in states where account wagering is legal. And as stated earlier, TVG content is more widely available. On most days a few hours of TVG programming is carried live on Fox Sports Net in Southern California. Other regional Fox Sports Net networks, carry TVG racing. TVG's "The Works," a series of special programs that spotlight the final workouts of Kentucky Derby contenders, aired in 2005 not only on Fox Sports Net 2 but on Fox Sports New York and Fox Sports South (TVG 2005b).

That TVG was meant to be a crucial launching pad for News Corp.'s interactive strategy in the United States cannot be doubted. The channel's immediate past president, Ryan O'Hara, joined Gemstar-TV Guide International in 2002 and TVG in early 2004, but before 2002 he was the director of Interactive Television Strategy for BSkyB in London; and prior to that, starting in 1999, he was with FOX Networks, where he served as director for business development for the venture that oversaw Fox Sports Net and FX (Yahoo! Finance 2005). Betting on horse racing has been the revenue-generating linchpin of the interactive strategy in the UK at O'Hara's earlier home, BSkyB, and is seen as an application that can bring viewers to interactive television. Moreover, as the British magazine the *Economist* observes, betting, along with playing games and eliminating contestants, is a feature "that [is] fun, and that you can charge viewers for," and thus has proven to be highly profitable, unlike features like shopping or singling out an athlete to follow during a game, which "seem clumsy, distracting, or gimmicky" (*Economist* 2002).

In the United States, with TVG and the acquisition of DirecTV, News Corp. seemed particularly well positioned to profit from global synergies through international online and television wagering. TVG already carried some international racing on which American viewers could and still can wager, including selected racing from Japan, a result of an agreement reached between TVG and the Japan Racing Association (JRA) (LaMarra 2005, 4980.) TVG also carries some horse racing for wagering purposes from Australia Hong Kong, Europe, South Africa, and Dubai on television and online through streaming video.

Equally notable is the fact that News Corp.'s non-U.S. holdings transmit American horse racing. BSkyB carries At the Races (ATR), a horse racing channel that shows live horse racing from not only the UK and Ireland, but also from Germany and the United States. ATR went on the air in 2002 but ran into financial and management difficulties and stopped broadcasting in March 2004. It was relaunched in June 2004 as a partnership of BSkyB, Arena Leisure, and almost thirty British racetracks (At the Races 2005a). The channel allows viewers to bet through their televisions using their remote controls; and in addition to watching races on television, they can view them on ATR's web site and on their cell phones. ATR's web site provides lots of information for bettors in the UK who want to wager U.S. racing, including information on the kinds of bets taken by North American tracks, profiles of the top trainers and jockeys, tips on betting on U.S. racing, and guides to the U.S. tracks carried by ATR, which include Arlington Park near Chicago, Churchill Downs in Kentucky, Santa Anita Park east of Los Angeles, Gulfstream Park near Miami, and many other prominent tracks (At the Races 2005b). In late 2006, ATR and TVG entered into an exclusive, long-term agreement that means that ATR now carries TVG coverage after its program of British and Irish racing has ended for the day (TVG 2006).

Similar opportunities to bet on North American racing using News Corp.'s Star TV satellite service in Asia or its Foxtel digital cable and satellite service in Australia are not available, but the distribution system is in place. A channel that carries live Australian racing, Sky Channel, is carried on Foxtel (Sky Channel 2005). Sky Channel is owned by TAB Limited, a gaming company that is also involved in data monitoring, including for provincial governments. It operates wagering services through its RaceTAB and SportsTAB brands, and bettors can therefore view racing on the Sky Channel and then wager on the races online through their RaceTAB accounts (TAB Limited 2005).

Interestingly, although American racing is not available to Australians, Australian racing has been available for wagering in the United States on TVG and its rival, HRTV. HRTV, which is carried by satellite on the DISH Network but not on DirecTV, and on a few cable systems, also regularly schedules British racing and even South African racing on which its viewers can wager (Horse Racing Television, 2005). The racing industry consensus is that HRTV's production values are no match for TVG's, but of course TVG has been able to draw on the production resources of Fox Sports. HRTV is led, however, by a figure as ambitious in his own way as Rupert Murdoch, Magna founder Frank Stronach. Stronach, an Austrian immigrant to Canada, made his fortune in the auto parts industry with his business, Magna International. After that he turned his attention to horse racing, first by racing horses he bought from others, then by establishing breeding farms in Ontario, Kentucky, and Florida. By the late 1990s, he was buying racetracks as part of a racetrack consolidation movement that continued into the early 2000s. During that time Stronach acquired Gulfstream Park in South Florida, Santa Anita Park in Southern California, Bay Meadows and Golden Gate Fields in Northern California, Laurel Park and Pimlico Racecourse outside of Baltimore, Lone Star Park near Dallas, Remington Park in Oklahoma, Thistledown in Ohio, and Great Lakes Downs in Michigan. At the same time, Churchill Downs, Inc. (CDI), the flagship company of Churchill Downs in Louisville, Kentucky and thus of the Kentucky Derby, was buying Calder Race Course in South Florida, Hollywood Park in Los Angeles, and Ellis Park in western Kentucky; building Hoosier Park in northeastern Indiana; and absorbing Arlington Park outside of Chicago in a merger (Kruse 2002).

The initial goal of the wave of consolidation was to control the simulcast signals of races from tracks that are sent to off-track betting facilities (OTBs) and intertrack wagering sites (ITWs) throughout the country to generate more handle—dollars bet—and thus more revenue, with their races. A subsequent goal, however, has been to provide programming for interactive television channels and more racing on which to wager through TVG's and HRTV's web sites using their account wagering services. CDI was an early investor in TVG, and TVG originally had exclusive rights to CDI racing, while HRTV is, of course, wholly owned by the division of Magna created by Stronach for his horse racing holdings, Magna Entertainment Corporation (MEC).

The attraction of using the internet and interactive TV in the United States to legally generate horse racing handle to financially benefit media companies, cable systems, and racetracks is strong, but there's a basic problem with the model. There are at least twelve states in which all off-track betting is illegal, and even more in which account wagering, a necessary component of legitimate online and interactive television wagering, is illegal (Dempsey 2004.) In fact, the legality of pari-mutuel account wagering in any form in the United States has not definitively been determined. The Interstate Wire Act became law in 1961 and made sending bets over telephone lines illegal. It was aimed at bookmaking operations run by organized crime that used telephone lines to transmit bets across state and national boundaries. The assumption has been that the "wire communications facilities" referred to in the Act encompass various forms of internet data transmission as much as they do telephony, and thus the Act bars not only telephone, but also internet, account wagering. However, the Act was passed during the Kennedy administration's crackdown on organized crime, and those involved in its drafting and passage may well not have considered the possibility that noncriminal entities like TVG and MEC would one day use "wire communications facilities" to generate income for, among others, stockholders (Kruse 2002).

Congress considered the application of the Wire Act to horse racing in 1978 and passed the Interstate Horse Racing Act, which allowed the transmission of simulcast signals across state lines if the states were in agreement, and also allowed bets to be placed on those signals remote betting locations. Therefore, it constituted something of an exemption from the Wire Act for horse racing. Several states, like Pennsylvania took the Horse Racing Act to mean that telephone—and later internet and interactive television—pari-mutuel account wagering was legal among and between states where pari-mutuel wagering was already legal (Kruse 2002.) The legality of interstate account wagering has yet to be decided by the courts. Congress, however, passed the final version of the Internet Gambling Prohibition and Enforcement Act in September, 2006, and it was signed into law by President George W. Bush in October, 2006. The law, which prohibits the use of credit cards, bank fund transfers, and other financial transactions for online betting purposes, includes an exemption for horse racing. Specifically, the law states that the definition of illegal online gambling "shall not include any activity that is allowed under the Interstate Horse Racing

Act," including pari-mutuel bets made across state lines using the telephone or another electronic device (*Thoroughbred Times Online* 2006).

Despite the boost and possible competitive advantage that the racing industry received from its exemption in the recently passed law, the fact that horse race wagering in the United States is regulated by states rather than at the national level, and the murky legality of forms of interstate wagering, still places interactive wagering in the United States at a disadvantage compared to the UK and Australia, where national pari-mutuel wagering policies are in place. Companies like Star Racing/RaceTAB and ATR—and even Canada's Racing Channel—do not face the patchwork of policies faced by TVG and HRTV. This has important implications for the role that a conglomerate like News Corp. can play in rolling out its interactive platform in the United States and, more broadly, in using pari-mutuel wagering as a building block for transnational information flows of various kinds.

In the Transnational Sport and Media Context

In looking at this case study of interactive media, News Corp., and betting, one should keep in mind that on a broader level, what is being discussed is transnational information and monetary flows. A multinational conglomerate like News Corp. is now in the business of channeling users' funds across state and national boundaries into commingled pari-mutuel betting pools, in which bettors determine the payoffs through the choices they make when betting, which set the odds. Through TVG, DirecTV, BSkyB, and other properties, News Corp. was helping to create international markets that work much like financial markets; however, these international markets are built on formerly local markets—markets that at one time consisted of the people at a particular racetrack betting against other patrons at that same track, with no outside money coming in—and thus the potential effects on local markets (and national and international markets) are huge. Significant sums flow into local markets, influencing wagering odds and thus betting decisions. Moreover, when these flows are channeled through the facilities of media companies that provide content and satellite transmission, as well as cable systems that carry TVG, these companies receive a cut of the money wagered.

Although the legal status of most forms of mediated gambling in the United States is questionable, pari-mutuel wagering via telephone, interactive television, and the internet has been essentially accepted as legal in many states that allow pari-mutuel betting. Most forms of horse race betting are more clearly legal in Canada, Europe, Australia, and parts of Asia. Thus, providing horse-race program content and wagering systems is potentially a major source of revenue for companies involved in new media: not merely through subscription and advertiser fees, but through the bets made on the systems. Furthermore, while horse racing has been a sport of declining popularity in the United States over the past several decades, it is still a sport that has some recognition and appeal in the United States—more than, say, cricket or rugby—and its popularity in Europe, Australia, South Africa, and parts of Asia make it an appealing candidate for transnational distribution by global conglomerates like News Corp.

So, with multinational media players continually seeking to consolidate control over programming, distribution, and viewing, the notion using pipelines to send content for which there may be a charge, benefiting from further monies spent by users as they interact with the content, and providing the same content across nations and hemispheres to do this, is extremely attractive to these players. The rewards for media corporations are even greater if one form of content, like horse racing, can be used to launch interactive platforms that will generate new revenue streams at marginal costs. In the case of horse race wagering, however, it is not entirely clear that this will be a broadly popular or adopted application. Betting on horse racing on a reasonably regular basis presents challenges. Unlike many forms of gambling, horse racing wagering tends to be very time- and research-intensive, requiring bettors who want to do well to be able to read a racing form, analyze past performance information and statistics pertaining to trainers and jockeys, know something about racehorse pedigrees, and understand the fundamentals of basic and exotic wagers. And bettors may do this for several races in a race day, and races from different tracks and even different countries, and now, with internet and interactive TV services, accessing information through screen formats that are often difficult to access and navigate. It is a lot to ask.

It also remains to be seen whether the sort of interactivity that television services built on the traditional television model—corporate entities providing content that presents viewers with a set of actions that can be taken in response to that content—is the kind of interactivity in which present and future viewers/users want to engage. The internet offers users opportunities to create their own content and to interact directly with other users in addition to viewing content created by media companies, something that interactive TV has yet to successfully offer. On the other hand, services like pay-per-view and its more sophisticated successor, movies-on-demand, have proven quite successful. The increasing availability of flat screen, high-definition television may also help interactive television attract users. News Corp. is betting on several interactive media platforms, and it is surely gambling that its bet on horse race wagering pays off.

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