



Mr Tim Watling
Committee Secretary

Senate Select Committee on the Future of Public Interest Journalism

Thank you for your email communication on 23 May 2017 inviting Fairfax Media to expand on four questions on notice arising from the Committee's hearing on 17 May 2017.

The four questions Fairfax Media took on notice include:

1. Possible government action in regard to the taxation arrangements that apply to the operations of Google and Facebook in Australia.

The use of national taxation systems to ensure giant international search engines and social media operators pay appropriately for the use of locally produced content is a global issue. A number of proposals have been advanced around the world including withholding tax, copyright payments etc. So far there has been no effective solution. Google revenue is deployed through offshore jurisdictions in Singapore and Ireland. Fairfax Media has no special insight but would support any move by the government to ensure a more level playing field through the taxation system. Initially however Fairfax Media would encourage the Federal government to review its policy of spending taxpayer money on advertising and marketing. Historically governments targeted such expenditure through mass Australian media, a valuable source of revenue which was used to support journalism. Now governments predominately direct this expenditure online, mainly through Google. In the financial year 15/16 during which there was an election the Federal government's expenditure on advertising for Fairfax Metro and regional publications and online was \$11.8 million. For the financial year 16/17 that dropped to \$6.8 million. Back in the financial year 12/13 expenditure on advertising was more than \$9 million. Individual Australian media companies now have sophisticated data storage and data analysis capabilities to ensure government's receive equal value for targeted advertising expenditure. Local media is competitive given the chance. Fairfax Media would encourage the government to direct the majority of advertising expenditure both online and in print towards Australian owned and operated media businesses. The Federal government should also encourage State and local governments to a similar policy shift.

2. Taxation incentives for investment in journalism including tax write offs for R&D investment in journalism.

Fairfax Media is not presupposed towards direct government funding or incentives with strings attached. Fairfax Media already claims R&D taxation benefits for such investment in project development, online capabilities, app technology etc. A "special" write off regime targeted towards the media industry would need to be carefully considered.

3. Taxation incentives for personal subscriptions to Australian media companies.

As a publicly listed company Fairfax Media sees difficulty in a tax exempt status for philanthropic donations to media companies. Where such money should be directed and at whose direction are problems. Philanthropic donations to support freelance journalism in our view also runs into difficulty as to definitions of "journalist" and what type of journalism should attract such tax exemptions. In the US it serves to underwrite public sector broadcasting. Here billions of public dollars are spent on the ABC. We do encourage the government to consider a tax write off for people taking out subscriptions for both online and print media for Australian owned and operated media. Such incentives through the taxation system should also be extended to schools, universities, students, families of students etc.

4. The issue of the ABC as a public broadcaster spending taxpayer money to enhance its direct competition with commercial media operators in Australia.

Fairfax Media believes the government should follow through on the concerns expressed from a number of organisations regarding the ABC's present policy of directing taxpayer money to Google to enhance the ABC's story selection positioning in direct competition to commercial media. Without the need for a commercial return the ABC directs funds towards undercutting the competitiveness of commercial media and robbing it of revenue which would otherwise be used to underwrite journalism. The ABC has been aggressively moving into the commercial media space competing for audience "eyes" without the need to meet a commercial return - a significant advantage. Additionally the ABC is now directing taxpayer funds to Netflix - a foreign owned SVOD operator instead of locally operated SVODs such as Stan - a joint Fairfax Media/Channel 9 operation. Fairfax believes the ABC oversteps the mark and deliberately or not undermines commercial companies ability to sustain quality journalism. There is clear evidence to sustain such a view. It is not - as the ABC contends - simply commercial media whingeing.

Greg Hywood
CEO & Managing Director
Fairfax