



AN AUSTRALIAN RESEARCH COUNCIL LINKAGE PROJECT

5 December, 2020

To the Committee Secretary, Department of the Senate,

We are pleased to provide this submission to the Senate inquiry into the state of media diversity, independence and reliability in Australia.

This submission has been prepared by Associate Professor Kristy Hess, the Lead Chief Investigator of an Australian Research Council Linkage project – *Media Innovation and the Civic Future of Australia's Country Press* (LP180100813). Other Chief Investigators on the three-year project (2019-2022) are Professor Lisa Waller (RMIT) and Professor Matthew Ricketson (Deakin University), working in conjunction with Partner Investigator Mr Bruce Morgan, of Country Press Australia, research fellow Angela Blakston (Deakin) and PhD student Alison McAdam (Deakin) Country Press Australia serves as the peak body for more than 160 small independent newspapers across the nation. CPA has also lodged a submission to this inquiry, on behalf of the association members.

The current ARC-funded study aims to move beyond merely documenting the challenges facing local news by seeking innovative solutions to secure the sustainability of the country press in a digital world (see <https://www.localnewsinnovation.org>). It focuses on four key projects:

- > **Project 1** A comprehensive national and international assessment of government policy, reports and industry documentation on the sustainability and innovation of the regional news sector.
- > **Project 2** Two national audience surveys that gather and analyse ideas and perspectives from people in regional and rural areas to guide and inform social and cultural innovation in the regional news sector.
- > **Project 3** Targeted and expert input to solve innovation challenges through workshops and interviews with rural news proprietors, editors and journalists in Australia and internationally.
- > **Project 4** A comprehensive assessment of country newspapers, charting the factors underlying their varied and mixed fortunes, conducted by a PhD student.

The research team believes this submission identifies research-based solutions that can contribute to ensuring a sustainable future for news media across rural and regional Australia. A healthy rural and regional newspaper industry is vital to Australia's democracy and media diversity in rural and regional areas. Local news is an essential service, especially for rural and regional Australians who depend on relevant, credible and reliable information sources to be informed of civic, social and political affairs in their own localities and beyond. It is vital that Australia's media environment provides the conditions for news services in rural and regional Australia to not just survive but to flourish into the future.

Yours sincerely

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On behalf of the project team

The state of local newspapers

Within weeks of the nationwide COVID-19 lockdown in March this year, more than 200 local and suburban newspapers across Australia had either permanently or temporarily closed and/or shifted to digital-only platforms¹. A sharp decline in advertising expenditure had further crippled the media industry as Australian businesses slashed all but essential costs to survive the pandemic². This current media low-point follows more than a decade of cuts, layoffs and closures across rural and regional newsrooms. The ACCC has rightly highlighted concern for the continuing reduction in journalistic numbers, especially at the local level, in performing vital functions such as court reporting and investigative reports (ACCC, 2018). However, it is important to note that many failed mastheads to date are connected to big conglomerates, such as News Corp, where profit margins are small (albeit shrinking), yet arguably more palatable for smaller independent owners. It is our view, based on more than a decade of academic research, that the massification of local news (that is local news owned especially by major conglomerates) is a failing business model that does not adequately service the needs of rural and regional communities.

Independent local newspapers have served as the voice of their communities for more than a century and yet they attract little attention in policy debates and Senate inquiries, overshadowed by bigger players like News Corp, Nine and Australian Community Media. Independent newspapers, of course, are not immune from criticism but their commitment to the “local” should not be underestimated. Australia has more than 160 independently owned local mastheads aligned with Country Press Australia. In good news, anecdotal evidence indicates the number of new start-ups and hyperlocal publications is rising post-COVID, whereas independent local newspapers are experiencing mixed fortunes. Latest circulation figures from the Audited Media Association of Australia indicate that while the majority have experienced half-yearly paid publication declines from the Jan-July 2020 period, there are some that experienced a boost in print circulation figures, such as the *Colac Herald*, *Portland Observer* and *Camperdown Chronicle* in Victoria, Australia.

The collapse of the traditional business model sustaining public interest journalism in Australia has been, in part, blamed on the ascendant digital landscape, notably the rise of social media and digital platforms, such as Facebook and Google³. These relatively new players are perceived as gobbling advertising without the ongoing responsibility of providing reliable, credible information and public interest journalism in Australia. The COVID-19 pandemic has only hastened this collapse as advertisers have pulled key investment in regional and rural news outlets. For most country mastheads, the print product remains at the forefront of their business. The digital-only news model in many parts of rural and regional Australia is currently not desirable or economically sustainable. Any transition to digital requires extensive time for audiences to adjust, as well as ensuring the digital infrastructure is there to support such change.

¹ Hess, K. & Waller, L. (2020), Local journalism and coronavirus: connections, comparisons and cures? , *Media International Australia*; News Corp Australia, *News Corp Australia to suspend community print titles*, retrieved 30 June 2020, <https://www.newsCorpaustralia.com/news-corp-australia-to-suspend-community-print-titles/>;

² This followed a difficult 10-year period from 2008 to 2018, where 106 local and regional newspaper titles (many suburban) folded across the country, leaving 21 local government areas without coverage from a local newspaper, including 16 local government areas in regional Australia

³ Hess, K. (2020), ACCC Concepts Paper Submission, Deakin University, retrieved 30 June 2020, <http://www.localnewsinnovation.org>

Preliminary findings from Australia's largest study of local newspaper audiences (December, 2020)

We have long argued the need for audience voices to be included in policy reform and strategies to secure the sustainability of local news. In late 2020, we conducted the nation's biggest survey of independent country newspaper readers ($n = 4116$), as part of the ARC Linkage project. Preliminary findings suggest:

- There is continued strong demand (and passion) for the printed product in rural and regional Australia. Audiences indicated a preference for accessing news from their local masthead in print and they would prefer to read a digital news site that had the look and layout of a printed newspaper. Audiences also overwhelmingly view a printed copy of their newspaper as an essential service for their community.
- Audiences believe they should be invited to have a say about government policies and decisions affecting the future of local newspapers.
- In general, local newspaper readers indicate they are five times more likely to go directly to a local news website for their local news than Google or Facebook and almost 10 times more likely to go to the local newspaper website over a local council website for their local news and information.
- Policies that affect the future of local newspapers would influence the way readers vote at the next federal election.
- Audiences believe local newspapers should be collaboratively funded by a range of relevant stakeholders to ensure their future.
- Audiences were not in favour of their newspaper subscriptions being made tax deductible.
- Audiences overwhelmingly indicated any additional funding for local news should be directed to employing more local journalists to report news, over increasing digital connectivity and digital innovation products.

Current broadcast licensing agreements enable television news outlets to serve vast geographic terrain branded as "local" (up to 500 km). The ABC, meanwhile, is lauded for its outstanding emergency coverage across rural Australia but has endured heavy cost-cutting and struggles, with a range of challenges in reporting local news for non-metropolitan audiences (see Freeman, Hess and Waller, 2018). Independent local newspapers should be celebrated for their *reliability and consistent niche-level journalism*, covering smaller geographies. They are vital to the social fabric, sense of community and civic culture of Australia's small towns. Protecting these *consistently reliable and hyper-relevant* independent local platforms should be at the forefront of any government communication plan. In doing so, there is a need to recognise the vital importance of keeping people informed and connected, especially at a time when fake news and misinformation are rife.

Our primary recommendation is to secure and support the future of independent local news platforms, as well as new and emerging start-ups in the interests of media diversity. Additional recommendations are structural and seek to address the following points within the terms of reference:

- the impact of significant changes to media business models since the advent of online news and the barriers to viability and profitability of news outlets that report on politics, the justice system and other matters of local importance on behalf of, and for, the communities they serve;
- the challenges faced by small, independent and community news outlets in non-metropolitan settings;



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- the role of government in supporting a viable and diverse news media that serves the public interest in Australia.

Recommendation 1: A re-assessment of government advertising expenditure and current legislation around public notice dissemination.

Preliminary findings from our research indicates Government advertising spend across Australia has fallen dramatically in the past five years across country newspapers. The role of public notice expenditure (along with public awareness campaigns and election spending) had represented a major source of reliable, ongoing revenue. Instead, government advertising funds are now often redirected to social media with little insight for the consequences within the wider media ecology. Since the pandemic, many global companies have withdrawn advertising from Facebook in the interests of democracy and in protest against hate speech online. Tiers of government in Australia continue to allocate considerable funds from their budgets to Facebook for advertising purposes, while directly attributing the collapse of public interest journalism to unfair advantage in the marketplace of social media conglomerates.

The function of public notices and government advertising has not been categorised as a direct subsidy for traditional newspapers, but it represents a substantial revenue source for producers of public interest journalism. Municipalities and boroughs in the US, UK and Australia have been required under legislation devised long before the rise of the Internet to disseminate public notices in newspapers¹, although different states and territories now plan or are planning on taking different approaches to disseminating government information in the digital era. Given this legislative power, the blurring between newspaper subsidy and advertising revenue is evident:

“Whereas a subsidy is a classic policy response to market failures, advertising is the active promotion of a product, service or event across appropriate platforms to reach a target market or audience. In the digital age, newspapers are the direct beneficiaries of public notice expenditure at a time of market failure across the sector. A silent, tacit type of subsidy, then, is revealed⁴.

The Victoria Government’s 21 April 2020 pledge to book one page of print advertising and digital advertising in more than 100 regional outlets each week for six months as part of a \$4.7 million support package⁵ is an example of the impact of such government support, but this fillip needs to be more than a short-term lifeline. And it is important that such funding is directed to appropriate channels – especially those that show a commitment to public interest journalism (for example fair, regular and consistent reporting of local government affairs). Many local governments now elect to re-direct available funds to internal communication departments, using council websites and social media as the primary public dissemination platforms for civic information. More research is urgently needed in this space to assess best practice and future directions for a sustainable and diverse media in Australia.

⁴ Hess, K. (2019), Mining the depleted rivers of gold: Public notices and the sustainability of Australian local news in a digitized democracy. In A. Schapals, A. Bruns & B. McNair (Eds), *Digitizing democracy* (pp 88-99). Routledge: London.

⁵ Victoria State Government, *Emergency Support to Help Regional Papers Survive*, 21 April 2020, retrieved 2 July 2020, <<https://www.premier.vic.gov.au/emergency-support-to-help-regional-papers-survive/>>.

Recommendation 2: The implementation of the Australian Local Media Advisory Council, incorporating relevant regional media entities and stakeholders to oversee, evaluate and assess subsidies and support for local news 2022-2026.

A key concern from regional media proprietors around current subsidy schemes has been the need for long-term funding structures for their businesses rather than one-off grants. Proprietors have cited problems both in having to deal with bureaucratic language and grant-writing, and a digital-innovation bias when many rural and regional residents continue to be wedded to print products (as data from our latest survey reveals). There is also little transparency around the recipients of grants (especially regarding the Public Interest News Gathering Fund) and the effectiveness and use of subsidies in the interests of democracy. An Australian Regional Media Advisory Council would oversee annual audits and valuations of government funding and advise future strategies across platforms for local news. (Note the comments of Minister for Communications, Cyber Safety and the Arts the Hon Paul Fletcher MP that there must be “safeguards for those Australians living outside the capital cities and larger metropolitan areas”⁶.)

The proposal for a regional council draws on aspects of the ***Australian Broadcasting Corporation Amendment (Rural and Regional Measures) Bill 2019***, which has called for a dedicated council of industry stakeholders to advise the ABC Board on matters relating to the ABC’s provision of broadcasting services in regional areas.

The ABC Bill before Parliament advocates for a Rural Advisory Council “to ensure that the ABC Board takes into account the unique views and needs of regional areas in making any significant changes to its broadcasting services that impact regional audiences”⁷. However, the scope of this council should be expanded beyond the national broadcaster to encompass all relevant regional media entities and ensure a more holistic view of Australia’s local media ecologies. This is important if there are plans to continue government subsidies and/or redirection of any funds from a mandatory bargaining code into rural and regional Australian media outlets, which may not otherwise be adequately compensated for their public interest journalism efforts.

Given the impact and response to COVID-19, there is a need to extend this concept to a broader Regional Media Advisory Council (RMAC) that understands and appreciates the nuances of the local news environment and considerations of modern journalism. This industry-wide RMAC would administer and advise on collaborative funding strategies, including disseminating subsidies and revenue that might be available to the sector in coming years, such as through philanthropic bodies and donations (see Proposal 4) and the re-allocation of advertising revenue, stemming from the ACCC’s to-be-determined mandatory code of conduct, which addresses bargaining power imbalances between digital platforms and media companies⁸.

The RMAC would also work to identify areas within the regional news sector where funding is most needed,

⁶ House Hansard, [Australian Broadcasting Corporation Amendment \(Rural and Regional Measures\) Bill 2019: Second Reading](#), Parliament of Australia, Canberra, 31 July 2019, retrieved 6 July 2020.

⁷ Commonwealth of Australia, [Australian Broadcasting Corporation Amendment \(Rural and Regional Measures\) Bill 2019: Explanatory Memorandum](#), Canberra, 2019, p. 2.

⁸ Frydenberg, J. & Fletcher, P. ‘ACCC Mandatory Code of Conduct to Govern the Commercial Relationship between Digital Platforms and Media Companies’, media release, 14 April 2020, retrieved 6 July 2020, <<https://joshfrydenberg.com.au/latest-news/accc-mandatory-code-of-conduct-to-govern-the-commercial-relationship-between-digital-platforms-and-media-companies/>>.



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while overseeing a database of news outlets that best serve the journalistic and information needs of regional and rural communities. It would play a role in holding news outlets accountable for providing local content. Council members would comprise representatives from key industry, scholarly, government and institutional bodies, such as:

- ACMA;
- Australian Community Media (ACM);
- News Corp Australia;
- Country Press Australia;
- ACCC;
- WIN Network;
- Seven West Media;
- Australian Press Council (APC);
- Community Broadcasting Association of Australia (CBAA);
- Australian Community Television Alliance;
- Leading Media/journalism academics from the Australian university sector;
- The Judith Nielson Foundation and/or other key philanthropic organisations.

Recommendation 3: Targeted support for new start-ups, independent news outlets and printed publications in digitally vulnerable rural/regional and suburban geographies.

While the printing presses may have stopped rolling (albeit temporarily) in some parts of rural Australia, more than a dozen independent start-ups or takeovers of small publishers have emerged recently to keep news services alive in small communities. A recent panel on local journalism convened by our team at the Journalism Education and Research Association of Australia Conference (December 3, 2020) has also highlighted a rising number of green shoot media enterprises in rural and regional areas. We have been contacted by at least six new start-up ventures that have been dismayed by the lack of subsidies and support (see Hess, 2020). For example, the Public Interest News Gathering Fund was only available for existing and established media outlets such as ACM (which closed down dozens of printing presses during COVID). When new independent start-ups sought to enter the marketplace, they were hamstrung by structures that limited access to both subsidies and government advertising revenue, putting them at an immediate disadvantage. More targeted, ongoing support for established independent newspapers should also be considered in discussion with Country Press Australia.

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ⁱ The state of Victoria, for example, defines public notice under its Local Government Act (1989) as “a notice published in a newspaper generally circulating in the municipal district of the Council”ⁱ.