Submission to the Senate Select Committee on the Future of Public Interest Journalism

Schwartz Media

Schwartz Media is the independent publisher of the Monthly magazine, the Saturday Paper, the Quarterly Essay, Black Inc. and La Trobe University Press books, and the forthcoming Australian Foreign Affairs journal. It publishes high-quality public interest journalism and writing across several media platforms.

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News doesn't report itself. But as the committee has heard, the economic model that has supported quality journalism is mid-collapse – newspaper revenue has been falling by 5% per year worldwide since 2009, according to Bloomberg.

In Australia, newspaper advertising revenue has dropped 40% in just five years, to $2.4 billion, according to PricewaterhouseCoopers. By contrast, the online advertising market is growing at 25% a year and on various estimates will be worth $6 billion this year. According to Morgan Stanley, Google and Facebook generated the lion's share of this, between $4 and $5 billion – around 40% of our total advertising market and rising fast.

Globally, it's widely accepted that these two tech companies are picking up 80–90% of all new digital advertising. The leak of advertising to the tech giants seems inexorable. It's not that readers are deserting the mastheads: the number of people who read them either in print or online has never been higher. It's simply that "print dollars turned into digital cents".

Approximately 2500 journalism jobs have disappeared in Australia since 2011, and pay rates for freelancers have also declined significantly.

Some media commentators and proprietors have claimed that the federal government's proposed laws on media ownership (reform of the two-out-of-three and 75% reach rules in particular) would preserve a healthy, competitive and independent media sector. In our view, only a small number of large corporations (for the most part foreign-owned) would see any real benefit from these changes. They would not bring diversity – quite the contrary – and do nothing to address the broader impact of the tech giants.

The proposals discussed below – starting with tax incentives and a levy on Facebook and Google – would be of far greater benefit to the majority of media organisations in Australia.

Reform to the defamation act – including a strict cap on damages and the introduction of a tribunal system to avoid using and paying for lawyers in cases that could be resolved outside the court system – would also be of greater benefit to more media organisations than the proposed changes to media ownership laws.

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The committee has heard examples of regulations applicable to the Australian media but not to the tech companies, such as local content and media ownership laws, and has heard about the very low rates of tax paid by them. Local media have obligations, social, legal and cultural; Facebook and Google trade on locally produced content, smash the business models of local media, and give little back to the community.

The online giants will not replace or replicate the public interest journalism that is crucial for a functioning democracy. They are platforms to circulate content that is regulated in the most minimal way, and they do not produce anything themselves.

Professor Peter Fray, Professor of Journalism Practice, University of Technology Sydney, summed up the problem for the future of journalism: "There is no doubt there are issues around tax for Google and Facebook and they should pay their fair share, but I cannot see how publishers, journalists or politicians can blame Google and Facebook for the fact that digital revenue streams did not, do not and will not replace those of print or that in digital environments."

Put a different way, how could extracting a reasonable amount of tax from Google and Facebook save local journalism and a collapsing business model?

Only by channelling some of that tax revenue into journalism. For which no mechanisms yet exist, and to which the objections are obvious. Historically, there's been ample reason to fear government involvement in private media, and little reason to propose or support it.

Yet times have changed. It's become evident that there is now broad media and public support for a strong and rapid government response. To ensure a viable, independent and diverse media sector in Australia, such a response is now essential. Only a robust fourth estate operating with principles of public interest in mind can counter the potential manipulation of news and information on the commercial/proprietary platforms of social media.

One of the key proposals being canvassed is a levy or "turnover tax" on Facebook and Google, with revenue used to support public interest journalism. This is a reasonable action by government, taking into account the very low rate of tax paid by these companies in Australia (considering the revenue they collect here) as well as the necessity of mitigating the worst effects of their market dominance. It might also be worth considering offering incentives to Facebook and Google, tax or otherwise, for supporting local public interest journalism.

If revenues are to be raised to support public interest journalism, the two key questions for the committee are these:

- What is public interest journalism?

- How might government disburse funds for public interest journalism without causing undue influence over content, compromising independence, or distorting the market for news and information?

Public interest journalism includes work that reveals information with a clear democratic purpose; that exposes wrongdoing, injustice or incompetence among private or public officials in positions of responsibility; that protects the public; and that prevents the public from being misled. Any definition must also take into account the work's purpose and motivation.

In our view, however, such definitions should not be the basis of support for journalism. Modern journalism is necessarily more diverse and dynamic than such definitions reflect, and a new policy would focus on more practical aspects, related to matters of ownership, funding, commercial viability and the need to protect media diversity. The principle of media independence would be better served by a system that ensures institutional and journalistic freedom, and not one in which journalism is judged according to (government-approved) values.

Any support for public interest journalism should give priority to organisations whose dedicated purpose is to produce journalism and fact-based editorial; that pay journalists, writers and other media producers; that have a viable business model; whose income and costs predominantly relate to their editorial functions; and that are clearly independent of advocacy groups and other non-media organisations.

Any funding mechanism to support public interest journalism must also be independent of government.

The most obvious means is via the tax system. Introducing a system of tax incentives or deductions related to public interest journalism is one way of ensuring independence from government.

Another might be via an agency (such as the existing Copyright Agency), independent of government, that disburses funds to publishing and media outlets by way of a formula developed through an industry-based consultation process, according to principles of copyright and fair use. It may be possible to develop this fairly and openly, but it would undoubtedly be complex, time-consuming and easy to criticise.

A system of distributing funding to the media via grants councils has been introduced in parts of Europe and proposed on occasion in Australia. In our view, this is the option least likely to encourage self-reliance or independence in the media sector, and the most likely to cause controversy (due to the reliance on human decision-making – in both funding matters and management appointments etc).

While the best policy outcome may be a combination of measures, the simplest and most effective step in our view would be the timely introduction of tax incentives for investments in public interest journalism: tax breaks for individuals buying news subscriptions, and on donations or other investments in journalism.

Organisations eligible for tax-deductible investment/support should qualify on grounds such as the following:

- A minimum of 75% of [media organisation's] total spending over the past 12 months was on the production and dissemination of news, public interest journalism or other fact-based editorial content.

– A minimum of 75% of [media organisation's] total revenue was derived from sales, subscriptions, advertising revenue or other individual or philanthropic donations.

– [Media organisation] had a turnover of minimum $1 million in the past financial year.

– [Media organisation's] primary business and dominant purpose is the production and distribution of news and editorial content that is in the public interest. (This test excludes organisations producing content whose purpose is promotional, or for public relations or advocacy.)

The benefit of tax deductibility in these conditions would flow immediately into support for Australian journalism and media generally, while maintaining the independence of media organisations and avoiding the dangers of government interference.

We would be happy to present and discuss these ideas in person.