

Standing Committee on Communications and the Arts

Inquiry into Australia's regional newspapers

- Victorian Country Press Association Ltd Submission

Introduction

Victorian Country Press Association Ltd (VCPA), a public company limited by guarantee, is the regional news media industry body for its 95 Victorian members as well as many associate members nationally.

VCPA's advertising sales arm Regional Media Connect (RMC) represents 170 titles nationally for State and Federal Government and commercial client advertising.

Terms of reference

- 1. The impact of decisions in a number of markets in regional and remote Australia by large publishers such as News Corp and Australian Community Media to suspend publication of print editions**

The decision by the large publishers including News Corp and Australian Community Media (ACM) to suspend/cease print editions in some markets has had a devastating impact on those communities. The situation for these local communities has been compounded with many radio and television stations centralising their news services, further reducing journalist numbers and syndicating news across their networks to the extent that much of the news they offer is no longer 'local'. The local newspaper remains the only true source of local news in regional Australia. The local newspaper continues to invest in quality public interest journalism and holds those in power to account and provides a voice to those who would otherwise go unheard.

Compared to radio and television stations the number of journalists employed and the amount of news content produced by local newspapers is far greater. Digital only publications have so far failed to generate the revenue required to invest in significant levels of quality journalism which leaves the local newspaper as the main source of credible local news.

Fortunately, some of the suspended or ceased titles previously published by News Corp and ACM have been replaced by quality local newspapers published by passionate family-owned newspaper groups who are prepared to invest in local journalism and provide ongoing local news to the communities they serve.

The decision by News Corp and ACM to cease or suspend some publication has raised questions on the future of the newspaper industry in the eyes of our advertisers, our readers and the public. Many news articles covering this decision painted a dire outlook for the industry. This message was picked up loud and clear by the public and advertisers with some questioning their commitment to printed newspapers. Since this decision was taken

by News Corp and ACM, some commercial clients have still not returned to advertising in printed editions even though the family-owned newspapers which they previously carried their advertisements remain strong in their markets and dedicated to the communities they serve. In summary the decision by News Corp and ACM has tainted the perception of the industry in the eyes of some advertisers and the public.

The large publishers including NewsCorp and ACM have shut some of their print centres meaning smaller publishers who relied on the large publishers to print their papers now need to have their papers printed elsewhere, in almost all cases much further away resulting in increased distribution costs.

Some of the smaller family-owned proprietors who own presses have expanded their sites to handle the increased demand as a result of the press site closures by the large publishers. In some areas of Australia smaller publishers have purchased press sites previously owned by the large publishers in order to guarantee printing services for their mastheads and to supply printing services to other publishers.

2. The extent to which there has been entry into these or other markets by new operators, particularly small businesses

Some of the markets abandoned by the large publishers including News Corp and ACM have been entered by smaller family-owned newspaper groups with significant publishing experience.

In many cases the communities which found themselves without a local paper after the exit of the large publishers were screaming out for a new local news service.

The groups that have entered these abandoned markets now have economies of scale with respect to production and administration systems and newspaper expertise but they invest locally into strong journalism and advertising sales staff. Many have also sought a component of local ownership.

Entering markets by smaller family-owned newspaper groups requires newspaper expertise and capital but most importantly the newspaper must be commercially viable to be sustainable. The traditional model of newspapers providing quality public interest journalism funded by strong advertising and a cover price is being challenged in every market in Australia. Typically advertising revenue is decreasing and the cost of producing journalism is increasing – margins are being eroded.

3. The impact of the News Media Bargaining Code for regional and remote newspapers

The News Media Bargaining Code has allowed our national industry body to successfully negotiate with the Digital Platforms.

The funds that flow to publishers through the commercial agreements with the Digital Platforms are long overdue and have been widely welcomed. It must be recognised that

these agreements do not provide a 'donation' to publishers but instead are based on recompense for services provided. These services will require many publishers to invest in additional resources to comply with the agreements such as additional journalists and improved infrastructure.

The payments received by publishers will mostly be used to develop the digital component of their businesses which is one of the keys to developing a sustainable news media business model in today's digital environment.

The risks around defamation and online comments need to be addressed to protect the interests of publishers. If comments cannot be turned off the risk should be shared between the digital platform and the publishers.

4. The degree to which there has been economic recovery in regional and remote markets from the impacts of COVID, and whether this has led to advertising revenue improving.

The impact of COVID since March 2020 has placed and continues to place significant pressure on an already challenged news media industry. Advertising clients, particularly in the commercial space, are reluctant to commit to medium to long term campaigns due to a lack of confidence and uncertainties around COVID.

Almost all VCPA member publishers chose to weather the storm by continuing to publish their newspapers and maintain a stronger than ever digital presence. Advertising revenues were decimated, yet the investment in local public interest journalism has never been greater than during this COVID period. This does not reflect a sustainable news media business model but when an investment is required to maintain news for their communities, our members put their hand in their pockets and continued to publish despite little advertising revenue.

VCPA conducted two surveys of its members in 2021 (see results below). One in August was taken during a Victorian state-wide lockdown, the other was taken in November 2021 as the state reopened and the prospects appeared somewhat brighter. What is clear from the survey results is that members experienced a sharp reduction in turnover in 2021 when compared to a more normal year in 2019. It also highlights that members maintained levels of public interest journalism and news page numbers despite the dramatic decrease in advertising revenue. This is not a sustainable news media business model but VCPA member publishers clearly made the decision to invest in their communities during this time. The November 2021 results show an improvement in revenue but it is still 17.60% down on 2019 levels and in a low margin industry this deficit could see many publications cease if current trading conditions continue.

Rising newspaper production costs, including newsprint price increases of up to 30%, press plate price increases of 15% and black ink price increases of up to 60% have seen printing prices increase by, on average, 15% overnight which adds a further challenge to the industry. The price of freight, driven by high fuel prices, is also increasing overheads in our member publications. There has also been a rationalisation of newspaper printers in recent

years meaning many papers are printed large distances from their distribution/circulation area resulting in higher freight costs.

Survey conducted late August 2021

34 mastheads included in the survey – representing 37% of total Victorian Country Press Association member mastheads. A geographical spread of mastheads across Victoria was included in the sample. The results: 137 total staff stood down to some degree, resulting in an average 31% reduction in full time equivalent staffing per masthead. An average reduction in turnover of 52% per masthead has been reported based on a 2-week comparison between the same weeks in 2021 and 2019. An average page number reduction of 40% has been reported based on a 2-week comparison between the same weeks in 2021 and 2019. One masthead previously published twice a week will now be published weekly as a result of the lockdown. No masthead surveyed has received any form of State Government COVID related business grant support in 2021.

Survey conducted late November 2021

34 mastheads included in the survey – representing 37% of total Victorian Country Press Association member mastheads. A geographical spread of mastheads across Victoria was included in the sample. The results: an average reduction in turnover of 17.60% per masthead has been reported on the same 2 weeks (last 2 full weeks of November) between 2019 and 2021. An average page number reduction per masthead of 12.25% has been reported based on the same dates. This shows VCPA members are maintaining page numbers and local public interest journalism to their communities to a greater level in real terms as turnover has reduced to a greater level than page numbers. Average payroll was reduced by 18% across the same dates. 2 of the mastheads surveyed received \$20,000 (each) of State Government COVID related business grant support in 2021.

COVID not only shut the doors and restricted the trade of many of the local businesses who previously advertised in our member publications, it has also had other long-term flow on effects. Stock supply shortages in the areas of new and used motor vehicles, motorcycles, farm machinery, building products including steel and timber, regional residential established homes and land for domestic building, furniture and electrical goods have left many businesses unable to advertise as demand exceeds supply. The Federal Government's Home Builder grant has driven demand for domestic building, land and related trades and services to a level where these previously strong local advertisers are so busy that they won't require advertising in the short to medium term.

Recommendations

1/ The establishment of grants for local journalism and the establishment of a \$50 million fund as recommended to the government by the ACCC in 2019.

The PING funding was efficiently organised and distributed and assisted local news media businesses greatly. Unfortunately, a large component of the funding went to large media businesses including ACM who subsequently abandoned some of the communities they previously served and AAP, a producer of syndicated news, received two significant payments.

Any future fund, possibly PING 2.0, should be targeted only at smaller local community news media businesses in regional and metro regions who publish non-syndicated news. Large organisations and those that have abandoned their communities during COVID should not be eligible. Those 'news media businesses' who produce syndicated news and sell their content, such as AAP, should not be eligible.

2/ Action needs to be taken to ensure publishers do not take all the risks with defamation issues relating to online and social media commenting.