

CAPITAL BRIEF

Joint Select Committee on Social Media and Australian Society *Capital Brief* submission

Introducing Capital Brief: A publication aiming to meaningfully contribute to Australian media diversity through an innovative and sustainable model

Capital Brief is an independent news startup that covers business and politics for Australian decision-makers and the broader business community. It launched in August 2023, reporting on the institutions, issues and individuals shaping the future of the economy. Coverage areas include finance and markets, politics and policy, technology and startups, climate, energy and resources, law, and media.

The publication was founded on the principle that a thriving business can be built with high-quality, original reporting at its core. The model is inspired by a new generation of overseas media companies that have established innovative models to support sustainable investment in journalism.

The business was founded by former Fairfax Media and Nine executives, Chris Janz and David Eisman. Chris previously led *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review* and Nine's digital business, and has experience as both a journalist and media business leader. He was previously a director of the International News Media Association and is the sole Asia Pacific member of the World Association of News Publishers' expert panel. David led strategy and subscriptions for those mastheads and Nine's digital business. At Fairfax, he played a leading role in developing and implementing a plan for a sustainable business model for its quality journalism.

Our newsroom has no agenda other than to present fair and accurate reporting that is valuable to our audience. Our team comprises full-time professional journalists with deep expertise in their coverage areas, stemming from their experience in relevant industries or leading newsrooms such as the Associated Press, *Bloomberg*, the *Financial Review*, *The Sydney Morning Herald* and *The Age*, *Business Insider* and *The Guardian*. Prior to joining *Capital Brief*, a number had left journalism to work in other industries or for overseas publications. They returned for the opportunity to launch and grow a serious new outlet for Australian journalism.

This submission provides a perspective on the state of Australian news media informed by the founders' experience in senior executive roles at the largest incumbents and in launching a new publication in the current media environment. In doing so it addresses the items in the Terms of Reference that relate to the relationship between social media platforms and Australian journalism.

Concentration in Australian media impacts the stories that are told, perspectives presented and public trust in the media they consume

Australian commercial media is dominated by three legacy conglomerates: News Corp, Nine Entertainment and Seven West Media. These organisations own the leading news mastheads in every state, the national broadsheet, the national business publication, the most-read free news websites, the top news/talk radio stations and the leading free and subscription television networks.

As a result, a small group of editors can dictate which stories are told and how the narrative takes shape. This concentration of editorial decision-making inhibits the ability of Australian journalism to effectively counter the mis and disinformation present on social media platforms.

For example, a recent Canberra University study found that 60 per cent of Australians do not say they “trust most news most of the time”¹. Moreover, a 2022 study by the Reuters Institute found that 3-in-4 Australians do not believe media is free from undue business influence, while 70 per cent do not believe media is free from undue political influence².

In business journalism, a top focus for *Capital Brief*, editorial decision-making is even more concentrated than the broader market. The *Financial Review* boasts “it doesn’t have a competitor”³, with few others meaningfully investing in business journalism for a professional audience. As a result, a small number of editors dictate news coverage of the companies, institutions and people shaping the future of the Australian economy.

The impacts of this concentration are particularly profound for people aiming to do things differently, including founders building companies and those shaping future-focused policy. For these people, the existence and nature of coverage can play a pivotal role in determining success or failure.

New entrants can play a vital role in improving media quality and diversity, however Australia’s track record is poor

Capital Brief is inspired by a wave of new journalism outlets overseas, particularly in the United States. Each of these outlets has different approaches to journalism and different business models, but all have original high-quality journalism at their core. For example:

- *Politico* was founded in 2007 covering politics and policy, and now employs 900 people across North America and Europe;
- *Axios* launched in 2016 providing brief, matter-of-fact coverage of business and politics and is focused on addressing “the erosion of truth, trust, safety and sanity in news”;
- *The Information* is a technology-focused publication founded in 2013 that has become a must-read in the industry it covers;
- *Puck* launched in 2021, focused on telling the “inside story” in business, politics and culture.

¹ [University of Canberra Digital News Report](#): Australia 2024 (Figure 6.1)

² [Reuters Institute Digital News Report 2022](#) (Section 3.33)

³ Michael Stephenson, Nine Entertainment Co chief sales officer, [Nine Upfront 2022](#) (1:07:00)

These outlets have been additive to the media landscape. Their growth has not come at the expense of traditional incumbents, but rather they have enabled more stories to be told and additional perspectives to be presented.

Concerningly, Australia's track record of producing new outlets for quality journalism at scale is poor. While a number of digitally-native media companies have been established in the last 10-20 years, they have typically focused on commentary and lifestyle content rather than original news reporting. Except for *The Guardian's* launch a decade ago, few have reached a scale where they meaningfully impact the landscape.

Government intervention in news media has contributed to media concentration by focusing on the challenges facing large, and in many cases highly profitable, incumbents

Traditional media in Australia is structurally challenged. This is well documented, and characterised by declining legacy revenue streams, falling audience across traditional media platforms, and the emergence of new channels for discovering and consuming content.

Government intervention in the sector has focused on supporting a structurally challenged sector while offering little (if any) support to emerging outlets producing journalism of public importance. At times government policy has added to the competitive disadvantages emerging outlets face.

The biggest winners of the News Media Bargaining Code were large, profitable incumbents

The News Media Bargaining Code is the intervention that has had the single greatest impact on the news media ecosystem in recent years. The Code led to the injection of more than \$200 million⁴ per annum into the industry and established a structure for potential payments for years to come.

While additional funding for journalism is positive in aggregate, the majority flowed to three large and profitable incumbents: News Corp, Nine Entertainment Co and Seven West Media.

For example: In FY21, prior to the code taking effect, Nine Publishing reported earnings of \$117 million on revenue of \$505 million, a 23 per cent profit margin. In FY22, following the introduction of the code and commencement of deals with Google and Meta, profits increased to \$179.5 million at a margin in excess of 30 per cent.⁵ This is more than three times the profit margin of *The New York Times*⁶, widely recognised as the global leader in the transition from newspapers to digital publishing.

Profitable and sustainable journalism is a good thing and the recent financial performance of Nine Publishing has been world-leading. The concern arises when government intervention primarily benefits highly-profitable incumbents while failing to support new and emerging outlets.

⁴ [The logic behind Australia's news media bargaining code](#), former ACCC chair Rod Sims, June 2022

⁵ [2022 Financial Year Results](#) (p19), Nine Entertainment Co, 25 August 2022

⁶ [The New York Times Company](#) reported an operating profit margin of 9.2% in Australian FY22.

Other interventions have similarly focused on legacy incumbents while failing to improve media diversity by incentivising or supporting new entrants

Aside from the Code, the recent history of Australian media policy is of a series of initiatives designed to support structurally challenged legacy businesses. In addition, certain interventions have favoured regional and local publications over others, and have done little to promote diversity and business model innovation by incentivising new entrants. These include:

- **The Journalist Fund:** \$5 million in funding in 2022-23 to assist regional news businesses to hire cadets.
- **Regional and local newspapers publishers program:** \$15 million funding to support structurally challenged newspaper producers in the face of rising print costs.
- **Public Interest News Gathering Program (PING):** \$50 million funding to support commercial television, radio and newspaper businesses in regional Australia during COVID-19.
- **Regional and small publishers jobs and innovation package (RASPII):** Eligibility criteria based on pre-existing revenue, not investment in journalism, and at least two-thirds of funding mandated for regional publishers.
- **Broadcast licence fee relief:** Abolition of broadcasting licence fees, saving the incumbent networks around \$130 million/year.
- **Changes to media ownership laws:** Abolition of the 2-out-of-3 rule, allowing the 2018 merger of Nine Entertainment and Fairfax Media and dramatically reducing media diversity while favouring legacy businesses with scale-driven models.

As well as not typically benefiting from government support for the news media industry, journalism startups are commonly ineligible for government programs supporting the broader startup sector. For example, the NSW Government Tech Central Scale Up Accommodation Rebate provided a 40 per cent rebate on eligible rental costs and 30 per cent rebate on eligible fit-out costs, however applicants needed to develop and commercialise new technology as part of their core service or product offering.⁷

Likewise journalism startups are not eligible for other programs that support the production of Australian content, such as the Government's film and television tax rebates⁸ or state-based film, television and digital games grants and incentives⁹.

Any policy response to Meta's decision to abandon Code deals should be considered as part of a broader plan to promote true media diversity

The News Media Assistance Program (NewsMAP) consultation process rightly recognised: "A diverse and sustainable news media sector, producing quality news and journalism, is critical to a well-functioning democracy and informed society."¹⁰ The overarching policy objective should be to

⁷ [Tech Central Scale Up Accommodation Rebate](#), NSW Government

⁸ [Tax rebates for film and television producers](#), Department of Infrastructure, Transport, Regional Development, Communications and the Arts

⁹ [Funding and support](#), Screen NSW

¹⁰ News Media Assistance Program, Department of Infrastructure, Transport, Regional Development, Communications and the Arts

promote a diverse journalism ecosystem, not to address a revenue gap faced by certain large players due to the expiry of particular commercial arrangements.

With this in mind, there is an opportunity to take a new approach that would foster diversity and business model innovation by incentivising and supporting viable new entrants.

Any future intervention should:

- Offer support to businesses on the path to commercial sustainability, to avoid creating a dependence on ongoing support;
- Not favour particular business models (for example, not-for-profits or free outlets) or types of publications (for example, regional or community newspapers) over others; and
- Ensure the editorial independence of news media outlets is maintained.

Examples of potential initiatives to support true diversity include:

1. Making funding available for news startups building towards sustainability

News startups can be pivotal in improving media diversity, however there are limited sources of private funding for journalism startups, which typically do not fit within the mandates of technology-focused venture capital funds. There may be a role for government to provide grants to early-stage journalism businesses with clear business models and paths to profitability.

Any funding would need to be appropriately structured, with explicit protection of editorial independence, and not tied to particular editorial initiatives to avoid real or perceived government influence over editorial decision-making. Deliberate targeting of early-stage ventures with a clear path to ongoing sustainability would maximise public policy benefits and mitigate the risk of ongoing dependence.

2. Journalism labour tax credit

The Government of Canada introduced in 2019 a refundable tax credit up to 25 per cent of expenditure on newsroom employees for qualifying journalism organisations¹¹. In November 2023 the Government announced that it would be extended to up to 35 per cent¹².

A similar measure in Australia would meaningfully incentivise investment in journalism. A cap on scale for eligibility could be considered to limit cost and focus the benefits on emerging outlets.

4. Concessional rates of taxation, modelled on the Research and Development Tax Incentive, for new ventures investing in public interest journalism

This was a recommendation of the 2021 Senate Inquiry into Media Diversity in Australia and such an initiative should apply to a broad set of investments required to establish and grow a newsroom. Similar to the R&D Tax Incentive, it should be refundable to maximise support for early-stage businesses that typically take time to reach profitability.

¹¹ [Canada journalism labour tax credit](#), Canada Revenue Agency

¹² [2023 Fall Economic Statement](#), Government of Canada

5. Payroll tax relief for news startups

Contrary to Canada's Journalism labour tax credit, Australian news startups face a real disincentive to newsroom investment via 4-7 per cent state-based payroll taxes. This directly reduces capacity to invest in journalism.

Relief for organisations employing professional journalists would stimulate investment in new media. Eligibility could be capped at a certain scale to maximise the public policy benefit of media diversity. To ensure the small number of recent startups are not unintentionally adversely affected, any taxation measures should be backdated to at least FY23.

Conclusion

Capital Brief recognises the vital role of the Committee in examining the influence and impacts of social media on Australian society, including on the production, distribution and commercialisation of original Australian journalism.

We encourage the committee to avoid a narrow focus on the commercial impacts of recent developments on the largest incumbents, and welcome the opportunity to discuss the issues raised in this submission.