

Private Media submission to the Joint Select Committee on Social Media and Australian Society

The media industry in Australia is experiencing structural, financial and reputational decline

1.1 Australians deserve a choice of media that is trustworthy and sustainable. On each of these points, they are left short.

1.2 In terms of choice, as Zoe Daniel pointed out in her Notice of Motion to the House of Representatives in 2022, by one measure, Australia is the third worst market globally for media diversity. Only China and Egypt have more monopolistic media markets.

1.3 The media is extraordinarily untrusted. And it is only getting worse.

- a. This year's Digital News Report from the University of Canberra shows that only 40% of Australians trust the media, the second worst year on record¹.
- b. The same research shows that distrust has never ranked higher, at over 38%.
- c. According to the latest edition of Roy Morgan's ranking of the most trusted brands in Australia, News Corp is the fourth least trusted of all brands, not just news brands, in Australia².

1.4 In terms of its sustainability, the 2019 Digital Platforms Enquiry from the ACCC³ detailed how, as a result of the changing advertising markets:

- a. Over a ten year period, the total number of people working in journalism declined by 9%.
- b. More than 100 local and regional publications closed.

1.5 Despite the \$600M that has come into the sector as a result of the code, in recent weeks we've seen significant redundancies across every major media company as they adapt, not to cyclical changes, but large structural changes that will see even more of their advertising businesses shift to the digital platforms.

- a. At the end of May, News Corp Australia started a round of redundancies. It is not clear how many journalists will lose their jobs, but it has been widely reported that the company is seeking around \$65M in savings⁴.

¹ https://apo.org.au/sites/default/files/resource-files/2024-06/apo-nid326816_4.pdf

²

<https://roymorgan-cms-prod.s3.ap-southeast-2.amazonaws.com/wp-content/uploads/2024/05/07024118/9576-Risk-Monitor-Quarterly-Update-March-2024-2.pdf>

³ <https://www.accc.gov.au/about-us/publications/digital-platforms-inquiry-final-report>

⁴

<https://www.afr.com/companies/media-and-marketing/news-corp-on-edge-as-redundancies-roll-out-after-major-restructure-20240604-p5jj34>

- b. At the end of June, Seven West Media started a round of redundancies. It is not clear how many journalists will lose their jobs, but it has been widely reported that the company is seeking around \$100M in savings⁵.
- c. At the end of June, Nine started a round of redundancies. It has been reported they are looking to remove around 200 roles from the company⁶.
- d. Publicly listed Australian media companies lost \$2.17B in market valuation over the last financial year, with Seven West Media losing over 51.3% of its market cap. Nine lost \$1.16B from its market cap⁷.

How did the News Media Bargaining Code change these measures of choice, trust and sustainability?

2.1 We argue that, judged over the long term, it made every measure worse.

2.2 In terms of choice:

- a. With the lion's share of \$600M going to the major three media companies, each of them have now tightened their grip on the market with improved technology, products and brand awareness.
- b. With Meta now likely to ban news from its platforms, the barriers to entry for new providers will only get higher.
- c. It seems extremely likely that without emergency action, Australians, particularly young Australians, will have even less choice and access to news providers in the coming months.

2.3 In terms of trust, aside from the code, in recent weeks the general public have had great reason to have even less faith in the bigger media companies.

- a. In December of 2023, court documents suggest that Channel Ten paid in the region of \$104,000 towards the rent of alleged rapist Bruce Lehrmann⁸.
- b. News Corp chairman Michael Miller, responding to a question about the company's coverage of women, defended the company's journalism in a press club address, stating it "wasn't intended to be bullying"⁹.
- c. Nine Entertainment is currently performing an internal investigation following revelations that former head of news Darren Wick was the subject of a series of complaints for

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<https://www.afr.com/companies/media-and-marketing/seven-west-axes-three-of-its-most-senior-executives-in-major-shakeup-20240625-p5jor0>

⁶ <https://mumbrella.com.au/up-to-200-jobs-to-be-axed-at-nine-837425>

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https://www.unmade.media/p/scorecard-how-fy24-was-the-year-the?utm_campaign=email-post&r=dg1ua&utm_source=substack&utm_medium=email

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<https://www.theguardian.com/australia-news/2023/dec/05/channel-seven-paid-4000-per-fortnight-in-rent-for-bruce-lehrmann-interview-documents-reveal-ntwnfb>

⁹ <https://www.crikey.com.au/2024/06/05/news-corp-michael-miller-press-club-women/>

sexual harassment¹⁰. It has been reported that on departing the company, Mr Wick received a payout in the region of \$1M¹¹.

2.4 However, the idea that the funding of public interest journalism could be negotiated behind closed doors with executives from foreign owned technology companies, without any guarantee that the funds be used to invest in journalism is unlikely to have made things much better.

2.5 Finally, whilst good for short term sustainability, the code failed to establish a stable, long term funding mechanism for public interest journalism. Seven, Nine and News Corp all attribute the redundancies mentioned above in some part to the lack of ongoing funding from the code.

What should government do?

3.1 In order to genuinely resolve the issues at hand, it is critical we deal with root principles and causes.

- a. If the starting point is that the market has failed to cover the costs of public interest journalism, and that Australian society requires public interest journalism, that means we need an alternative long term funding mechanism. That Meta is backing out after three years shows that the legislation has failed.
- b. It has failed because it assumes that there is a fair value exchange that Meta is just trying to avoid paying for. This makes a degree of sense with Google, because their search engine genuinely does need news in order to properly operate - hence, they are renewing their deals. Meta doesn't need news, therefore they are not.
- c. This is part of the "original sin" of the code, but is by design, not mistake. In order for the big media companies to pass the bargaining code funds straight back to shareholders, the payments had to be described as some sort of payment, rather than a genuine attempt to support public interest journalism.
- d. This created an additional new issue, whereby two foreign owned technology companies were in charge of deciding what kind of journalism should be supported with no public transparency. This is absurd.
- e. The sensible, sustainable approach would have been to tax the technology companies on revenues generated in Australia, and then use those funds to create incentives for public interest journalism. This scheme would also be more tolerable for the technology companies, as it would form a simple part of their local tax affairs.

3.2 The government should address the issue of the market failure of public interest journalism by raising funds with a levy on digital advertising businesses with revenue over a certain level. There are numerous options for how these funds can then be used to support a vibrant public interest journalism sector.

¹⁰ <https://www.abc.net.au/news/2024-05-31/nine-entertainment-letter-staff-darren-wick/103917838>

¹¹

<https://www.theaustralian.com.au/business/media/underfire-nine-news-boss-darren-wick-got-1m-payout/news-story/4b8bc7647eca0f5326cfff1c6b16f16b>

- a. Richard Deniss, Executive Director of the Australia Institute, has proposed a simple rebate on a proportion of editorial salaries (for example, 35% of total salaries). Rather than simply hand over cash to media companies based on some measure of revenue (entrenching existing market concentration), this scheme would make all journalism more sustainable.

3.3 Critical to improving the general public's trust would be an open and transparent allocation of any funds. In particular, Australians deserve to know how much of what might otherwise be considered tax revenue is going to three multi billion dollar organisations.

3.4 Government should resolve the media diversity issue by adding a specific remit to the organisation running this fund to encourage more choice for Australians. A fixed proportion of all government advertising should also be invested in independent public interest publishers.

3.5 It might be the case that the above can be reached within the existing legislation. Government should pursue the fastest mechanism possible to ensure an equitable and ethical approach to supporting public interest journalism.

3.6 As a closing note, the state already has a mechanism to invest in public interest journalism - the ABC. If the genuine concern is to ensure that Australians have access to public interest journalism, a simple measure to increase supply would be to increase the ABC budget. This would not however improve returns to the billionaire proprietors of the large media companies. It is unclear to us whether that is a required outcome.