

Answers to questions taken on notice at the Inquiry into Media Diversity in Australia

Submission to the Senate Standing Committees on
Environment and Communications

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[Public
Interest
Journalism
Initiative]

The Public Interest Journalism Initiative (PIJI) welcomes the opportunity to respond to questions raised on notice during our recent attendance at the 22 October 2021 hearing of the Senate Standing Committee on Environment and Communications inquiry into media diversity in Australia. Our comments are as follows.

Overview

Following a sustained era of media convergence and digital disruption, COVID-19's impact dried up the last vestiges of meaningful advertising revenue for media, and has resulted in more than 300 changes to news production and availability since 2019 (refer to the [Australian Newsroom Mapping Project](#)). Most notably, the producer and consumer migration to digital channels across all formats was dramatically accelerated in the COVID-19 era.

News is an essential component of any working democracy. It is also a piece of critical, emergency infrastructure as seen in recent bushfires and floods. It assists community resilience and cohesion, particularly in rural and regional areas.

However, the cost of producing public interest journalism is high. As financial returns on this public good diminish, so too does the commercial incentive to continue its production.

Public interest journalism is a public good, which needs safeguarding now. There is no silver bullet. Its future requires investment from the industry itself, digital platforms, philanthropy, and government as well as consumer support. Sustainable public interest journalism requires a thriving, diverse news sector, which necessarily includes commercial operators as well as other models.

Investigating taxation reform

PIJI has been undertaking an ongoing program of research into taxation models that follows the Australian Competition and Consumer Commission's recommendation of incentives to support public interest journalism as made in its [Digital Platforms Inquiry](#).

PIJI is investigating three areas of taxation reform as potential support for the public good:

- An industry tax rebate for public interest journalism production: <https://piji.com.au/research-and-inquiries/our-research/taxation-reform-for-public-interest-journalism/public-interest-journalism-tax-rebate/>
- Philanthropic giving incentives: <https://piji.com.au/research-and-inquiries/our-research/taxation-reform-for-public-interest-journalism/philanthropic-giving-for-journalism/>
- Commercial investment tax incentives (pending 2022)

Public interest journalism tax rebate

Conservative analysis from PIJI's commissioned research suggests a Public Interest Journalism Tax Rebate could provide a benefit-cost ratio of up to 1.90, and as much as \$356m additional benefit.

PIJI's research was conducted in two parts. The first undertaken in late 2019, investigated the potential investment return of a R&D-style tax rebate for public interest journalism. The second undertaken in mid 2020, examined the types of eligible activities and criteria to assist the design of such a scheme.

Given changing market conditions since that time, the following updates are of direct relevance to the consideration of a PIJ tax rebate incentive.

Key updates

- This research work was undertaken in the lead up to the legislation of the mandatory News Media Bargaining Code (NMBC). The legislation's passage has moved digital platforms Google and Facebook to enter into substantial commercial deals with a variety of news media businesses estimated at several hundreds of millions of dollars per annum¹. A rebate scheme offers the opportunity to directly incentivise investment of those dollars into a public outcome (an obligation not required under the Code).
- For optimal efficiency and effectiveness, the proposed tax rebate scheme reflects the NMBC's registration process for news businesses with ACMA including minimum annual revenue benchmarks (currently \$150,000); predominantly 'core news content'; is subject to appropriate professional journalistic standards and complaints process; and dominant purpose of serving Australian audiences.
- Unlike the News Media Bargaining Code and other existing industry support (eg. [Facebook Australian News Fund](#)), a tax rebate scheme is readily accessible for start-ups that produce a public benefit tied directly to quality news production and availability. Plus, such a scheme has potential immediate and sustainable uplift for small to medium news businesses (particularly for local news production) compared to complex commercial negotiations or highly competitive grant programs.
- The Government has a model in the R&D Tax Incentive that incentivises business to undertake additional investments in R&D. The suggested tax rebate design is intended as a parallel scheme, based closely on the existing R&D tax rebate².
 - There is an additional option to investigate an extension of the R&D scheme to incorporate a category for 'journalism' to stimulate sector innovation, for example developments in data journalism. However, this scope is not covered by PIJI's existing research.
- The financial impacts of reform introduced to the R&D Tax Incentive in 2021 include an increase in the R&D expenditure threshold from \$20 million to \$150 million. PIJI has only commissioned preliminary modelling to date. A detailed survey of media companies that would allow the detailed modelling similar to that undertaken for R&D is beyond the scope of this report.
- The recent review of, and reforms to, the R&D Tax Incentive also reinforce the need for built-in reviews during the initial years of a new scheme, in order to monitor the effectiveness of mechanisms such as eligibility controls, and to avoid any unintended consequences.
- Similar global initiatives have been introduced or are under consideration, for example, the legislative passage of the Canadian journalism labour tax credit (2021)³, which provides a refundable tax credit for a "Qualifying Journalism Organization", calculated at 25% of the total qualifying labour expenditure incurred from January 1, 2019; and the USA's contemplation of a journalism payroll tax credit [Local Journalism Sustainability Act](#).

¹ <https://pressgazette.co.uk/google-news-showcase/>

² See, for example, Centre for International Economics 2016 R&D Tax Incentive Program Review, report prepared for the Department of Industry, Innovation and Science. <https://www.industry.gov.au/data-and-publications/review-of-the-r&d-tax-incentive>

³ <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/business-tax-credits/canadian-journalism-labour-tax-credit.html>

Summary of PIJI's related research

1. Tax concessions for public interest journalism | David Pearce, Executive Director, Centre for International Economics | November 2019 | <https://piji.com.au/wp-content/uploads/2019/11/piji-tax-concessions-for-public-interest-journalism.pdf>

This report, prepared for PIJI by the Centre for International Economics, considers the case for tax concessions to encourage additional public interest journalism, and examines the potential application of the R&D model to the news media sector.

Key findings:

- The success of a tax incentive scheme in Australia depends on the associated additionality and magnitude of the public benefits associated with public interest journalism.
 - Additionality refers to the dollar increase in public interest journalism for each incremental dollar of government incentive (or tax foregone in the case of tax credits).
- [Survey work commissioned](#) by PIJI suggests that willingness to pay for PIJ ranges from \$1.50 to \$2.90 per person per month, which translates to an aggregate willingness to pay of between \$380 million and \$740 million per year.
- Preliminary analysis of these data for an illustrative tax incentive scheme suggests that, using additionality of 1, the benefit cost ratio could range from 0.97 to 1.90. Assuming additionality of 1.5 leads to a benefit cost ratio of between 1.46 and 2.84.

These overall results suggest that a tax incentive scheme for public interest journalism is worth serious consideration, with a number of clear avenues for further investigation.

2. Guidance to implement and claim a public interest journalism tax rebate | Dr Margaret Simons; David Pearce, Centre for International Economics; Eddie Ahn and Gabrielle Hedge, DLA Piper | September 2020 | <https://piji.com.au/wp-content/uploads/2020/09/200609-pij-rebate.pdf>

This report provides guidance on the types of activities and eligibility criteria for a Public Interest Journalism Tax Rebate and serves as a model for policymakers in designing a scheme. It addresses the following issues along with specific examples for implementation:

- A definition of public interest journalism
- Eligible activity and expenditure
- Registration criteria and mechanism
- Self-assessment
- A framework for the review and assessment of the PIJ Tax Rebate, including data collection

[Public Interest Journalism Initiative]

CONTACT US

Public Interest Journalism Initiative

ABN 69 630 740 153

info@piji.com.au

www.piji.com.au

 [@piji_journalism](https://twitter.com/piji_journalism)

 [linkedin.com/company/public-interest-journalism-initiative](https://www.linkedin.com/company/public-interest-journalism-initiative)

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