

To: Senate Environment and Communications References Committee
Re: Australian Associated Press – Questions on Notice – Evidence from 19 February 2021

Senator KIM CARR: *To follow up that question, on notice could you provide us with advice on what action you think can be taken through the use of the taxation system to support media diversity and investment in media assets?*

Journalism is a labour intensive business and, for organisations like AAP, does not generate significant profits with the result that investment allowances and company tax relief are, in AAP's view, not of great assistance to viability. This is particularly the case for newswires who tend to operate on, at best, a "break even" basis.

AAP submits that a better approach is the taxation arrangements recently put in place by the Canada to support the news media industry. The Canadian Government passed legislation to implement a federal journalism tax credit which is calculated by applying a percentage to the total qualifying labour expenditure incurred for a tax year in respect of "each eligible newsroom employee of a Qualifying Journalism Organization" less any amount of aid received under the Canada Period Fund¹. An "eligible newsroom employee" is someone who works a minimum of 26 hours a week and "spends at least 75% of their time engaged in the production of original written news content, including researching, collecting information, verifying facts, photographing, writing, editing, designing and otherwise preparing content". The clear advantage of this scheme is that it appropriately targets support to the very high costs of news gathering ensuring that the credit/subsidy reflects expenses incurred in the newsroom as opposed to the boardroom.

The qualifying labour expenditure is subject to an annual cap of CD\$55,000 per eligible newsroom employee which provides the organization with a maximum credit of \$13,750 per eligible newsroom employee per tax year. See:

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

https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/business-tax-credits/canadian-journalism-labour-tax-credit/guidance.html#h_3

If a traditional news organisation is based in Quebec, they can access an additional \$26,250 per year per eligible employee (in addition to the \$13,750 provided under the federal scheme).

<https://www.investquebec.com/quebec/en/financial-products/smb-and-large-corporations/Tax-Credit-to-Support-Print-Media-Companies.html#:~:text=This%20tax%20credit%20aims%20to,year%20for%20each%20eligible%20employee>

¹ The Canada Periodical Fund (CPF) provides financial assistance to Canadian print magazines, print community newspapers and digital periodicals

AAP understands that the Canadian tax credit scheme has been of great assistance to The Canadian Press, Canada's national newswire, who may not have received much benefit from a scheme that provided support through investment allowances or company tax relief.

Another area where the taxation system could be used to support media diversity is in payroll tax relief. Payroll tax is a significant impost on the traditional news media who incur significant labour costs in return for low profits. At the moment, relief is contingent upon ACNC status and is constrained by a requirement that the exemption only apply to employees who are engaged "exclusively" in work of a charitable nature. AAP supports consideration of payroll tax relief for staff who are engaged primarily in public interest journalism.

AAP is now a not-for-profit company with charitable status. It doesn't pay company tax and initiatives involving investment allowances will offer no real assistance to its sustainability.

AAP derives revenue for its charitable activities through the provision of its newswire service. This newswire service is unique and an essential part of Australia's democratic infrastructure. AAP is the only independent newswire service in the Australian market. It provides a unique public benefit through fact-based journalism by collecting and distributing Australian news across Australia. AAP needs ongoing philanthropic donations to be a viable participant in the Australian media industry, and for this it needs DGR status. It pursues charitable objects, but it is not eligible under current tax law for DGR endorsement. Due to its unique public benefit and the essential role of philanthropic funding, it seeks DGR status by way of specific listing by name. AAP applied for this specific listing on 17 November 2020 and is yet to receive a response.

Although it has charitable objects, the new AAP does not fall within the existing categories of charities eligible for DGR endorsement. In particular, it does not qualify as a Public Benevolent Institution as it is not limited to providing benevolent relief to those in poverty or distress, and it does not qualify as one of the educational institutions or funds listed in the table in section 30.25 of the Income Tax Assessment Act 1997 (Cth). DGR status is critical to the new AAP's ability to raise the philanthropic donations it needs to pursue its media literacy and other charitable activities and to provide the independent newswire platform that is essential to a functioning democracy. Many of the potential donors (e.g. private ancillary funds (PAFs)) cannot provide donations to AAP if it is not a DGR.

What is exceptional about AAP is that the way it derives revenue for its charitable activities – its independent newswire service – is itself a vital public benefit for the whole of the Australian community but it is unable to be supported under current tax law. This public benefit is in addition to the benefits generated by its charitable activities in relation to advancing education and its other objects. These benefits are broad based, public benefits to the community as a whole. But they do not sit easily within the traditional concepts of charity or qualify within the current legal categories in the Tax Act. It is a special category of public benefit that can only be properly recognised and supported by a specific listing by name. For this reason, we urge the Government to have AAP listed as a DGR by name in one of the tables in Subdivision 30B. This could be the table in the category of "Other Recipients" in section 30.105 or another table as appropriate.

In addition to measures that could be used to support media diversity through the taxation system, another way to support media diversity in Australia would be for the government to support AAP. It is critical for diversity and competition that Australia's media continue to have access to a strong and sustainable wholesale news source. In Australia, this independent wholesale newswire service has historically been fulfilled by AAP, which has been covering the news continuously for over 85 years.

There is no doubt that one of the most important wholesale suppliers of news content in nearly every country is the national newswire - from Associated Press in the United States, to the Press Association in the United Kingdom to Agence France Presse in France – newswires provide a critical pillar of competition and diversity in the news media landscape. These countries also recognise the important role that the national newswire plays and provide a level of support on either a commercial basis or a funded arrangement. This support is in place because those countries recognise that newswires fulfil a critical role in media diversity and the functioning of civil society and therefore are appropriately assisted from public resources (see the attached comparison table). In comparison with its partner agencies, AAP receives one of the lowest forms of recurrent government support of any newswire in the world. AAP believes that the Australian Government must recognise the unique role that an independent newswire plays in the news media ecosystem in Australia and provide financial support to AAP as a matter of priority.

AAP is happy to provide additional information or talk further on these matters if required.

Yours sincerely

Emma Cowdroy
CEO | Australian Associated Press Limited

ATTACHMENT

Government Support For Newswires Globally

Almost every newswire agency in the world receives significant amounts from the government either on a commercial basis or a funded arrangement. Many wire services would be unsustainable without government revenue. The commercial and/or funding arrangements are in place because newswire services and their critical role in enabling media diversity are considered important to the functioning of society and therefore appropriately paid for or funded from public resources. Examples are set out below.

Country	Service	Recurrent Amount P/A
Australia - Australian Associated Press Limited (AAP)	AAP provides: <ul style="list-style-type: none"> one Federal department with a wire service; one small authority with a monitoring alert service; one commission with a monitoring alert service; and Department of Prime Minister and Cabinet with an image subscription. 	AU\$177k (\$5 million PING funding non-recurrent)
United Kingdom - Reuters	During WWII, Reuters (owned by the Press Association, the UK national newswire) was facing financial challenge. Churchill and Atlee determined that in order to ensure its ongoing viability, the Government would become "super subscribers" to the Reuters service and would provide the service to key Government departments such as Defence and Finance.	Not known
Austria - Austria Presse Agentur (APA)	APA provides the government with: <ul style="list-style-type: none"> A super subscription to the newswire for the lead government department (akin to our Department of Prime Minister and Cabinet); Smaller subscriptions to all the different ministries; and Distribution of all government announcements and press releases across the APA newswire. 	Confidential but significant

France - Agence France Presse	<p>AFP provides the government with:</p> <ul style="list-style-type: none"> · A service of general interest (covering culturally significant events in France etc); and · Subscriptions sold on a commercial basis to more than 1,100 government departments. 	<p>In 2018 AFP received 131.5 million euros, of which 111.8 million euros consisted of funding for services of general interest and 19.7 million Euros was funding for subscriptions.</p> <p>(sourced from Juntunen, L. & Nieminen, H. (2019). The future of national news agencies in Europe - Case study 3: The changing relation between news agencies and the state. The London School of Economics and Political Science, London, UK)</p>
United Kingdom - Press Association (PA)	The PA provides a number of their services to the UK Government on a commercial basis.	Several million pounds
Germany - Deutsche Presse-Agentur (DPA)	DPA provides a number of their services to the German Government on a commercial basis.	Several million euros
Switzerland – Keystone-SDA (SDA)	Tamedia, the biggest media group in Switzerland, withdrew from the national newswire leaving it in a perilous position. SDA became an NFP. SDA provides its services to Swiss media on a commercial basis which is then funded to the Government.	The Swiss parliament passed an unprecedented resolution to protect the plurality of media in Switzerland. Under the arrangement, the Government pays the subscription fees for the operation of the agency on behalf of SDA's customers. The amount paid by the Government is CHF4 million (around AUD\$6.1 million).
Canada - The Canadian Press	The Canadian Press is the beneficiary of the Canadian government's federal tax credit program. The Canadian Press is also supported through its management of the publishing portal of the Local Journalism Initiative (\$50M fund) and is supported through commercial arrangements with the Canadian government for procurement of its newswire.	In 2019, the Canadian government launched a large federal program to support written media - \$600 million over 5 years in the form of tax credits on journalism labour. CP benefits from the program. Additionally the government has opened the door to non-profit journalism operations to accept donations, offer tax-deductible receipts and become exempt from income tax. The Canadian Government also launched the Local Journalism Initiative (\$50M fund) and provided for the Canadian Press to manage the publication and distribution portal.