

# Facebook Submission to Senate Environment and Communications References Committee Inquiry on Media Diversity in Australia

January 2021

FACEBOOK

## Executive summary

Facebook welcomes the opportunity to support the work of the Senate Standing Committee on Environment and Communications' inquiry into media diversity in Australia. The terms of reference expressly cites the impact of online global platforms such as Facebook on the media industry and sharing of news in Australia. We are making this submission to assist the Committee with respect to this aspect of the inquiry and to ensure that the Committee has relevant data and evidence.

The challenges facing the Australian news industry have existed since the commercial phase of the internet began and Australian newspaper circulation began to decline in the 1990s. These challenges stem from tectonic changes in technology and consumer behaviour. Technology has driven down the cost to distribute and access information -- which has increased access to diverse news sources -- and has also seen a diversification in the channels for advertising. For example, the advent of 24-hour cable television news channels drew significant consumer attention and advertising business away from newspapers; then the proliferation of the smartphone led to an even more rapid acceleration of choices for consumers in how to access news and information, including through online news services.<sup>1</sup> These changes in technology and human behaviour built on broader trends identified in the 2012 Report of the Independent Inquiry into the Media and Media Regulation by the Hon R Finkelstein QC ('the Finkelstein inquiry') that shows that publishers began facing declining circulation and advertising before the broad public adoption of the internet<sup>2</sup> (and certainly before Facebook achieved any popularity within Australia).

Other structural forces have combined to drive down the cost of advertising. Firstly, there has been rapid growth in content production. As research commissioned by the Australian Competition and Consumer Commission (ACCC) points out, there is an abundance of content, and, according to some observers, "insufficient revenue around to support the amount of content being produced". The proliferation of resulting ad inventory has put downward pressure on advertising yields.<sup>3</sup>

At the same time, innovation in advertising has driven down the cost of advertising and has transformed and improved the options available to small businesses for effective advertising. Globally, internet advertising has dropped in price by 42 per cent from 2010 to 2019 (at the same time that other forms of advertising increased in price), due to innovation and advancements in targeting that have made advertising more efficient.<sup>4</sup>

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<sup>1</sup> T Flew, F Suwana and L Tam, *Digital platforms and Australian news media: report*, <https://eprints.qut.edu.au/118270/1/Flew%2C%2BSuwana%2C%2BTam%2B-%2B2018%2B-%2BDigital%2Bplatforms%2Band%2BAustralian%2Bnews%2Bmedia%2BReport.pdf>.

<sup>2</sup> R Finkelstein, *Report of the independent inquiry into the media and media regulation [electronic resource]* (2012), <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22library/lcatalog/00380162%22>

<sup>3</sup> D Wilding, P Fray, S Molitorisz and E McKewon, *The impact of digital platforms on news and journalistic content*, report commissioned by the ACCC, <https://www.accc.gov.au/system/files/ACCC%20commissioned%20report%20-%20The%20impact%20of%20digital%20platforms%20on%20news%20and%20journalistic%20content%2C%20Centre%20for%20Media%20Transition%20%282%29.pdf>.

<sup>4</sup> *Ibid.*

Coinciding with these significant trends, the revenue from classifieds that previously sustained news publishing, have been captured by pure-play online sites. In 2002, newspapers had 96% of classified revenues. By 2018, the total classified advertising market had grown to \$1.9 billion, but newspapers accounted for only 12% of the market.<sup>5</sup>

The increased competition for time and attention, the decreasing advertising costs and the diversion of classified revenues from newspapers have, in combination, strained the sustainability of journalism in Australia. At the same time as this is occurring, the role of digital platforms such as Facebook in the Australian news ecosystem has faced growing scrutiny.

Although Facebook is primarily a service used by Australians to connect with their family and friends, to participate in causes that are important to them, and to interact with their community, we recognise that our services can play a role in the news ecosystem. This is because publishers choose to share stories on our services to connect with audiences, and because Australian users choose to share news content or react to news content that they read other than on Facebook with their family and friends. Publishers control whether and how they share news on our services and they also control whether members of the public are able to share stories on Facebook.

Only a very small proportion of the content on Facebook is news, and it presents a negligible source of revenue for us. Moreover, news on our services is highly substitutable. This has been demonstrated by one notable and very public example: the change we made to our News Feed ranking algorithm in January 2018 to prioritise content from friends and family, in response to feedback from our users.<sup>6</sup> This change had the effect of reducing audience exposure to public content from all Pages, including news. Notwithstanding this reduction in distribution of news content, the past two years have seen both an increase in revenue and in people engaging with our services.<sup>7</sup> This confirms that when there is less news on Facebook, people engage with other content and our auction pricing, which is blind to the type of content our ads are shown around, adapts accordingly to changes in content liquidity.

Notwithstanding the nominal value of news to our business, we invest in purpose-built tools to help publishers better monetise their content on our services, enter into commercial deals with publishers and we have a dedicated news partnerships team that serves as a point of contact for publishers. We do so because we believe news is a public good and it plays an important social function.

There are three main ways we work with publishers:

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<sup>5</sup> alphaBeta, *Australian Media Landscape Trends September 2020* <https://alphabeta.com/wp-content/uploads/2020/09/australian-media-landscape-report.pdf>

<sup>6</sup> Facebook Newsroom *Bringing People Closer Together* (11 January 2018).

<sup>7</sup> Facebook, *Q4 2018 Quarterly Earnings Presentation*, [https://s21.q4cdn.com/399680738/files/doc\\_financials/2018/Q4/Q4-2018-Earnings-Presentation.pdf](https://s21.q4cdn.com/399680738/files/doc_financials/2018/Q4/Q4-2018-Earnings-Presentation.pdf)

- Firstly, publishers and the public choose to share news content on our services which results in free organic distribution of news. The monetisation preferences of the publisher are respected as part of this organic distribution -- people need to click through to the publisher's website to access that article -- whether it is paywalled or ad supported, this is all controlled by the publisher. The referral traffic we have provided to Australian media publishers from January to November 2020 alone (4.7 billion referrals) has been worth \$394 million.
- Secondly, in response to feedback from publishers that the value of this organic distribution was not sufficient, we invested in the development of customised tools and products to help news publishers more effectively monetise their content on our services. These tools drive value to publishers who choose to use them. For example, from January to late November, Australian publishers generated \$5.4 million from our revenue share programs, such as In-Stream Video advertising.
- Thirdly, we have directly invested tens of millions of dollars in content and programs, including commissioning Australian news content to appear in new products such as Facebook Watch or as part of the Facebook Accelerator program.<sup>8</sup>

During the past 18 months, Facebook has directly invested cash in -- or paid for new, premium content from -- 30 Australian news organisations. We have also supported work by the Walkley Foundation and the Alliance for Journalists' Freedom as part of our broader support for the news industry.

The benefits of our investments are particularly focused on small and medium publishers (especially regional and local publishers) through the Accelerator program. We have paid more than \$1.5 million to bring together 11 regional and smaller publishers with industry experts from around the globe to develop strategies for encouraging readers to subscribe and donate.<sup>9</sup> Earlier this year as part of that investment, we provided funding of \$100,000 to publishers for reader revenue projects. So far, this has generated more than AU\$1 million in customer lifetime value for that group. Participants in the Accelerators are forecast to drive an estimated AU\$7 million in lifetime customer value up to July 2020, and we have received feedback that this support helped position many of the participants to not only survive the coronavirus pandemic, but even grow their businesses during a difficult time. We have also struck commercial agreements for content with small and medium publishers, like Junkee.

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<sup>8</sup> Facebook for Media Blog Post, *Facebook partners with Australian news publishers to fund news shows on Facebook Watch* <https://www.facebook.com/formedia/blog/facebook-partners-with-australian-news-publishers-to-fund-news-shows-on-facebook-watch>; A Hunter, *Facebook Expands Local News Accelerator To Support Australia & New Zealand Publishers*, blog post published 18 September 2019, <https://www.facebook.com/journalismproject/facebook-accelerator-program-australia-new-zealand>

<sup>9</sup> A Hunter, *Facebook Expands Local News Accelerator To Support Australia & New Zealand Publishers*, blog post published 18 September 2019, <https://www.facebook.com/journalismproject/facebook-accelerator-program-australia-new-zealand>.

Prior to the release of the Treasury Laws Amendment (News Media and Digital Platforms Mandatory Bargaining Code) Bill 2020 (the Bill), in July, we had been intending to bring a new product to Australia called Facebook News.<sup>10</sup> Facebook News is a feature on our platform exclusively for news, which would have seen an increase in our investment in the Australian news ecosystem as we enter in to deals with publishers for their content to appear in the Facebook News surface. Since it launched last year in the US, publishers we partner with have seen the benefit of additional traffic and new audiences. Australia would have been the first jurisdiction outside the US to receive this product and its launch here would have brought millions of dollars of investment in the Australian news industry.<sup>11</sup> However, the uncertainty and unworkability of the Bill to date has meant that Facebook News has been reprioritised for other countries, beginning with the United Kingdom in January 2021.<sup>12</sup>

Whilst Facebook partners successfully with Australian news publishers to support the distribution and monetisation of news on our services, there clearly is healthy, competitive rivalry in the relationship between digital platforms and news publishers when it comes to competing for advertising revenue. Digital advertising services like Facebook have grown the market for advertising in Australia, increased the relevance and effectiveness of advertising, and generated economic benefits for small business and consumers by significantly lowering costs. Digital advertising has opened up a long-tail in advertising -- data that we provided to the ACCC as part of its Digital Platforms Inquiry confirmed that in 2017, more than 350,000 advertisers spent less than \$100 that year advertising on Facebook compared with fewer than 150 who spent over \$1 million.<sup>13</sup> In an economic sense, digital advertising is also more productive. Evidence shows that for every \$3 that an advertiser spends on digital advertising, they would have to spend \$5 on print advertising to get the same impact.<sup>14</sup>

Given the importance of news to Australia's democracy and public debate, Facebook recognises the importance of Australian news organisations, the Government and the public having confidence in the role that digital platforms play, and in the investments we make, in the Australian news ecosystem. This is why we have long supported regulatory frameworks that provide transparency and accountability about our work with respect to news organisations.<sup>15</sup>

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<sup>10</sup> Facebook Newsroom, *Introducing Facebook News* (October 25, 2019)

<https://about.fb.com/news/2019/10/introducing-facebook-news/>

<sup>11</sup> W Easton, 'Facebook's Will Easton on investing in Australia's news ecosystem', *Ad News*, 23 July 2020,

<https://www.adnews.com.au/news/facebook-s-will-easton-on-investing-in-australia-s-news-ecosystem>

<sup>12</sup> Facebook Newsroom, *Stepping Up Our Investment in News in the UK* (November 2020)

<https://about.fb.com/news/2020/11/launching-facebook-news-in-the-uk/>

<sup>13</sup> Facebook Submission, ACCC Digital Platforms Inquiry Issues Paper, April 2018

<https://www.accc.gov.au/system/files/Facebook%20Australia%20%28April%202018%29.pdf>

<sup>14</sup> M Mandel, Progressive Policy Institute, *The Declining Cost of Advertising: Policy Implications*, [https://www.progressivepolicy.org/wp-content/uploads/2019/07/Advertising2019\\_Mandel.pdf](https://www.progressivepolicy.org/wp-content/uploads/2019/07/Advertising2019_Mandel.pdf)

<sup>15</sup> N Clegg, *Smart regulation can deliver a better Internet for all Australians* Sydney Morning Herald August 29 2019 <https://www.smh.com.au/business/companies/smart-regulation-can-deliver-a-better-internet-for-all-australians-20190731-p52cm5.html>; M Garlick, *Smart regulation must promote trust, innovation and choice for all Australians*, blog post and submission published 16 September 2019, <https://www.facebook.com/notes/facebook-australia-new-zealand-policy/smart-regulation-must-promote-trust-innovation-and-choice-for-all-australians/2417839498543309/>; M Garlick, *Transparency and fairness for*

The relationship between digital platforms and news publishers has been exhaustively examined in at least five major policy inquiry processes over the last four years. We therefore respectfully suggest that re-examining well-trodden ground would distract the Senate Standing Committee on Environment and Communications from focussing on an as-yet unexamined issue: concentration within the Australian media sector. The barriers faced by small and medium-sized publishers (especially regional and local publishers) as a result of increased concentration in the Australian media market have not been properly considered by Australian policy makers since the Finkelstein inquiry nearly ten years ago.

We welcome the opportunity to further contribute to the discussion and debate about Australia's news ecosystem.

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*all publishers is key to success for new code*, blog post published 10 February 2020, <https://www.facebook.com/notes/facebook-australia-new-zealand-policy/transparency-and-fairness-for-all-publishers-is-key-to-success-for-new-industry-/2561697627490828/>; M Garlick, *A Digital News Distribution Code for the Australian News Ecosystem*, blog post published 18 March 2020, [https://www.facebook.com/notes/facebook-australia-new-zealand-policy/a-digital-news-distributor-code-for-the-australian-news-ecosystem/2594059480921309/?\\_tn=HH-R](https://www.facebook.com/notes/facebook-australia-new-zealand-policy/a-digital-news-distributor-code-for-the-australian-news-ecosystem/2594059480921309/?_tn=HH-R)<https://www.smh.com.au/business/companies/smart-regulation-can-deliver-a-better-internet-for-all-australians-20190731-p52cm5.html>

## The impact of digital platforms on the Australian media sector

The growth of digital platforms in Australia has overwhelmingly benefitted Australian consumers, advertisers and small businesses. These technologies have improved Australians' access to information and boosted the Australian economy. The benefits include:

- Technology has democratised the sharing of ideas and information. Australians are no longer dependent on a small number of gatekeepers in order to access information; they are able to access information about newsworthy developments from international media publications, freelancers and bloggers, or from direct contact with journalists or newsmakers.

As noted by Professor Terry Flew, Dr Fiona Suwana and Dr Lisa Tam:

*“the growing uptake in recent years of internet-distributed news ... has given rise to movement away from a concentrated oligopoly of news providers in Australia. This is a strongly consumer-led development, with consumers increasingly attracted to the capacity to share, comment on and recirculate news through digital platforms.”<sup>16</sup>*

Internet services gave news outlets ways to reach new audiences, helping break down some of the barriers to entry that previously existed. New, start-up publishers no longer need a printing press or a television studio, just an internet connection.

Digital platforms like Facebook help to complement the growth of small and medium publishers; not replace them as a destination for news. Many studies claim that “Australians are increasingly accessing news via social media platforms”.<sup>17</sup> This statement needs to be tested and examined: many of the reports that make this assertion are reliant on self-reporting by Australians, and it is not clear that respondents are genuinely referring to journalistic content when they use the term “news”. For example: many of the most-discussed topics on Facebook in 2020 (the US election, COVID-19 and lockdowns, or developments in the lives of celebrities) are

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<sup>16</sup> T Flew, F Suwana and L Tam, *Digital platforms and Australian news media: report*, <https://eprints.qut.edu.au/118270/1/Flew%2C%2BSuwana%2C%2BTam%2B-%2B2018%2B-%2BDigital%2Bplatforms%2Band%2BAustralian%2Bnews%2Bmedia%2BReport.pdf>.

<sup>17</sup> See, for example: S Park, et al., *Digital News Report: Australia 2020*, <https://www.canberra.edu.au/research/faculty-research-centres/nmrc/digital-news-report-australia-2020>



newsworthy; however, Facebook users may be seeing their family and friends discussing those events and describing those posts as “news”. This is not a replacement for journalistic content and, if news stories are posted on Facebook, they refer back to the websites of the news publisher, driving traffic that the publisher is able to monetise as they like. These studies also do not consider whether people access multiple sources for their news (known as “multi-homing”), which reduces the dependence - and associated competition risks - on a single access point.

- Content creators - including news publishers - receive value from digital platforms. Digital platforms have provided opportunities for news publishers to grow their audience (via referral traffic), which they can then choose to monetise however they like.

We have quantified data on some aspects of the value that we drive for publishers. For example, Facebook’s News Feed generated approximately 4.7 billion organic referrals to Australian news publisher domains from January through to the end of November 2020, which we estimate to be worth AU\$394 million to Australian publishers, noting that referral traffic totals from Facebook to news publishers vary with the news cycle.

Moreover, Australia-based news publishers also participated in revenue share programs, such as our In-Stream Video advertising program, and from January to November 2020, these publishers earned approximately AU\$5.4 million.

Furthermore, Australia-based news publishers generated approximately 63 million organic views in News Feed on tagged branded content posts from January through November 2020.

The relationship between digital platforms and news publishers is discussed more in the next section.

- Digital platforms have increased competition in the advertising sector. Digital platforms, including Facebook, have brought significant benefits to advertisers, including to small and medium-sized businesses that are now able to reach audiences previously inaccessible to them.

Even just a few years ago, effective advertising was simply not an option for many Australian small businesses: either because it was too expensive (for example, a commercial on free-to-air TV) or too inefficient (for



example, newspaper ads which would only be relevant to a subset of a newspaper's readers).

Innovation in advertising (in particular, personalised advertising) has transformed and improved the options available to small businesses for effective advertising.

According to the Progressive Policy Institute, the share of GDP that is spent on advertising in Australia has dropped 26 per cent from 1991-2000 to 2010-2018.<sup>18</sup> Globally, internet advertising has dropped in price by 42 per cent from 2010 to 2019 (at the same time that other forms of advertising increased in price), due to innovation and advancements in targeting that have made advertising more efficient.<sup>19</sup>

Because of this innovation, advertising is far less expensive than in the past, and a whole new generation of small and medium-sized local businesses—many of which could never have previously afforded newspaper or TV ads—are now able to reach a national or even global audience affordably through Facebook. Our advertising services have made advertising accessible to more businesses, lowered prices and substantially grown the market.

The Progressive Policy Institute also found that:

*“the shift from print to digital advertising is being driven in large part by the relative (low) price of digital advertising. We calculate, based on several assumptions, that for every \$3 that an advertiser spends on digital advertising, they would have to spend \$5 on print advertising to get the same impact. In the economic sense, digital advertising is more productive than print advertising. The benefits of these lower prices flow directly to advertisers and consumers.”<sup>20</sup>*

It has also resulted in greater accessibility to audiences, and more effective and targeted advertising services. More effective advertising delivers significant benefits to consumers, who also benefit when they see ads that are more relevant to them, and less content that is not of interest to them. Lower advertising costs for businesses translates into lower costs for the items that consumers buy.

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<sup>18</sup> M Mandel, Progressive Policy Institute, *The Declining Cost of Advertising: Policy Implications*, [https://www.progressivepolicy.org/wp-content/uploads/2019/07/Advertising2019\\_Mandel.pdf](https://www.progressivepolicy.org/wp-content/uploads/2019/07/Advertising2019_Mandel.pdf)

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

At the same time, digital advertising companies like ours have grown the overall market for advertising. Digital advertising alone can be provided by news and media websites, Tik Tok, Amazon, Google, Twitter, Pinterest, Apple, e-commerce websites, subscription TV and numerous apps. In addition to digital advertising, advertisers can choose from other forms of advertising, including TV, print, billboard and outdoor, and cinema. These different media are not mutually exclusive: most advertisers will spread their advertising spend across multiple forms of advertising, which is called “multi-homing”.<sup>21</sup> The diversity of different modes of advertising provides greater choice and competition for Australian small businesses and other advertisers.

In short: the Australian advertising market now has a larger number of players, better quality (more effective) and lower prices.

Lower prices and higher quality services are indicators of a well-functioning and competitive process, although we understand that as this disruption and innovation necessitates incumbents to rapidly adapt, it is a process that can be challenging. We understand the challenges of the Australian media industry and acknowledge many of which have been exacerbated by the pandemic’s impact on business models that are reliant on advertising.

However, it is essential that the inquiry recognise that Facebook is not responsible for the challenges facing the Australian news industry.

The challenges facing the Australian news industry have existed since the commercial phase of the internet began and Australian newspaper circulation began to decline in the 1990s. These challenges stem from tectonic changes in technology and consumer behaviour. For example, the advent of 24-hour cable television news channels drew significant consumer attention and advertising business away from newspapers. The proliferation of the smartphone led to an even more rapid acceleration of choices for consumers in how to access news and information, including through online news services.<sup>22</sup>

The data published in the Report of the Independent Inquiry into the Media and Media Regulation by the Hon R Finkelstein QC show that publishers began facing declining circulation and advertising before both the broad public adoption of the

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<sup>21</sup> C Tucker, *Submission to the ACCC’s Digital Platforms Inquiry - News Referrals*, <https://www.accc.gov.au/system/files/Facebook%20Australia%20Submission%203%20%28April%202019%29.pdf>

<sup>22</sup> T Flew, F Suwana and L Tam, *Digital platforms and Australian news media: report*, <https://eprints.qut.edu.au/118270/1/Flew%2C%2BSuwana%2C%2BTam%2B-%2B2018%2B-%2BDigital%2Bplatforms%2Band%2BAustralian%2Bnews%2Bmedia%2BReport.pdf>.

internet.<sup>23</sup> Figure 1 below sets out the overall total circulation of all published daily titles and a second series which includes only the aggregate circulation of the 48 newspapers that were published daily throughout the period 1987 to 2011.

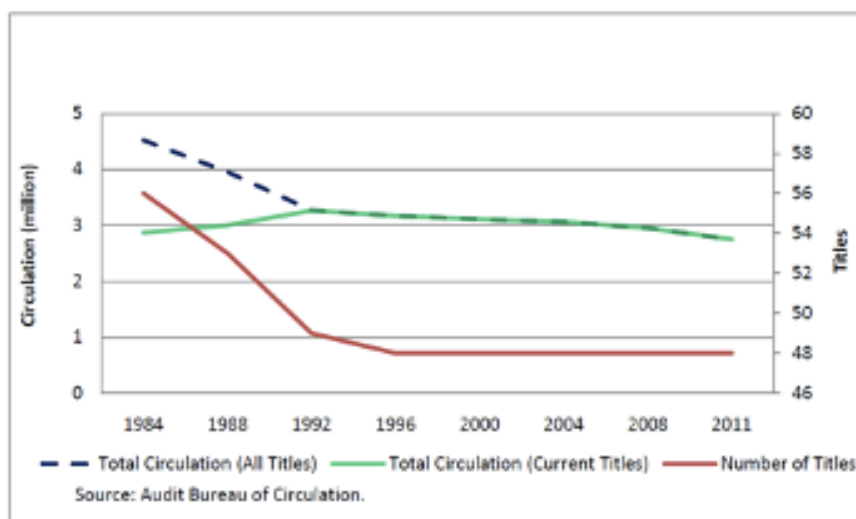


Figure 1 – Australian daily newspapers – circulation and number of titles

As observed in the Finkelstein Report, newspaper circulation has declined dramatically over several decades. The report states that:

*“If the growth in population is taken into account, the extent of the decline in market demand is much more apparent. In the same 27-year period Australia’s population grew by around one-third. At the start of the period, total paid daily newspaper circulation was equal to 29 per cent of the population, but by the close of the period the proportion had declined to 12.1 per cent—significantly less than half...”*

*The inescapable conclusion from this is that declining circulation over the past 27 years is part of an underlying long-term trend that began half a century earlier. The turmoil of the late 1980s to early 1990s with several closures of major metropolitan dailies, including all afternoon newspapers, reflects the industry’s adjustment to changed demand for its products. It is interesting to note that most of this adjustment occurred before use of the internet became widespread and consequently could not be due to it.”<sup>24</sup>*

<sup>23</sup> R Finkelstein, *Report of the independent inquiry into the media and media regulation* [electronic resource] (2012),

<https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22library/lcatalog/00380162%22>

<sup>24</sup> R Finkelstein, *Report of the independent inquiry into the media and media regulation* [electronic resource] (2012),

<https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22library/lcatalog/00380162%22>

While the internet may have exacerbated challenges faced by the news industry, those challenges began years before people began widely adopting the internet and decades before the launch of Facebook.

As early as 2005, only shortly after Facebook was founded and two years before Facebook began running ads, senior media executives were noting that the news industry had been slow to react in the face of the internet.<sup>25</sup> Digital technology has driven the cost to distribute information to zero, but has also significantly reduced the cost of advertising.

These challenges were borne out particularly in relation to shifts in classifieds advertising. Research undertaken by AlphaBeta<sup>26</sup> has shown that the overwhelming driver of the financial difficulties of large media companies (92 per cent) has been due to the impact on classifieds. The business model of newspapers has long been reliant on revenue from advertising - in particular, classifieds, the “rivers of gold”. From the early 2000s, classifieds moved from print to online (real estate listings sites; online job boards; automotive classifieds), many of which were owned by media businesses themselves but spun off or treated separately for accounting purposes. As Chris Mitchell, former Editor in Chief of The Australian has said: “platforms make a good point when they say it was not Facebook and Google that really damaged the news business but online classified pure plays more than a decade ago.”<sup>27</sup>

Whilst much of the public debate and policy scrutiny has focused on the role that digital platforms such as Facebook play in Australia’s news ecosystem, this narrow focus has obscured the true challenges associated with the sustainability of journalism. Whilst we believe that digital platforms can play a role in encouraging the sustainability of public interest journalism, given the right regulatory settings, the broader consideration of the underlying issues and trends will assist the Committee to more readily identify potential effective regulatory solutions to support greater sustainability of news in Australia and with it, media diversity.

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<sup>25</sup> R Murdoch, *Speech to the American Society of Newspaper Editors*, Washington DC, 14 April 2005 <https://www.theguardian.com/media/2005/apr/14/citynews.newmedia>

<sup>26</sup> alphaBeta, *Australian Media Landscape Trends September 2020* <https://alphabeta.com/wp-content/uploads/2020/09/australian-media-landscape-report.pdf>

<sup>27</sup> C Mitchell, *News bargaining code means deals can be done but there’s no dry ink just yet*, 13 December 2020 <https://www.theaustralian.com.au/business/media/news-bargaining-code-means-deals-can-be-done-but-theres-no-dry-ink-just-yet/news-story/0861c8baf7ab992fda3be9c74b27ec97>

## The relationship between news publishers and digital platforms

Facebook delivers benefits to news publishers when they voluntarily choose to post news content on the platform or allow users to share their content.

Publishers have control over whether their content is available on our platform, and they can choose not to distribute content on Facebook if they believe these benefits are not sufficient. They can also choose to prevent users from sharing their content on our services, via technical means (such as indicating to us that they do not wish to have their content linked on Facebook via a robots.txt file).

Publishers derive significant commercial value from Facebook by driving traffic to their owned-and-operated websites, and from the monetisation opportunities we provide for the content they choose to share. This includes free publication and opportunities for potential distribution, customised commercialisation and innovation products, new commercial deals for premium content, and a variety of non-monetary data insights and other programs, like our support for Accelerator programs. We have set out a summary of these opportunities below.

- **Publication and potential distribution on Facebook.** The Facebook platform allows news publishers to share, distribute, monetise and interact with viewers of their content at no cost to publishers and consistent with their publishing preferences, via Facebook's business tools. This enables publishers to direct users to their websites where they can advertise directly to those users and monetise the traffic provided by Facebook. It also enables publishers to generate reader revenue through subscriptions and other engagements with their customers, on their terms.
  - Referral traffic totals from Facebook to news publishers vary with the news cycle. Facebook's News Feed generated approximately 4.7 billion organic referrals to Australian news publisher domains from January through November 2020.
  - We estimate the value of these organic referrals from January through November to be approximately AU\$394 million on the basis of average cost-per-click auction pricing for Australia news publishers' link clicks on our platform.
- **Facebook's customised commercialisation products and innovations incorporate feedback from the news industry.** For many years, we have provided assistance to publishers that goes beyond just referral traffic. To assist publishers, we launched the Facebook Journalism project in 2017, and have continued to steadily increase our investment and products in

the news sector since then.<sup>28</sup> Through these efforts, we have incorporated publisher feedback into the development processes for:

1. Subscriptions: Facebook built a native paywall tool to help support the business models of publishers that rely on subscriptions. When readers have reached the limit of free articles set by the publisher, Facebook displays a native paywall that prominently displays the publisher logo, subscription benefits and prices. 100% of this native paywall revenue goes to the publisher and publishers fully own the relationship and control the data of their subscribers who've signed up through our platform. When readers decide to subscribe to a publisher, Facebook displays a Welcome Screen to prompt if they would like to see more content from the publisher and whether they would like to follow the publisher's Facebook Page. The welcome screen has increased the percentage of new subscribers who follow the publisher's page from 54 to 94%, helping publishers grow their audience.
2. In-Stream Ads: Publishers can sign up for the insertion of In-Stream Ads (formerly known as ad breaks) into their video content and receive a majority share of the ad revenue generated. From January to November 2020, these publishers earned approximately AU\$5.4 million through this program.
3. Instant Articles: Publishers can distribute articles on the Facebook platform via our "Instant Articles" product, which allows various types of ads to be included in the articles. These include (i) ads sold directly by the publishers' sales team for which the publisher keeps 100% of total ad revenue, and (ii) use of Facebook's Audience Network product to monetise any impressions that are not directly sold by the publisher. There are currently around 35,000 Facebook pages that use Instant Articles, and 65 of the top 100 most-clicked web domains on Facebook use Instant Articles.
4. Branded content: Publishers can partner with advertisers to create and post branded content on their Facebook pages. Advertisers directly pay publishers for such content and publishers retain 100% of revenue generated. While the partnerships are between advertisers and publishers, Facebook's tools help publishers connect with interested advertisers. Australian news publishers generated approximately 27 million organic views in News Feed on tagged branded content posts from January through May 2020.

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<sup>28</sup> Facebook for Journalism project: <https://www.facebook.com/journalismproject>

5. Commercial agreements: Facebook has also recently concluded commercial deals for new premium content (i.e., content that publishers have not previously posted on Facebook).
  - a) Since 2019, we have directly invested in high quality-quality news video, striking agreements with publishers and broadcasters to incentivise the publication of longer-form video content onto the platform. These agreements were in the form of minimum guarantees against ad revenue for clips content and original, exclusive news stories.
6. Data and audience insight tools: We provide more than a dozen different tools which can be used by news publishers to gather data and insights on the performance of their posts and advertising campaigns -- and support their operations. We do not currently charge for this data.
7. Innovation Beyond Data and Deals: The Accelerator Program.
  - a) We have invested more than \$1.5 million in our Accelerator program that brought together journalists, product managers, data analysts, and marketers from 11 regional and smaller publishers and industry experts from around the globe to develop strategies for encouraging readers to subscribe and donate. Earlier this year as part of that investment, we provided funding of \$100,000 to publishers for reader revenue projects. So far, this has generated more than AU\$1 million in customer lifetime value for that group.<sup>29</sup>
  - b) Participants in the Australian Reader Revenue Accelerator are forecast to drive an estimated AU \$3 million in lifetime customer value. Digital reader support has doubled on a month-over-month basis, on average, among Accelerator publishers since the start of COVID-19. We are providing extra unencumbered funds to each of these Accelerator partners as part of our COVID-19 relief program.<sup>30</sup>

In addition to this, Facebook provided funding for 17 rural and regional news organisations in Australia as part of a global \$100 million investment to support the news industry through the pandemic. Newspapers such as the Central Coast Community News, Geelong Independent, Noosa Today, and Naracoorte News all received grants to help contribute to the viability of these newsrooms

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<sup>29</sup> A Hunter, *Facebook Expands Local News Accelerator To Support Australia & New Zealand Publishers*, blog post published 18 September 2019, <https://www.facebook.com/journalismproject/facebook-accelerator-program-australia-new-zealand>.

<sup>30</sup> A Kapoor and A Hunter, *Australian newsrooms can now apply to the COVID-19 news relief fund*, blog post published 18 May 2020, <https://www.facebook.com/journalismproject/programs/grants/coronavirus-australian-relief-fund>



throughout COVID-19.<sup>31</sup> A Walkley Foundation judging team selected projects based on organisational need, public interest and impact. Many of the winning submissions included long-term opportunities for increasing the reach and distribution of regional journalism and new ways to grow advertising and subscriber revenue. As the coronavirus had a devastating effect on many of the rural and local commercial enterprises that paid for news by advertising, it was important that Facebook's funds went directly to alleviate those losses and contribute to the sustainability of some of the newsrooms across Australia that needed it most.

Together this means that during the past 18 months, Facebook has directly invested cash in -- or paid for new, premium content from -- 30 Australian news organisations.

There has been considerable debate about the value of news to our business. All data points indicate that the commercial value we derive from news content in Australia is virtually zero. This has been demonstrated by one notable and very public example: the change we made to our News Feed ranking algorithm in January 2018 to prioritise content from friends and family, in response to feedback from our users.<sup>32</sup> This change had the effect of reducing audience exposure to public content from all Pages, including news. Notwithstanding this reduction in distribution of news content, the past two years have seen an increase in revenue and people engaging on our services.<sup>33</sup>

We make all of the above contributions to the news industry -- not to make a profit -- rather because we believe news is a public good and it plays an important social function. We have built tools that allow news publishers to share their content on our services but not with the goal of driving revenue to us: advertisers cannot attach or target ads to specific content like news. In fact, notwithstanding the traffic we provide to news publishers, news content represents only a very small fraction of the content in the average Facebook users' News Feed, because Facebook is primarily a service used to connect with family and friends.

Much of the recent debate around digital platforms and news publishers is based on an expectation that two private companies, Facebook and Google, are solely responsible for supporting a public good and solving the challenges faced by the Australian media industry. This is not healthy nor sustainable. We would

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<sup>31</sup> The Walkley Foundation, '17 newsrooms in regional Australia secure financial support from the Facebook for Journalism Project COVID-19 News Relief Fund Program', *Walkley Foundation*, <https://www.walkleys.com/facebook-fund-recipients-announced/>, 15 July 2020.

<sup>32</sup> Facebook Newsroom *Bringing People Closer Together* (11 January 2018).

<sup>33</sup> Facebook, *Q4 2018 Quarterly Earnings Presentation*, [https://s21.q4cdn.com/399680738/files/doc\\_financials/2018/Q4/Q4-2018-Earnings-Presentation.pdf](https://s21.q4cdn.com/399680738/files/doc_financials/2018/Q4/Q4-2018-Earnings-Presentation.pdf)

encourage the Committee to look for proposals to support media diversity beyond just two US companies, which will inevitably give an unfair advantage to Facebook's competitors in the technology sector, including rivals from countries that propagate different and undesirable visions for the Internet.

## Combatting disinformation and misinformation

We appreciate that submissions provided to the Committee may raise concerns about disinformation, misinformation and filter bubbles, because these are topics that are often raised as part of conversations about a credible and strong news ecosystem. Consequently, we wanted to share more details about our work to combat disinformation and misinformation, as well as evidence in relation to filter bubbles, in case it assists the Committee with its work as part of this inquiry.

Facebook is dedicated to combating disinformation and reducing the spread of misinformation on our platform.

We use multiple means to combat misinformation, including removing fake accounts, disrupting the financial incentives behind propagating false and misleading information, working with third-party fact-checkers to let people know when they are reading or sharing information (excluding satire and opinion) that has been disputed or debunked, and limiting the distribution of stories that have been flagged as false or misleading by these fact-checkers. We removed 1.3 billion fake accounts between July and September 2020, the majority of these accounts were caught within minutes of registration.<sup>34</sup> Of these, 99.3 per cent of these accounts were detected proactively via artificial intelligence, before they were reported to us. There has been a general decline since Q1 2019 in the volume of fake accounts we have been detecting, as our ability to detect and block attempts to create fake accounts at creation have been improving.

Since January 2020, when COVID-19 was first declared a global health emergency, we've removed COVID-19 related misinformation that could contribute to imminent physical harm. From March to October, we removed 12 million pieces of this type of content on Facebook and Instagram. On December 3 following the announcement of successful vaccine trials, we announced that we will also remove false claims about COVID vaccines.<sup>35</sup>

For other claims, we continue to work with our more than 80 fact-checking partners, covering more than 60 languages around the world. In Australia, we work with Agence-France Presse (AFP)<sup>36</sup> and Australian Associated Press<sup>37</sup> on our fact-checking initiative.

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<sup>34</sup> Facebook, *Community Standards Enforcement Report*, <https://transparency.facebook.com/community-standards-enforcement#fake-accounts>

<sup>35</sup> Facebook Newsroom, Removing false claims about COVID-19 Vaccines, December 2020 <https://about.fb.com/news/2020/12/coronavirus/#removing-covid-vaccine-misinformation>

<sup>36</sup> AFP fact check <https://factcheck.afp.com/afp-australia>

<sup>37</sup> AAP fact check <https://www.aap.com.au/social-media-claims/>

Our data shows that these efforts are working: In April alone, we put warning labels on about 50 million pieces of content based on around 7,500 fact-checks from partners — 95% of the time people who saw the label did not click past to view the original content. And, between March and October, we put these warning labels on 167 million pieces of content.

Facebook has also become an important platform for health authorities and local, state and federal government to disseminate authoritative information to the public. So far, we've directed more than 2 billion people to this information through our COVID Information Centre<sup>38</sup> and pop ups on Facebook and Instagram with more than 600 million people clicking through to learn more.

Facebook takes a significant number of steps to combat misinformation, especially in relation to misinformation on COVID-19. These fall under a three-part framework:

- **Remove.** We remove misinformation that violates our Community Standards and can cause imminent, physical harm. We have had a policy on Misinformation and Harm since 2018, and we work with experts to identify misinformation that can lead to imminent, physical harm. We have used this policy to remove, for example, harmful health misinformation during the measles outbreak in Samoa towards the end of 2019.

We have been applying the Misinformation and Harm policy since January 2020 to COVID-19, when we have been removing harmful claims like drinking bleach cures the virus and theories like physical distancing is ineffective in preventing the disease from spreading or that COVID-19 was caused by 5G. Between March and October this year, we removed 12 million posts for spreading harmful misinformation about COVID-19.

Given recent news that the COVID-19 vaccines will soon be rolling out around the world, starting this month, we also remove false claims about the safety, efficacy, ingredients or side effects of COVID-19 vaccines that have been debunked by public health experts. For example, we will remove false claims that COVID-19 vaccines contain microchips, or anything else that isn't on the official vaccine ingredient list. We will also remove conspiracy theories about COVID-19 vaccines that we know today are false, like specific populations are being used without their consent to test the vaccine's safety.

In addition, there is another category of misinformation we remove: "deepfakes" or misleading manipulated videos. After consulting with more

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<sup>38</sup> Facebook COVID19 Info Centre: [https://www.facebook.com/coronavirus\\_info/](https://www.facebook.com/coronavirus_info/)

than 50 global experts with technical, policy, media, legal, civic and academic backgrounds, we announced earlier this year that we will be removing manipulated media if: (1) it has been edited or synthesised – beyond adjustments for clarity or quality – in ways that aren’t apparent to an average person and would likely mislead someone into thinking that a subject of the video said words that they did not actually say; and (2) it is the product of artificial intelligence or machine learning that merges, replaces or superimposes content onto a video, making it appear to be authentic.<sup>39</sup>

- **Reduce.** For content that does not violate Community Standards but is rated as false by Facebook’s independent third-party fact-checking partners, we significantly reduce the number of people who see it. We do that by taking a number of steps:
  - Firstly, we have commercial arrangements with independent third-party fact-checking organisations for them to review and rate the accuracy of posts on Facebook and Instagram. In Australia, we partner with Australian Associated Press and Agence France Presse, both certified by the non-partisan International Fact-Checking Network, as part of a network of over 80 fact-checking partners around the world covering more than 60 languages. All fact-checks by these partners are publicly available on their websites.<sup>40</sup>

In addition to our existing commercial arrangements, we have given two \$1 million grants to fact-checking partners to improve their capacity during the high-volume time associated with COVID-19, including in relation to misinformation on WhatsApp.<sup>41</sup>

  - Secondly, once a third-party fact-checking partner rates a post as ‘false’, we apply a warning label that indicates it is false and shows a debunking article from the fact checker. It is not possible to see the content without clicking past the warning label. When people see

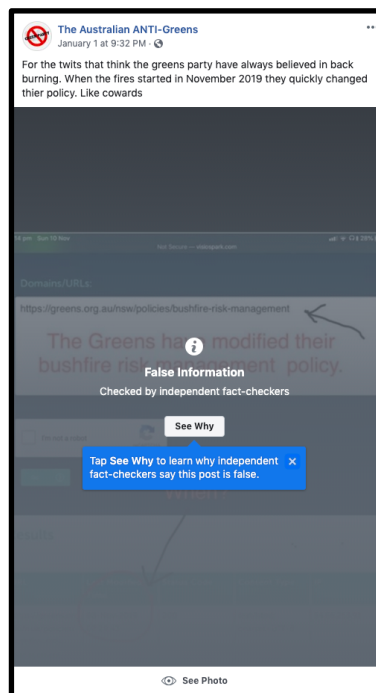
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<sup>39</sup> M Bickert, *Enforcing Against Manipulated Media*, <https://about.fb.com/news/2020/01/enforcing-against-manipulated-media/>, 6 January 2020.

<sup>40</sup> Agence France Presse Australia, *Fact Check*, <https://factcheck.afp.com/afp-australia>; Australian Association Presse, *AAP Fact Check*, <https://www.aap.com.au/category/factcheck/>

<sup>41</sup> Supporting Fact-checkers and Local News Organisations <https://about.fb.com/news/2020/12/coronavirus/#supporting-fact-checkers>

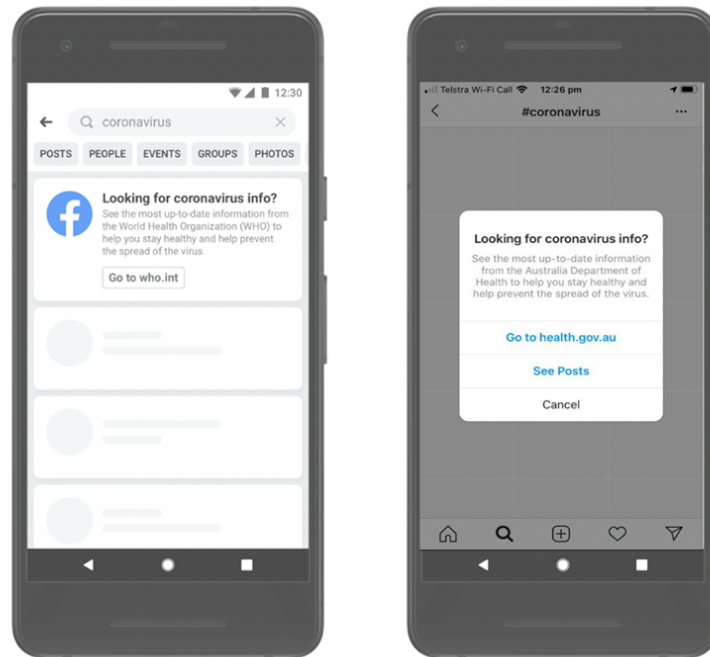
these warning labels, 95% of the time they do not go on to view the original content.



- Thirdly, we reduce the distribution of the content, so it appears lower in News Feed, which slows its distribution significantly. Pages and domains that repeatedly share false news will also see reduced distribution of all their content and their ability to monetise and advertise removed.
- Fourthly, based on one fact-check, we're able to kick off similarity detection methods that identify duplicates of debunked stories. Using this technology, we are able to limit the distribution of similar posts: in April alone, we have applied the label and reduced the distribution of more than 50 million posts worldwide, based on more than 7,500 fact-checks. And, between March and October, we put these warning labels on 167 million pieces of content.
- **Inform.** We inform people by giving them more context around the posts that they see in News Feed. In addition to the third-party fact-check and warning label we apply to fact-checked posts, we provide additional information in some of the following ways, particularly during the COVID-19 pandemic:

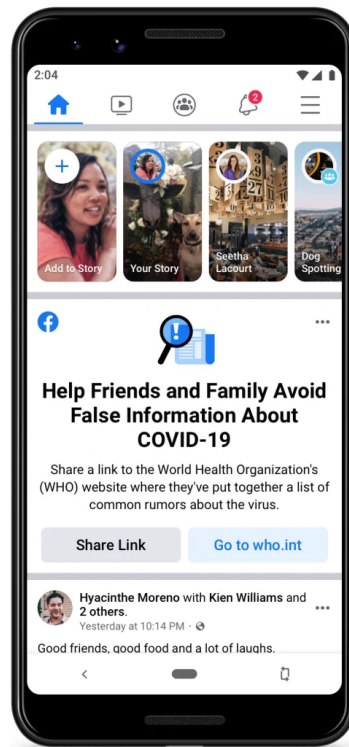
- *Elevating authoritative information.* As well as combatting misinformation, we consider it important to elevate authoritative sources of information relating to COVID-19 so more people see them. We have worked with the Australian Government to elevate authoritative information in multiple ways:
  - Since the very beginning of the crisis, we have been displaying on Facebook and Instagram prompts to direct users to official sources of information, including from the Australian Government and the World Health Organization. These have been seen by every Facebook and Instagram user in Australia multiple times, either in their Feeds or when they search for coronavirus-related terms. In the last month, we ran prompts in Australia to urge people to wear a mask while outside at all times. Globally, we have connected 2 billion people with official information and 600 million people have clicked through to learn more.
  - We have launched a Coronavirus Information Centre on Facebook in Australia that provides a centralised hub of latest updates, official Australian Government information, access to authoritative health resources, and curated news sources. We send regular alerts to those who are subscribed to the Coronavirus Information Centre so they are aware of this resource, and when people search for 'coronavirus' on our platform, they are directed to the WHO, Coronavirus Information Centre or the Australian Health Department.





- We have made significant donations of free advertising credits on Facebook’s services to the Australian Government and state governments, to enable their advertising campaigns to reach even more Australians on our services.
  - We worked with the Digital Transformation Agency, Atlassian and service provider Turn.io to launch a chatbot on WhatsApp to help people easily access the latest information.
- *Showing correct information after someone has seen harmful misinformation about COVID-19.* We have started showing messages in News Feed to people who have liked, reacted or commented on harmful misinformation about COVID-19 that we have since removed. These messages will connect people to COVID-19 myths debunked by the WHO<sup>42</sup> including ones we’ve removed from our platform for leading to imminent physical harm.

<sup>42</sup> See e.g. <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/advice-for-public/myth-busters>



- Providing people with additional context about information they share on COVID-19. We have started rolling out a new notification to give people more context about COVID-19 related links when they are about to share them. The notification will help people understand the recency and source of the content before they share it. It will also direct people to our COVID-19 Information Centre to ensure people have access to credible information about COVID-19 from global health authorities.

As part of our ongoing work to promote awareness to people who use our services of credible news and be more informed about the content they see, we provide labelling and other signals to users about the trustworthiness of information. We have developed a number of other labels and signals for users relating to the trustworthiness of information they see on Facebook. These include:

- the context button, which provides information about the sources of articles in News Feed<sup>43</sup>,

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<sup>43</sup> J Smith, A Leavitt & G Jackson, 'Designing New Ways to Give Context to Stories', *Facebook Newsroom*, <https://about.fb.com/news/2018/04/inside-feed-article-context/>, 8 April 2018

- the breaking news tag, to help people easily identify timely news or urgent stories.<sup>44</sup>

We are also undertaking a number of pieces of research to understand the phenomenon of misinformation. This includes:

- Research relating to media literacy, conducted with Australian academics as part of a larger international consortium led by the US National Association for Media Literacy Education.
- We have invested US\$2 million in a global round of funding for academic research on misinformation and polarisation. We announced the winners in August 2020, two of whom came from Australian universities.<sup>45</sup>
- Research by an Australian academic to map government approaches to combating misinformation around the world, focussing on the Asia-Pacific region.

Finally, with respect to the concern surrounding filter bubbles, more work needs to be undertaken to understand these as they relate to the online space. Independent research from the Reuters Institute (2017) and Pew Research Centre (2019) challenges the concept of social media 'filter bubbles', while showing that you may actually encounter a more diverse set of opinions and ideas using social media than if you only engaged with other types of media.

In 2019, an independent academic report concluded that 'evidence for echo chambers is actually strongest in offline social networks, which can increase exposure to like-minded views and information and amplify partisan messages. In addition, further independent analysis included in a book titled: 'Are Filter Bubbles Real?' by Professor Axel Bruns - an Australian Research Council Future Fellow and Professor in the Digital Media Research Centre at Queensland University of Technology - argues that the influence of echo chambers and filter bubbles has been severely overstated and rests on a small number of studies and limited research into the topic.

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<sup>44</sup> J Rhyou, Enabling Publishers to Label Breaking News on Facebook

<https://www.facebook.com/journalismproject/facebook-breaking-news-label> April 2020

<sup>45</sup> A Leavitt, K Grant, 'Announcing the winners of Facebook's request for proposals on misinformation and polarization', <https://research.fb.com/blog/2020/08/announcing-the-winners-of-facebooks-request-for-proposals-on-misinformation-and-polarization/>, 7 August 2020.

## Observations on media diversity

Relationships between digital platforms and Australian media businesses have been continuously and comprehensively scrutinised by Australian policymakers and regulators over the last four years:

- Starting with the Senate Select Committee on the Future of Public Interest Journalism inquiry in 2017;<sup>46</sup>
- Subsequently examined by the Australian Competition and Consumer Commission's (ACCC's) Digital Platforms Inquiry;<sup>47</sup>
- Government Response and Implementation Roadmap for Digital Platforms Inquiry;<sup>48</sup>
- News media bargaining code and associated consultation.<sup>49</sup>

So, we contend that the particular component of this inquiry's terms of reference related to digital platforms has been exhaustively debated and considered elsewhere.

We therefore respectfully suggest that re-examining well-trodden ground would distract the Senate Standing Committee on Environment and Communications from focussing on an as-yet unexamined issue: concentration within the Australian media sector. The barriers faced by small and medium-sized publishers (especially regional and local publishers) as a result of increased concentration in the Australian media market have not been properly considered. There has been no recent public inquiry in Australia since the Finkelstein inquiry in 2012 that has considered:

- The market share of major media organisations in the print media market, and in the broadcast media market.
- Whether consolidation in the media sector in recent years has reduced quality or increased price for consumers.
- Whether concentration in the print and broadcast media markets poses competition concerns or barriers to entry for small or medium publishers.

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<sup>46</sup> Australian Parliament House, Senate Select Committee, Future of Public Interest Journalism  
[https://www.aph.gov.au/parliamentary\\_business/committees/senate/future\\_of\\_public\\_interest\\_journalism/publicinterestjournalism](https://www.aph.gov.au/parliamentary_business/committees/senate/future_of_public_interest_journalism/publicinterestjournalism)

<sup>47</sup> Australian Competition and Consumer Commission, Digital Platforms Inquiry  
<https://www.accc.gov.au/focus-areas/inquiries-ongoing/digital-platforms-inquiry>

<sup>48</sup> The Treasury, Government Response and Implementation Roadmap for Digital Platforms Inquiry  
<https://treasury.gov.au/publication/p2019-41708>

<sup>49</sup> Australian Competition and Consumer Commission, News media bargaining code  
<https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code>

- Whether large, national media organisations are sufficiently resourcing journalism in regional and remote areas.
- Whether there needs to be a stronger ongoing evidence base about the state of the Australian media market (for example, one potentially prepared by the ACCC on the state of the market).
- Whether there should be a stronger regulatory framework to monitor ownership of media companies (for example, like the approach by Ofcom in the United Kingdom).