

Federal Parliamentary Standing Committee on Communications and the Arts

Inquiry into: The Provision of Newspapers (print and digital) in regional and remote Australia

A submission from the McPherson Media Group

The McPherson Media Group is an independent, family-owned publisher based in the Goulburn Valley and publishes a dozen paid community and regional newspapers, in print and online, largely centred on the irrigated agriculture districts of northern Victoria and southern New South Wales.

It's flagship daily, *The Shepparton News*, has remained in family hands for five generations; the group also has a number of periodicals based on agriculture and conducts related events such as field days.

The impact of decisions by large publishers in regional Australia

Victoria has been less affected by the suspension of print titles than some other states, although the model used by News Corp – setting up a host of “local” digital titles with flimsy local content, chiefly as a funnel for subscriptions to the relevant metropolitan title – has been rolled out across the state.

Much of the content on these sites seems to be driven by metro-based digital desks, culling other digital sites and official lists, such as all the people appearing in local courts tomorrow and a list of civil actions along with it.

The main impact on us is the poaching of editorial staff – News Corp no longer trains many of its own and it is a constant problem for us.

The extent of entry by new players

The ABC is not exactly a new player but is expanding in regional areas, partly as a claimed response to the cessation of print titles and also after concluding a deal with Facebook under the bargaining code. The ABC's announcement in early December of 50 new places for regional journalists filled us with some alarm because, like News Corp, the ABC doesn't train its own regional journalists: it poaches them.

Indeed, the very morning (13th January) of drafting this submission, I learned that another of our brightest young journalists – employed just eight months ago – is about to leave us after an offer from the ABC. Apart from the costs of recruitment and training, it is an irritation to see our publicly-funded broadcaster typically offering journalists 30-50% more in salary to move. It's convenient for other players to have someone already trained and living in the community, of course, and it happens constantly.

In the competition for capable journalists, “new players” includes many statutory corporations and arms of government at all levels, including local government, where the demand for communications expertise offers an appealing career option for young journalists. The (taxpayers) money on offer is invariably better – usually 30-50% - and the work less demanding.

Impacts of the News Media Bargaining Code.

The code offers something of a lifeline for regional publishers facing dramatic falls in the traditional revenue streams that funded public interest journalism. If our agreements with the platforms are fully implemented, we expect the payments to McPherson Media Group under the code to fund 25-30% of our editorial wages. This is a significant contribution and we are grateful to the Federal Government for its preparedness to confront the global platforms over their piracy of content, particularly news content.

Obviously we are keen to see the funds start flowing after protracted negotiations and it may be that the platforms will require some level of continuing encouragement/pressure to continue meeting the proposed level of payments over time.

The payments under the Code, once they occur, will provide regional publishers with valuable time in which to replace the rapidly-declining advertising revenues (see attached slide) with those derived solely from readers, as well as diversified revenue streams.

The reader revenue dilemma.

A handful of large publishers with global reach, such as the *New York Times*, *Wall Street Journal*, *Washington Post*, *Financial Times* and *The Economist* have already succeeded in securing digital subscription revenues allowing them to survive – and even prosper – without any advertising revenues at all. But they have massive global readership.

The vastly smaller scale of regional publications renders this level of advertising independence extremely difficult, which is why an additional income source will be essential for many to survive. The transition from print to digital is a further complication: print is still popular among regional audiences, particularly with older readers but the trend towards reading news on mobile devices is both clear and accelerating.

Currently it is print advertising – albeit fast declining – that sustains regional publishers' profitability while they attempt to build a digital audience. Equally, printing and distribution is expensive and the viability of many, if not most, print titles in the regions has diminished as revenue and expense lines converge. Once they are solely digital, many regional titles will be able to continue in some form based on reader subscriptions but with a substantially reduced reporting staff. At MMG, we estimate our present editorial staffing level of around 40 would reduce to 10-12 based on present digital revenues. We would expect a good

proportion of print readers to migrate, of course, but a reduced coverage would not be helpful in attracting new readers.

Unwillingness to pay.

Of course, a digital publication faces much lower barriers to entry and competes more obviously with free online news sources, ranging from the ABC to Apple News and social media. Regional publishers had long assumed that the print penetration we had enjoyed in our cities and towns would continue in the digital space - but that is proving much more difficult to achieve.

Free online news - or postings with the appearance of news – is steadily weaning readers from paid to free. The much higher home penetration we enjoyed compared to metropolitan papers is disappearing and it seems that the proportion of citizens prepared to pay for news in the regions may be converging with that in metropolitan areas – around that 14-15% of the population long identified as being the so-called “educated and aware” cohort.

That is not to say we should give up on giving readers good reasons to pay for reliable and carefully-curated news and information from a source they can trust – all of which must be demonstrated, of course. In the context of exploding disinformation, conspiracy theories, anger, alienation and growing mistrust of institutions, much of it encouraged in the Wild West of social media, this is a big ask – but one which we must pursue, for much is at stake.

Low-cost options for assistance.

Apart from the Code, it would be helpful if the government were to re-visit the Regional and Small Publishers Fund, which was very slow to be enacted, cumbersome for small publishers to respond to - and then pillaged during the early pandemic to fund large payments to (originally ineligible) regional broadcasters under the Public Interest News Gathering (PING) program – many of whom predictably went on to close down regional newsrooms and reduce staff.

It should be said that the small regional publishers – with their strong commitment to their local communities – spent their relatively meagre funds wisely. Unlike the listed broadcasters motivated solely by profit, the small publishers feel a strong obligation to continue offering balanced and relevant news coverage to their readers, despite unattractive returns.

Levelling the playing field.

We have been encouraged by comments from senior members of the government flagging possible regulation of the platforms and we are keen to see action in this regard. In the same way as I am liable for defamation in all of the publications I print – irrespective of whether I am the publisher – the platforms must be liable for what they allow to be published. It is grossly unfair to us that they are not and a number of us have already paid the price of social media posts adding sting to what would have otherwise been a modest or contestable defamation action.

The platforms already curate extensively to take down offensive material and their algorithms are highly selective, in much the same way as a human editor might be. They are publishers just like me, except they are not held to the same – or any – standards, despite causing massive harm to young women, to people whose reputations are anonymously trashed, to the public's trust in science, in governments, in institutions of all kinds. Their profit comes from increasing time-on-screen, recklessly driven by serving up whatever provokes, amuses, angers or feeds more and more addiction to the screen. What sort of society are we allowing to develop before our eyes, through inaction?

There are no barriers to the platforms assuming the obligations of publishers, except to substantially increase their costs of monitoring and curating large amounts of data. They will claim it destroys their model; they will bully, rile their customer base, threaten to leave the market and lobby furiously. But they must be faced down or these cancerous impacts on our communities will worsen.

From our point of view, forcing the platforms to responsibly publish will increase the cost of their advertising and allow us to compete more effectively. Some online advertising is already quite expensive, such as real estate advertising; the platforms will still have massive technological advantages in tracking people's searches, interests – not to mention what makes them angry and addicted – but levelling the playing field this way will have no cost the public purse and will assist traditional publishers to craft a sustainable place in the media mix.

The impact of economic recovery on advertising revenues.

The attached slide shows the decline in our various advertising categories over the past six years. The decline has been relatively steady at 6-8% p.a. in total but we expect the post-pandemic trend to accelerate, given the sharp increase in consumer familiarity with online services occasioned by the pandemic.

The slide shows clearly the support that came from government in national advertising, particularly in the first years of the pandemic; and strong support from local hospitals and local government in display advertising in the second year of the pandemic. Classified growth last year reflects the surge in employment advertising as businesses battled staff shortages.

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Advertising Sales (December YTD) – MMG Group

