

Questions on notice from Mrs Zoe Daniel MP

Could you outline possible tax incentives/DGR arrangements/levy options and how those might work?

1.1 Plans based on corporate tax will mostly benefit larger media companies. Smaller media companies have generally been running at a loss for many years, meaning they have carried losses, and therefore a lower annual tax burden. Put simply, there is less money to save.

1.2 Plans based on payroll tax could be helpful, but would need to be meaningful in order to make an impact.

- a. One proposed solution is to treat editorial salaries similar to those in the charity sector, where many living expenses can be salary sacrificed¹. Whilst this would be positive for journalists, in order for it to make public interest journalism more sustainable at a company level, those savings would have to be passed back to the company via an overall reduction in salary, which feels unlikely.

1.3 Plans based on making subscription fees tax deductible to the end customer are unlikely to make a meaningful impact. The success metric would be improved acquisition or retention. Our experience is that moderate cost savings do not make a large ongoing impact on either.

- a. It might be the case that this scheme would enable more philanthropic donations, which could drive overall sustainability. However, we do not think the future of journalism should rely on the good will of high net worth individuals, if for no other reason than it might cause further market distortion as wealthy individuals donate more to media companies that support their interests.

1.4 Our proposed solution is a simple rebate of editorial costs. If 35% of all public interest journalism editorial salaries were covered by a fund, the cost of hiring journalists would significantly reduce. This would have the final impact of growing or maintaining editorial headcount at most media companies, which seems to be the best input metric for growing the overall benefit of the sector to Australian society.

1.5 A second order consequence would likely be that editorial salaries would increase as a result of enterprise bargaining. These increased costs would need to be considered if the main objective is to grow the public interest journalism sector, rather than increase the average compensation of public interest journalists in Australia (which some would also consider an additional benefit, but is not considered in this response).

Do you have a view on whether the NMBC is dead, or can it be modernised?

1

<https://www.smartsalary.com.au/salary-packaging/benefits-in-your-industry/notforprofit-disability-aged-care/>

2.1 As detailed in our written submission, the NMBC was based on certain false claims or beliefs that have resulted in its failure.

- a. That Meta and Google were “stealing” content. This is not only factually incorrect, but it has meant that the entire code is premised on the idea that Meta really wants news content, but is just avoiding paying for it. The reality is that they don’t want it - it has caused the company numerous reputational issues over the years, so they have moved on. This gives them an easy way out of the code, and a mechanism to avoid paying more into Australian society.
- b. That News Corp et al need to be fairly compensated for this content that Meta and Google are stealing. This means that the funds coming from the bargaining code are the same as any other form of revenue, and can fairly be treated as such (for example, paid to executives in bonuses or to shareholders as dividends).
- c. Further to the above, by structuring the code as a form of “bargaining” agreement, Meta and Google were in control of who received funds, and how much. This unfairly benefited large media companies and eroded public trust in the code.
- d. Finally, with the code structured in such a way that news becomes financially burdensome for Meta, an unintended consequence is that Meta is now very likely to enact a news ban, which will not only negatively affect the wider public interest journalism sector, but also impact the majority of Australia’s lifestyle digital publishers. We should expect several of these homegrown Australian success stories to reduce headcount or cease trading in the immediate aftermath of any news ban.

2.2 However, the code exists as legislation, and, as argued in our written submission, the state of affairs for public interest journalism is perilous. We do not have a view as to whether the code can be reformed or needs to be scrapped. If it is possible for it to be heavily amended in order to urgently get more funds into public interest journalism, this seems like a preferable outcome over waiting several years for new legislation to be crafted, debated, and passed.