

# Joint Select Committee Inquiry on Social Media and Australian Society

Answers to Questions on Notice

12 July 2024

[Public  
Interest  
Journalism  
Initiative]

## Questions from Ms Zoe Daniel

You mentioned integrity measures to underpin an expansion of public interest journalism – such as?

PIJI has recently completed an internal assessment of principle commitments by media outlets under existing codes of practice, and is currently exploring whether it is possible to develop a set of measurements against these principles that can be independently tracked.

The purpose of this work is to understand not only the standards that media outlets are committing themselves to, but the degree to which they are meeting them. This is still in an early stage of development and will be an ongoing program of work through the coming year. We would be happy to provide an update to the Committee on our progress at the end of Q3 2024.

In the interim, PIJI continues to believe that adherence to journalistic codes of practice and participation in external complaints authorities are essential characteristics of responsible news media companies, and should be a minimum standard for any direct access to public funds or indirect access to other support mechanisms established by the federal government, including the News Media Bargaining Code.

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

PIJI has had an ongoing program of tax reform investigations over the past 5 years. The two main areas of reform investigations have been for not-for-profit entities and commercial entities:

### **Deductible Gift Recipient Reform**

In 2019, the Australian Competition & Consumer Commission's Digital Platforms Inquiry recommended that "tax settings...be amended to establish new categories of charitable purpose and deductible gift recipient (DGR) status for not-for-profit organisations that create, promote or assist the production of public interest journalism" (Recommendation 11)

PIJI has an ongoing program of research into the potential for the deliberate development of a not-for-profit news sector in Australia, which includes addressing existing regulatory constraints in Australia's charities and taxation frameworks. As noted in PIJI's February 2024 submission to the Productivity Commission's inquiry into philanthropy, PIJI strongly supports the Commission's proposed reform to the DGR system to:

- make all registered charities eligible for DGR status; and
- specifically include 'public interest journalism' as a subtype within the 'other' charitable purposes category

PIJI has observed a growth in appetite in Australian donors for philanthropic funding in public interest journalism. Not-for-profit news organisations with both charity registration and DGR status have reported increased ability to engage and attract philanthropic funding interest over the last couple of years. The Australian Associated Press (AAP), The Conversation and The Guardian are

examples of how philanthropic support can provide essential startup and operating capital for news not-for-profit models.

The proposed reforms would bring Australia in line with other jurisdictions such as Canada, the US and the UK, which have each seen increases in philanthropic giving to, and demand for, not-for-profit public interest journalism in recent years, particularly in local news markets. Based on its longitudinal market data and related research, PIJI suggests that charitable, donor news models could help markets facing undersupply, such as those defined by geography, linguistics or cultural diversity (e.g. First Nations).

To include, and legislatively define, 'public interest journalism' in DGR and charitable categories (that are also interlinked) makes for a consistent, principled assessment framework and a streamlined regulatory setting that could provide demonstrable, sustainable benefit for Australian communities.

We eagerly await the public release of the final report from the Productivity Commission in the coming weeks.

### **Tax Credits and Rebates**

Over the past four years, PIJI has commissioned and conducted research into the use of tax credits and rebates to incentivise direct investment in public interest journalism, which we included in our submission to the NewsMAP consultation in March 2024.

Of the examples we considered from around the world, the Canadian taxation plan, worth \$C595 million over five years is the most advanced to date. It supports national and local news media through three different tax measures: a labour tax credit, a subscriber tax credit and a 'quasi-charitable status for nonprofit newsrooms'. The Canadian Government has also recently introduced the adjacent Online News Act – a competition measure similar to the NMBC.

PIJI is closely monitoring the Canadian case study. Its 25 per cent refundable tax credit (as opposed to a tax rebate modelled by PIJI) is provided on salary or wages paid to eligible newsroom employees of a Qualifying Canadian Journalism Organization (QCJO), initially capped at C\$55,000 per employee per year. Eligible employees must spend 'at least 75 per cent of their time on original written news content', which precludes audio and visual journalism unaccompanied by text. Amongst other eligibility criteria, it requires that newsrooms have at least two employees, which may be restrictive for smaller, localised start-ups.

Several participants in PIJI's recent industry consultations highlighted the positive impact of tax credits available to Canadian news organisations for salary and wages payable to eligible newsroom employees. Anecdotal evidence suggests that qualifying newsrooms have seen overall cost reductions of up to 10 per cent since the scheme's inception.

In November 2023, the program was temporarily enhanced to cover 35 cent of salary, up to \$85,000 base. In 2023, the projected tax credit cost is C\$35M. The increased cost is estimated at C\$129M over five years from 2024/25, and C\$10M per annum ongoing.

Country Press Australia has recommended the Australian Government adopt an identical refundable tax credit of 35 per cent of eligible newsroom employee costs for publishers of regional and local public interest journalism up to a salary cap of AU\$85,000 per employee per annum.

Several aspects of a tax rebate or credit scheme would assist with targeting and flexibility in distribution of support for commercial news outlets. For example, rate adjustability allows changes to the level of support for a specified period; specific areas of focus - such as local news - can be prioritised; and different tiers of credit can be applied depending on whether the intent is to optimise for employee retention or employee growth, e.g. a higher rebate could be offered to outlets with an increased net number of new journalists compared to outlets simply retaining journalists. PIJI has previously developed legislative drafting guidelines to assist with eligibility criteria and types of activities under such a scheme, harmonized to the NMBC.

### **Digital Advertising Levy**

We believe a digital levy also shows promise as either an alternative or a complement to the News Media Bargaining Code, particularly given how many other jurisdictions already have a similar scheme in place, including Austria, France, Hungary, Italy, Poland, Portugal, Spain, Turkey, and the United Kingdom, as well as a number of US State legislatures.

Distribution of the funds collected through such a levy can be contentious, but again, we have precedent from a number of jurisdictions, including the New Jersey Civic Information Consortium (USA), the state-created nonprofit that distributes public funding to local newsrooms and civic-technology projects at arm's length from government and industry, and the recent Canadian experience with distribution of approximately \$100m contributed to a fund by Google as part of the their negotiations around online news regulation.

PIJI has commenced internal research into the viability of a digital levy in the Australian context, and the distribution mechanisms available and will continue to provide updates on this research as they come to hand.

As an addendum, we note that the OECD Pillar One proposal purports to replace the diverse range of national digital services taxes with a single location-based taxation system. If successful, this may obviate the need for a national digital levy, but progress on Pillar One has been slow and many countries have chosen to press ahead with their own scheme rather than wait for the outcome of Pillar One.

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

We believe the NMBC has served a useful purpose in demonstrating and incentivising commercial agreements between digital platforms and news producers, and showing that Australia can regulate the behaviour of global digital platforms.

We do not have a settled position on whether it can be modernised. But we note that:

- The potential for Meta to prohibit sharing of news on its platforms, and the negative impact of such a decision for outlets producing public interest journalism around the country is an unintended but direct consequence of the way the Code has been set up.

- If Meta does ban news on its platforms, and exempt itself from the Code's scope, the Code itself will theoretically apply to only one company - Google. This is undesirable from a policy perspective particularly as this may incentivise Google to take similar steps to prevent news from appearing on its platforms and escape the reach of the Code.

We would be interested to see a proposal to amend the Code so that it does not incentivise digital platforms to prohibit sharing of news to escape its scope. We would also be interested in a scheme that offers broader capture of digital platforms and that offers the capacity for different types of capital - such as grants, seed capital, and loans - specifically for a diversity of producers of public interest journalism, e.g:

- retail and wholesale; commercial, not-for-profit and public service; large and small businesses, startups and existing entities, and
- across geographic, cultural and linguistically diverse markets.

### Question from Ms Kate Thwaites

The Committee has heard evidence so far around the impact Meta's decisions might have on regional news outlets, and seeing 'news deserts' appearing in regional areas where there's no local media left. What research have you done on this and what impacts it has on local communities?

As of December 2023, PIJl has identified five local government areas without a local print, digital or radio news producer. Two in Tasmania, one each in the Northern Territory, Queensland and Western Australia.

A further 29 LGAs do not have local print or digital coverage. All of these are in rural and regional Australia. The State/Territory breakdown of these LGAs is:

South Australia - 10

Queensland - 10

Northern Territory - 6

Tasmania - 2

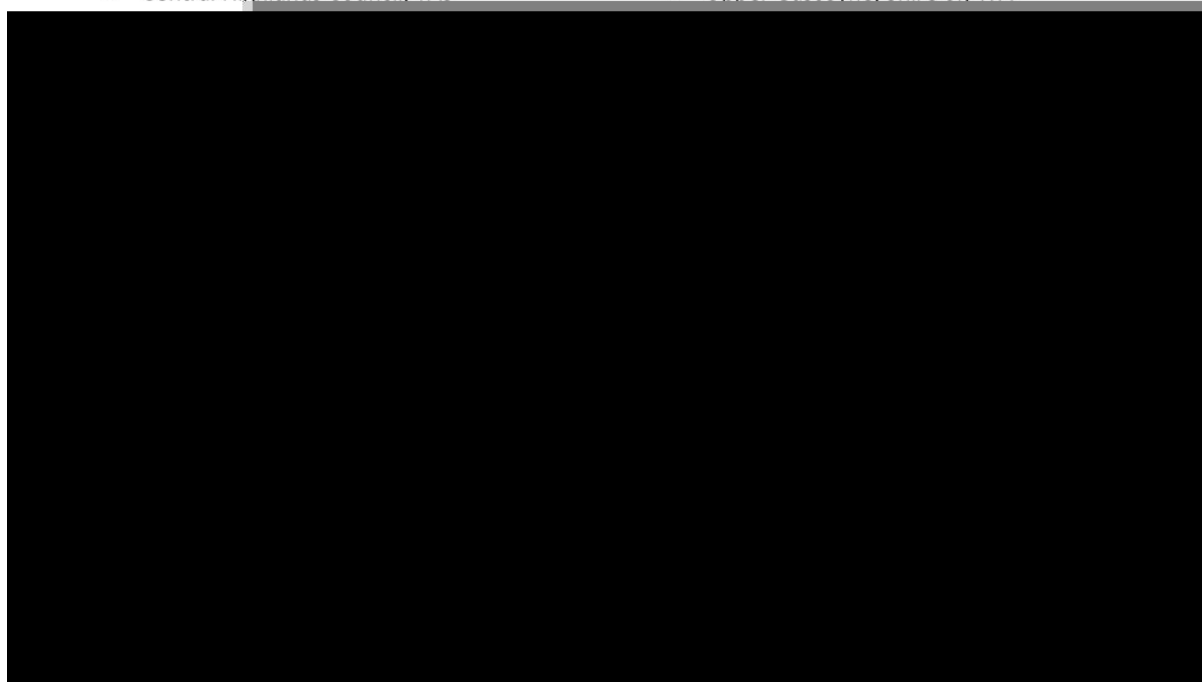
Western Australia - 1

Note that we do not analyse TV coverage as part of this research.

#### Local government areas without local publisher or radio news outlets

PIJl has not identified any publisher or radio local news producers in the following five local government areas. This list is unchanged from the previous quarter:

- Belyuen Shire, NT
- Mornington Shire, QLD
- Central Highlands Council, TAS
- Upper Gascoyne, Shire of, WA



Even where local media remain, they may not always have sufficient resources to cover civic institutions. Research conducted by Marco Magasic, Kristy Hess and Julie Freeman in Lightning Ridge, an outback rural town in New South Wales, highlighted the role played by a local media outlet, suggesting that its function extends beyond information dissemination. Instead, local outlets like The Ridge News – which shut down in 2015 - appear to have had an influence on political dynamics while fostering civic and social engagement within the community. Local outlets serve as platforms for intermediaries, shuttling between citizens and government institutions, giving the former a platform to voice their concerns on government and hold leaders accountable, while providing government institutions with a barometer of public opinion.

Bowd found that reading and reporting the stories of a specific locality enables the community to exist in both the public and mental spheres of individuals. This sense of belonging and shared identity forms the basis of the civic role of the media, providing space for citizens to mobilise for common causes. Magasic et al. show that the closure of The Ridge News resulted in a loss of community identity and the loosening of the social fabric, with citizens feeling denied the possibility to undertake civic actions and participate in the town's political and social activities.

We heard first hand testimony through our consultations as part of the NewsMAP process that, if Meta was to prohibit the sharing of news on its platforms, many local news outlets that relied on Meta's referral traffic would find it difficult to remain operational. That sentiment has been echoed in several other submissions to this inquiry. In the context of the research referenced above, it is possible that the contraction or demise of those local news outlets would have a broader and deeper detrimental effect on the communities those outlets serve.

# [Public Interest Journalism Initiative]

## CONTACT US

Public Interest Journalism Initiative

ABN 69 630 740 153

[info@piji.com.au](mailto:info@piji.com.au)

[www.piji.com.au](http://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)

 [/publicinterestjournalisminitiative](https://www.facebook.com/publicinterestjournalisminitiative)

