Social Media Inquiry

Responses to Questions on Notice

July 2024

In addition to comments made at the public hearing on Friday 28th June, 2024, the Local & Independent News Association (LINA) provides the following responses to questions from Zoe Daniel MP.

Could you outline possible tax incentives/DGR arrangements/levy options and how those might work?
There is no single measure that will resolve pressures on the news industry that have built up over the past 40 years. LINA recommends a host of concurrent actions including:

- **DGR eligibility for public interest journalism**

Recognition of public interest journalism as a charitable public good has been in discussion in communications policy forums in Australia for at least 15 years and has widespread support from industry, in both media and philanthropic communities. While LINA recognises the tax revenue implications implicit in any deduction the government decides to make, tax-based incentives offer government a relatively low-cost mechanism for supporting public interest journalism. Public interest journalism offsets this by contributing to social cohesion, emergency preparedness and resilience, increased community health outcomes and a stronger democracy, just to name a few public good outcomes.

International donors are increasing supporting media outlets in countries such as the UK, the U.S. and Canada and require the equivalent DGR status to their domestic equivalent (ie. section 501c in the U.S.) in order to donate to Australian newsrooms. Australian newsrooms would be well positioned to increase giving from international donors should they have access to DGR status, generating tax-positive outcomes for Australia.

The tax system is not neutral toward media outlets. Advertisers claim the cost of marketing expenses against tax even for money expended with large, for-profit media outlets who rely heavily on this income for their sustainability. The current tax arrangements favour large for-profit media companies (tax deductibility of advertising) or non-profit projects affiliated with universities (tax-deductible donations, bequests etc). Smaller outlets wanting to operate as non-profits are forced to rely on a narrower range of income streams, such as non-deductible donations and advertising. The narrower the revenue base, the greater the risk of failure, especially when serving small regional communities.

LINA notes that charities with revenue under $250,000 receive 40% of their total revenue from donations on average. Given the average income of LINA members in 2023-24 was $350,521, many emerging local news publishers are reliant on self-generated income that falls below the $250k level. This suggests an opportunity to attract an average 40% increase in revenue to businesses that bring significant public value to their communities should tax-deductible donations be available to them.

Beyond the tangible benefits to the community, it's worth noting that the potential impact on tax revenue for government that would result in a pathway to DGR status for not-for-profit newsrooms is likely to be minimal.

Firstly, most individual donations will be less than $200 per year, meaning the tax implications on those donations are minimal. Secondly, larger donations or bequests of more than $1,000 (for example) are most likely to come from organisations who would otherwise have donated to an alternate not-for-profit. So, while decisions on donations will be made on perceived value to the community, the impact on tax revenue for the government is null. Thirdly, Australian philanthropic foundations already require grant applicants to hold DGR status, therefore extending DGR eligibility to public interest journalism merely provides opportunity for consideration on funds that are already being expended, also having zero impact on tax revenue.

This policy lever aligns with the Productivity Commission's Philanthropy Review and objectives to increase giving in Australia more broadly. In February 2023, LINA sent a response to the Treasury's draft DGR Registers Reform requesting the introduction of public interest journalism to the Charities Act with an aligned DGR category to support donations from individuals and philanthropists to local news services. The Future Foundations for Giving Draft Report was released in November 2023 which included a recommendation to create a DGR category for public interest journalism. LINA urges the government to act on that recommendation quickly.

- **Legislated government advertising expenditure on locally produced media**

LINA acknowledges and supports government advertising in regional newspapers. In addition, government should be placing advertising in online digital news publications to reach a growing audience of readers accessing their news online.

Business models for government media agencies do not incentivise working with small publishers. Rather, they seek the broadest audiences with minimal contact effort on behalf of media buyers. Local and independent news publishers reach highly engaged, niche audiences who are most likely to respond to relevant information provided to communities through government advertising. However, they are currently excluded from bookings on the basis of agency efficiencies. LINA is working to address this administrative issue on behalf of its members and to build the capacity of its smaller newsroom members to meet the reporting and ad-serving requirements for government agencies. The larger newsrooms in our membership group are already reaching strong audience shares (up to 80% of the population in their regions) and are ready to immediately provide this service through websites, newsletters, social media and printed newspaper formats.

Many academics, industry bodies and stakeholders have recommended allocating a share of the nearly $450 million spent in government advertising annually to local news organisations. While this can be undertaken through contracts between governments and media buying agencies, these actions are easily reversed or changed during contract negotiation or changes in government. Research has also shown that public notice spending has been "used as a lever of control, with some local councils withdrawing advertising from local newspapers because of concerns about negative council coverage, while other government departments choose to control public messaging via their own websites and publications". LINA suggests a ratio of government spend should be legislated to provide medium-term support to news organisations and ensure audiences are receiving key information from governments at all levels. LINA notes calls from the Digital Publishers Alliance for 20% of government advertising to be mandated to be spent with publishers with less than $35m in annual revenue. LINA supports the concept of a maximum revenue cap on such a measure and would add a requirement for content produced within the community the news service is serving as a requirement for mandated advertising spend.

LINA members are well placed to deliver call-to-action campaigns, but also to keep communities informed of non-campaign announcements such as community consultations, road closures, recruitment, meetings and events which governments are required to communicate broadly to residents. A legislated percentage of government advertising spend would:

a) increase return-on-investment for government campaign spends through reaching a broader audience;
b) incentivise government media buying agencies to familiarise themselves with local media outlets;
c) increase transparency and engagement with local Council activities; and
d) increase sustainability and engagement with local newsrooms.

Looking to successful examples in the US, an executive order (EO47) signed by New York Mayor Bill de Blasio in May 2019 intended to channel city advertising to community and ethnic media outlets in response to chronic underfunding. EO47 channelled $9.9 million (or 80%) of the city's total digital and print advertising budget to 230 outlets, 21% of which had never received any city advertising at all. These included publications such as The South Asian Times and *The Haitian Times,* which received, for example, $73,000 in 2020, compared to $200 in 2019 (Schriffrin, 2022). Following New York's lead, the Mayor of Chicago signed a similar Executive Order in November 2021 requiring all Chicago City departments to allocate at least 50% of advertising spend to community media outlets (including print and digital publications, television and radio outlets). Both cities have reported significant success from the equity-based policy intervention, with many publications citing it as the reason they survived the pandemic.

In Australia, less radical steps are required to produce significant impact in the news landscape. If applied at all levels of government, a requirement of 10% of all government media advertising to be spent on locally produced media outlets would be enough to shift the media landscape and better inform audiences.

Levy options

LINA notes initiatives across the globe redirecting taxes to public interest news services, including tax deductibility schemes for news subscriptions, which could be introduced here in Australia. LINA suggests revenue generated from the sale of spectrum to telecommunication companies (a public asset auctioned in parts to grow telecommunication capacity) could be redistributed to news services.

Staged supports

LINA has identified three key stages of growth for newsrooms in which different mechanisms for support are required. This helps guide the development of LINA services and may similarly be used to consider which potential measures are most relevant to newsrooms at different stages of development, as opposed to 'one solution for all' thinking. Taking this approach to potential measures could look like:

Stage	**Most relevant mechanisms**
Early From identification of concept, starting-up, reaching a small audience and generating enough income for one person to draw a living wage without requiring a second job.	• Direct grants and subsidies • Training and best practice support (capacity building)

Growth Building a small team (two to three staff), developing community-based partnerships, engaging with audiences and developing multiple income streams to support the news business.	• Workforce development supports • Revenue experimentation programs • Government advertising • Direct grants
Mature Scaling operations with three or more staff, sustaining three to four reliable and tested revenue streams, becoming recognised as a trusted source of news and information in the community, developing content outputs beyond initial channels (eg. podcasts, multiplatform delivery) and in some cases the expansion of new mastheads and side-services.	• Tax-based incentives • Government advertising • Media literacy program delivery

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

The News Media Bargaining Code has generated much needed revenue for some parts of the news industry. Some LINA members have five-year contracts with Google still in place and larger news services are advocating for the designation of Meta with a view to continued engagement with the Code moving forward. While LINA has concerns about the premise of the Code and the rules for engagement with it (particularly eligibility), we see no reason to completely sideline legislation that has produced a result for some of the industry. LINA acknowledges the limitations of the Code, but also notes it is one of the only policy supports available to digital news publishers in recent years. In concept, LINA would suggest modernising the Code to make it accessible to a broader range of public interest news publishers. That said, the capacity for social media platforms to choose not to engage with it makes eligibility requirements a somewhat moot point.

Given there was no guarantee the money generated would be spent on journalistic activities, the structure of the NMBC means it was never going to be the solution to mis and disinformation issues, news deserts, media literacy concerns or even, necessarily, increased levels of journalism. It primarily provided a cash boost to existing news outlets, with significant barriers to entry for emerging news services and no incentive to produce public interest journalism. Therefore, while LINA is not advocating to abandon the Code, we argue that a range of complementary measures are required to address the issues created by the lack of news diversity, especially at a localised level.

LINA has written extensively on these topics in our policy submissions to the News Media Assistance Program consultation, the ACCC's requests for information and the Productivity Commission. Those submissions are available to view here for further information.

LINA thanks the Committee for its consideration of these matters and welcomes discussion of these matters at any time.

Sincerely,

Claire Stuchbery
Executive Director