

Submission in response to ACCC Digital Platforms Inquiry Issues Paper

The Australian Society of Authors (ASA) is the peak national organisation representing Australian writers and illustrators. We are pleased to have the opportunity to respond to the Issues Paper released by the ACCC.

This Inquiry is most directly relevant to those of our members who are freelance writers and journalists. While the vast majority (87%) of our members publish in print (and mainly under traditional publishing contracts), almost half of our members (45%) have published online.¹ Therefore, while we encourage the ACCC to look to the Media Entertainment and Arts Alliance (MEAA) as the most relevant body to represent journalists, we wish to make a brief submission on behalf of writers and illustrators more generally.

Scope of the Inquiry

Question 1.1: Which digital platforms do you consider to be relevant to this Inquiry?

Question 1.2: Should the Inquiry consider digital platforms that do not currently provide access to news and journalistic content in Australia but may either provide news and journalistic content in the future and/or have an impact in relevant markets (eg Amazon, instant messaging applications)?

The ASA urges the ACCC to include Amazon in this Inquiry, for the following reasons:

1. Voice activated digital assistant

Amazon operates as a digital search engine for products, and, in our view, the suite of services it offers qualifies it for inclusion as a content aggregator platform². Its activities will impact the supply of news/journalistic content in Australia.

Amazon has launched Alexa in Australia, a voice-activated virtual assistant, with the capacity to deliver news and news headlines. News feeds are already available through this device via SBS (Amazon's launch partner), Ten News, Sky News Australia and Fox Sports.

¹ ASA Membership Survey May 2017.

In addition, 118 of 231 members who have uploaded portfolios on our website have indicated copyright and journalism as areas of work for which they are available.

² At page 11 of its 2016 annual report, Amazon.com Inc. identified its competitors as hailing from many different industry sectors, including "publishers, producers and distributors of physical, digital and interactive media of all types and all distribution channels": <http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannual>

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Voice technology is predicted to become increasingly widespread in Australian homes in the next decade, with Amazon, Google and Apple competing in the home-based smart speaker market. Penetration of smart speakers in the US market has been fast and deep. One in six Americans (approximately 39 million people) now owns a smart speaker, according to a study by NPR and Edison Research released in January 2018³ which indicated that 11 per cent of the US population owns an Amazon Alexa device. The study found that using a smart speaker to access news content is a key activity, and one that is growing.

In our view, this Inquiry should include a consideration of the way smart speakers deliver news and constitute an additional advertising platform. It's clear that smart speakers will offer content designed to appeal to consumer's personalised preferences. Google has already reported on its customers' interest in branded content, information about deals, sales and promotions and personalised tips and information.⁴

In addition to concerns about resulting silo or "filter bubble" effects, home based smart speakers also pose significant privacy concerns as they are always "listening" for voice prompts.

2. Market power of Amazon

In our view, no competition review of digital platforms is complete without the inclusion of Amazon. It is an immense ecommerce platform, cloud services provider, content aggregator and is in the process of rolling out a delivery network in Australia.

From the perspective of the ASA, Amazon's complete vertical integration raises competition issues. Amazon is a book publisher, publishing services provider, distributor and retailer. Its vertical integration yields significant advantages: it can preference its own products in search inquiries, it can collect vast data on consumers (what they're searching for, what they buy, what they read on Kindle devices, when they stop reading etc) and can use these insights to improve other aspects of its business, including to compete with publishers and booksellers. As recognised by the Issues Paper, digital platforms in possession of large amounts of data can use this data to entrench their market dominance, making it difficult for new entrants to compete but also difficult for existing competitors without access to the same data.

³ The Smart Audio Report, NPR and Edison Research, January 2018
<https://www.nationalpublicmedia.com/wp-content/uploads/2018/01/The-Smart-Audio-Report-from-NPR-and-Edison-Research-Fall-Winter-2017.pdf>

⁴ <https://www.thinkwithgoogle.com/consumer-insights/voice-assistance-consumer-experience/>

Publishers are in the difficult position of both competing with, and relying on, Amazon's platform to market ebooks and print books. It is not feasible for publishers to refuse to supply the market through Amazon due to Amazon's market penetration.

From its inception, Amazon has employed a pricing strategy that went well beyond loss-leading tactics, intended to establish long term market dominance at the expense of short term profits. Indeed, Amazon's profits have been nil to slim for much of its existence. In 2014, research conducted by the Codex Group found that Amazon's sales represent 65% of all new online book purchases (print & digital), 67% of the ebook market and 64% of print book sales on-line.⁵ In 2017, an examination of the biggest English speaking markets: US, UK, Canada, Australia and New Zealand, found that Amazon accounts for over 80% of ebook purchases.⁶ Having achieved market dominance, Amazon can use this power to extract favourable terms with publishers. Unchecked, this bargaining power is dangerous for Australian booksellers and publishers, already operating on tight margins, the survival of which is essential for the diversity and quality of Australian publications.

Consumer welfare must not be judged only on price but also include a consideration of diversity, the expression of Australian stories and identity and opportunities for local talent.

Given the overall architecture of Amazon's business, straddling the supply chain, and its ambition to supply a vast range of goods to Australian consumers which now includes access to information, we submit it should be included in the scope of this review.

Industry Overview

Question 3.6: Describe the nature of any impacts (positive and negative) that digital platforms are having on media content creators? What causes these impacts? Are these impacts temporary or ongoing?

The Issues Paper recognises the shift in advertising revenue away from traditional media companies and towards digital platforms. The loss of advertising revenue for traditional media companies has meant a reduction of pay for writers, fewer journalist positions, and increased pressure on writers to supply content for free.

⁵ <https://www.theatlantic.com/business/archive/2014/05/amazon-has-basically-no-competition-among-online-booksellers/371917>

⁶ <http://authorearnings.com/report/february-2017/>

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The ASA publishes recommended rates of pay for freelance writers on our website. Feedback from our members is that while these guidelines are helpful in conducting negotiations for payment for such work, over the last few years the breadth of rates being paid has grown and we have received increasing anecdotal feedback that many publications are now offering work well below the rates recommended by us and the MEAA.

In our 2017 membership survey, we requested information on writers' income from freelance writing from both our members and members of State Writers' Centres and set out the results below.⁷

Please also be aware that respondents who worked for free have been removed from this analysis, in order to show fairer average rates for those respondents who were being paid.

Payment Basis	<u>ASA recommended rate</u>	<u>ASA survey rate</u>	<u>Writers' Centre survey rate</u>
Per Word	0.89	Minimum 0.11 Maximum \$1.91 Mean 70.50 cents Median 71 cents	Minimum 0.11 Maximum \$1.31 Mean 55.5 cents Median 51 cents
Per Hour	\$219.00	Minimum \$21.00 Maximum \$200 Mean \$85.90 Median \$76.00	Minimum \$11.00 Maximum \$200 Mean \$74.50 Median \$71.00
Per Day	\$878.00	Minimum \$50 Max \$1,840 Mean \$597 Median \$500	Minimum \$50 Max \$1,200 Mean \$424 Median \$385

In *Making Art Work, An Economic Study of Professional Artists in Australia*⁸, published in 2017, surveyed income for writers in the financial year 2014–15 was as follows:

- **Mean** gross creative income for writers: \$19,900

⁷ Sample size of 1,102 respondents: 622 respondents were ASA members, 410 respondents were members of a State Writers' Centre, 39 respondents were members of SCWBI (Society of Children's Book Writers and Illustrators) and 31 respondents were members of Copyright Agency

⁸ *Making Art Work; An Economic Study of Professional Artists in Australia*; David Throsby and Katya Petetskaya, Department of Economics, Macquarie University 2017

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- **Median** gross creative income for writers: \$4,500

We note that mean incomes can give an inflated sense of the overall position because of a very small number of outlying high earners. Median incomes are the mid-point of the distribution and are therefore not so skewed by outliers.

We submit that writers are particularly vulnerable to shrinking budgets caused by a shift of advertising revenue to digital platforms. In our submission, the financial loss to writers is a key impact of the transition to digital and must be considered in this review.

Financial security is also an issue. In the same study⁹, only 9% of the writers surveyed work for a salary or wages; the remaining are freelance or self-employed. With traditional media companies reducing their staff numbers, there are fewer opportunities for writers.

While digital platforms have enjoyed greater advertising revenue, they have not correspondingly offered new employment for Australian writers. Social media platforms are essentially run on user-generated content. Digital platforms benefit enormously from the sharing of content but are not responsible for the cost of its generation.

The decline in funds for quality journalism and the problem of misinformation is recognised by the digital platforms themselves, evident in Google's launch of its Google News Initiative. In his blog published on 20 March 2018, Philipp Schindler, Chief Business Officer for Google, stated:

“People come to Google looking for information they can trust, and that information often comes from the reporting of journalists and news organizations around the world. And while the demand for quality journalism is as high as it's ever been, the business of journalism is under pressure, as publications around the world face challenges from an industry-wide transition to digital.

... Platforms like Search and YouTube depend on a healthy ecosystem of publishers producing great digital content. That's why it's so important to us that we help you drive sustainable revenue and businesses.

... It's becoming increasingly difficult to distinguish what's true (and not true) online. Business models for journalism continue to change

⁹ *Making Art Work; An Economic Study of Professional Artists in Australia*; David Throsby and Katya Petetskaya, Department of Economics, Macquarie University 2017

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drastically. The rapid evolution of technology is challenging all institutions, including the news industry—to keep pace.”¹⁰

The results of a recent MIT study into Twitter, published on 9 March 2018 in *Science* Journal,¹¹ found that false news spreads faster and deeper than truth. The effect of reduced funding, the 24 hour news cycle and introduction of social media has placed huge pressures on writers and their ability to fact check, investigate and report comprehensively. We refer to the MEAA for submissions on these issues.

We look forward to reading the ACCC’s report on these important issues. Please do not hesitate to contact us if we can provide any further information or assistance.

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¹⁰ <https://www.blog.google/topics/google-news-initiative/announcing-google-news-initiative/>

¹¹ <http://science.sciencemag.org/content/359/6380/1146>

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