

5 June, 2020

To the Australian Competition and Consumer Commission,

I am pleased to provide this submission to the ACCCC Concepts Paper on issues to be covered in a mandatory code addressing bargaining power imbalances between Australian news media business and Google and Facebook.

This submission has been prepared by Associate Professor Kristy Hess, the Lead Chief Investigator of an Australian Research Council Linkage project – Media Innovation and the Civic Future of Australia's Country Press (LP180100813). Other Chief Investigators on the three-year project are Professor Lisa Waller (RMIT), Professor Matthew Ricketson (Deakin University), working in conjunction with Partner Investigator Mr Bruce Morgan of Country Press Australia.

Kristy Hess and Lisa Waller are internationally esteemed researchers on local media and journalism practice and policy, while Matthew Ricketson brings extensive experience and networks in media policy and regulation. Together, their scholarship has been published in leading academic publications throughout the world and they have received funding from university, government, not-for-profit and philanthropic agencies to examine the community, civic and/or hyperlocal news space in Australia and overseas.

The current ARC-funded study aims to move beyond merely documenting the challenges facing local news to seek innovative solutions to secure the sustainability of the country press in a digital world.

Four aims drive our research:

1. Provide an evidenced-based assessment of the civic value of Australia's country press.
2. Investigate understandings of sustainability and innovation in the news-media sector.
3. Develop a model of innovation that supports the sustainability of our country press.
4. Refine and extend a methodological framework for researching local news in digital spaces.

Four key projects will underpin these aims:

- > **Project 1** A comprehensive national and international assessment of government policy, reports and industry documentation on the sustainability and innovation of Australia's regional news sector.
- > **Project 2** Two of the largest national surveys to fully investigate the dominant factors leading to social and cultural innovation of Australia's regional news sector.
- > **Project 3** Targeted and expert input to solve innovation challenges through workshops and interviews with rural news proprietors, editors and journalists in Australia and internationally.
- > **Project 4** Our PhD scholar will conduct a comprehensive assessment of country newspapers, charting the factors underlying their varied and mixed fortunes.

The research team believes this concepts paper addresses a pressing issue for Australian society given its goal is to ensure a sustainable future for news media across the country which is vital to a healthy democracy. Our feedback in response to several of the concept questions (especially around definitional work of 'news') is designed to highlight the importance of ensuring that independent local media are adequately served and represented in negotiations around the bargaining code.

Local news is an essential service, especially for rural and regional Australians who depend on relevant, credible and reliable information sources to be informed of civic social and political affairs in their own localities and beyond. It is vital that Australia's news ecology provides the conditions for news services in rural and regional Australia to not just survive, but to flourish into the future.

Yours sincerely



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Background

This background provides context for the recommendations that follow in our submission. We highlight the impact of social media on local news, policy directions and our positioning of media innovation to provide a rationale for our definition of news and calls for a digital transition fund for country newspapers that utilizes advertising revenue from Google and Facebook.

The role of digital and social media giants in disrupting the business model sustaining local journalism has emerged as a chief concern in several recent inquiries in Australia and across the western world. It has been well documented that rural and regional news media outlets are facing increasing economic pressures in the digital media environment. Declining resources impact the availability and quality of local journalism and limit capacity for news gathering, investigative reporting and independent analysis (Hess and Waller, 2020; Hess, Waller and Ricketson, 2014). Australian local news providers have had a tumultuous relationship with players like Google and Facebook in the intensifying battle for digital news territory during the past decade. Facebook, in particular, has emerged as a powerful social hub for rural and regional communities and as a result, significant non-metropolitan advertising spend has shifted towards social media. Local news producers have been left responsible for providing quality news and information for their communities with depleted resources while the unregulated media platforms' profits soar.

Our research, along with international studies, highlights that local news matters to audiences. The significant geographic distances between Australia's towns and cities generate challenges and opportunities for local media, even in the digital age (Hess and Waller, 2020). Issues range from internet connectivity (Park et al, 2015) to the rise of news gaps in remote areas, or on the periphery of established news circulation and broadcast licensing areas. The overarching policy challenge for Australia's Federal Government has been how to best serve the news and information needs of all Australians, especially when it is well established that the availability of local news and information is considered vital for enhancing civic life and social capital (Bowd, 2011; Hess, 2016).

In 2017, the Australian Government held a Senate inquiry into the future of public interest journalism that attracted 75 submissions from industry, community groups and academics (Commonwealth of Australia, 2018). In announcing the inquiry, Senator Scott Ludlam said a key aim was to identify business models that allow 'any entity – public, private, third sector, whatever – to keep well-resourced journalists in the field ... and serving up news and information that we need to maintain a healthy democracy' (in Donnelly, 2017). The inquiry made a series of recommendations to support journalism at a national level, with two specific references to local media – calling for adequate funding to support the ABC in rural and regional news delivery and support for community broadcasting to cover training and education costs, as well as the rollout of digital services (Australian Government, 2018b).

The ACCC has rightly highlighted concern for the continuing reduction in journalistic numbers, especially at the local level, to perform vital functions such as court reporting and investigative reports (ACCC, 2018). Independent local newspapers have served as the voice of their communities for more than a century and yet they attract little attention in policy debates and Senate inquiries at the expense of bigger conglomerates like News Corp, Nine and Australian Community Media.

Alongside more than 160 regional and rural newspapers owned by Anthony Catalano after the 2018 merger between Fairfax Media and the Nine Entertainment Co, Australia has 130 independently owned country mastheads and they are experiencing mixed fortunes (Hess and Waller, 2020).

These newspapers face many of the same challenges that metropolitan and regional print and online news businesses are tackling throughout the world, in addition to some issues and advantages that are unique to the geographies, policy settings and cultural contexts of rural life in Australia. For example, for most country mastheads the print product remains at the forefront of their business and the transition to digital requires time for audiences to adjust as well as ensuring the digital infrastructure is there to support such change.

Innovation and change

In order to assess how specific news outlets deal with uncertainty at their core (Zelizer 2015), we adopt a critical lens to study media innovation at the local level. Importantly to this ACCC concepts paper, this means examining the value of the status quo and existing power structures that support quality journalism (Hess and Waller, 2020b). It is important to highlight that academics, industry and philanthropic organizations tend to apply an overly celebratory lens to innovation, largely in response to the discourse of crisis. An important point raised by American researchers Creech and Nadler (2017) in their review of innovation discourses employed by US think-tanks and not-for-profit institutions researching the future of journalism indicates an overriding positive focus on innovation. They warn 'this discourse marginalizes normative concerns about journalism's democratic purposes and rests on an entrepreneurial logic dictating digital journalism's broader public virtues' (Creech & Nadler 2017: 182). We take a six-dimensional approach to innovation— from news production and audience reception to government policy and the environment – reflecting the multifarious and competing demands on small, non-metropolitan newspaper enterprises in the digital age. This concepts paper is important to the economic dimension for reasons already outlined by the ACCC.

Support for local journalism in 2020

Since the COVID-19 crisis emerged there have been two key funding schemes introduced (or re-introduced) to support local news providers: the Government's \$50 million Public Interest News Gathering Program and a \$5 million Regional and Small Publishers Innovation Fund. The Victorian Government has also made a specific contribution to support country newspapers by providing an additional \$4.4 million in advertising support during the pandemic.

We have highlighted elsewhere that these are short-term measures, when there needs to be systemic change and/or realignment to support local news providers into the future. The decision by the Federal Government to attempt to ensure Facebook and Google share advertising revenue with Australian media companies is a welcome one, given its intention is to create a more level playing field and support those news providers that have a commitment to the creation of reliable, quality news and information for their audiences.

RESPONSE TO ACCC CONCEPT QUESTIONS

How should news be defined?

The ACCCC concepts paper calls for input into the definition of news. In response to consultation questions 1 and 3, our proposed definition for the purposes of the bargaining code is designed to acknowledge and support two areas of information content a) the importance of original public interest journalism to Australian society in the interests of a healthy democracy; and b) the value of the broader array of information that is produced, synthesised, sourced or verified by news producers on behalf of an audience that enhances the social fabric and/or social cohesion of the geographies it serves.

Democracy demands that citizens have access to good quality information on which to deliberate, and access to reliable, credible mediated spaces that serve as arenas for public discussion. Journalism is not only understood to enable democracy, but is an essential part of it because it *is* the democratic forum for ideas and community debate (Hess and Waller, 2017). It should be noted that democracy begins at the local level, so defining news that serves the public interest, especially in regards to matters of politics and civic institutions, needs to accommodate this foundational concept

Social aspects of news also warrant attention. We define social information as information relevant to the realm of our everyday lives, and which helps us make sense of who we are as individuals and collectives (Hess and Gutsche, 2019). When we look closely at some of this social content we can appreciate how important information nodes can be to constructing and reinforcing social imaginaries, understandings of community and place, morality, rituals and social honour. Such information may be referred to as stories recognizing the success, milestones, tragedy, despair and success of individuals (human interest stories); solutions journalism that brings people together to advocate social change; curated and contextualized weather and traffic and transport reports/incidents; reporting and synthesis of events, obituaries, feature articles, travel and lifestyle content.

Further, we argue that any definition of news for the purposes of this code must ***acknowledge and reflect the importance of human intervention*** involved during the production, engagement, dissemination and/or circulation of this information (Gutsche and Hess, 2018). We do not discount the increasingly important role that technology plays in the gathering of and production of news (ie: machine, geo-mapping, algorithm) (see especially Tandoc et al 2020). but we resist a technological determinist approach to any definition of news that may override the importance of news reporting that is undertaken and/or overseen by individuals that we argue best serve public interest journalism in Australia. For the purposes of the bargaining code, human capital remains an important point of distinction. By human capital, we mean the degree to which a producer, curator or arbiter of original news content is considered to represent or possess specific and recognised knowledge, ideas, skills and values to oversee the creation and dissemination of such content (Becker 1964, 2008). Recognising the importance of human capital in the production of news and information content relevant to communities also places local news on a much fairer footing with its state and national counterparts.

Our definition of news reflects an ability to determine the type of content that will be subjected to the bargaining code and which both news media and digital platforms can easily and objectively identify. We suggest the following:

“News content is any type of information relevant to a geographic area in Australia (town, city, suburb, region, state, nation) where a clear investment in human capital is made to source, record, verify or provide detailed synthesis of that information or commentary in an original way in the interests of a public, common or shared social good. The producer of news must align with or adhere to a recognised professional code of conduct and standards. Individuals/institutions that prioritise self-interest, produce deliberately misleading or inaccurate information, or promote personal views that may incite hatred or violence are not producers of news content under this definition.”

In response to Question 2, this definition provides scope to easily and objectively identify the content subject to the code. Originality of news content should be understood as news that is produced or curated by a journalist(s) who has the ability to think independently and creatively and where such content has not been published elsewhere. Such news content should contain a byline attributing the creation/curation of content to that professional journalist(s) and it must be original content unless it meets conditions of the fair dealing exception of Australian copyright infringement laws (Australian Government, 2020). In such case (‘press release re-writes’ that appear in a single or multiple number of news publications would be specifically exempt from the definition of original content). The importance of *relevance* must also be considered in tandem with originality. For example, a local news outlet that reports on an international news event that has no relevance to the ‘local’ audience it serves would not meet the criteria. Relevance to news audiences can be measured in terms of proximity and scope – the most prominent news value for local journalism is arguably ‘proximity’. This relates to information and events that are geographically or physically close to readers while the concept of scope (Shoemaker et al 2007) refers to the role news media plays in contextualising local, state, national or international issues for a relevant audience as part of their role in information flows and movements.

Monetisation and sharing of revenue from the use of news

While we do not intend to provide detailed responses to concept questions 7-29, it is our recommendation that ALL funds collected from Google and Facebook advertising revenue under the purposes of the bargaining code be directed to an administrative body before being distributed to news outlets. This would ensure a fair and equitable distribution of funds between national, state and local level news providers and also provide scope to develop checks and balances for holding both social media conglomerates and news producers accountable for the content they produce and/or disseminate in the public interest. Given the short window open for submissions to this concepts paper, it has not been possible to develop or advise on a value-exchange model as it is not within our immediate expertise.

However, we argue the importance and definition of human capital is paramount to ensuring such a model is scalable and does not unfairly disadvantage news produced for especially local audiences. It provides scope to appreciate that good pieces of quality journalism can take the same 'time' to produce (regardless of whether it is written for a local, state or national media outlet). Further, it is important that such a value exchange model, for any news provider, does not unintentionally encourage news organisations to engage in practices of attracting 'click bait'. In other words, while a news story might go viral, this does not provide any measure of its quality or relevance to the audiences they serve.

As highlighted in the background section of our submission, current funding initiatives such as the \$50 million public interest journalism fund set by the Federal Government are not designed for the long term. **From the total funding pool sourced from Google and Facebook advertising under a bargaining code, we further recommend the establishment of a 10-year Rural and Regional Digital Transition fund that would be available to local newspaper providers that primarily offer printed publications, but are seeking ways and support to transition into digital space both as news producers and for audiences.** There is no doubt that country newspapers have been undergoing digital transformations that affect many aspects of their operations, but the continuing relevance and importance of the printed newspaper should not be underestimated. This factor sets country mastheads apart from many of their national and metropolitan cousins for which print is no longer the main game (Hess and Waller, 2020). Programs and initiatives that may seek support under such a fund may include, for example, infrastructure and technical equipment support or training programs to help elderly residents engage with online news and information.

Algorithmic curation of news

It is not our intention to provide a detailed response to questions around the algorithmic curation of news. However, we encourage the ACCC to engage global digital journalism and media economy experts on the relationship between algorithms and the news. Our research team made contact with some of the world's most renowned scholars in the field who, while eager to provide their expertise and support to our project team, could not do so within the tight deadlines set by the ACCC. We would suggest that scholars such as Professor Arjen Van Dalen at University of Southern Denmark could make a valuable contribution to this concepts paper especially in regards to identifying a significant algorithm change and assessing the types of information to help media businesses better understand and adapt to major changes to ranking and display algorithms.

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