

# Response to the ACCC Digital Platforms Inquiry Preliminary Report

15 February 2019

## 1. Executive summary

NewsMediaWorks welcomes the opportunity to table this submission in response to the Digital Platforms Inquiry Preliminary Report.

In making this submission, NewsMediaWorks has the support of our three stakeholders and founding member publishers: News Corp Australia, Nine (including assets previously under Fairfax Media) and Seven West Media.

Key areas that are covered in this submission are:

- a) The potential benefits of the Government introducing tax deductions for news media subscriptions
- b) Our support for an ongoing Government commitment to increasing news literacy in Australia
- c) The ongoing challenge of fighting fake news that is widely distributed through Facebook and Google, and how this can partially be addressed through a) and b)

## 2. About NewsMediaWorks

NewsMediaWorks is the peak organisation representing Australia's news media publishers.

Established in 2006, our core mission is to promote the unique value of print and digital news media as trusted sources helping to inform Australians. We also aim to promote print and digital news brands as trusted and effective advertising partners that engage more than 90 per cent of Australians every month. We also promote public awareness of the vital role of news media, journalism and freedom of the press.

## 3. Key issues outlined in the ACCC Preliminary Report

NewsMediaWorks congratulates the ACCC on its comprehensive analysis of the impact of digital platforms on competition in the media and advertising markets, and the recognition that we are "at a critical point in considering the impact of digital platforms in society".

In particular we welcome the ACCC's recognition of the following in the Preliminary report:

- Google and Facebook have substantial market power.
- Google and Facebook are critical, and in many cases "unavoidable business partners" for media companies. The widespread and frequent use of Google and Facebook means these platforms occupy a key position for businesses looking to reach consumers. Google and Facebook are important sources of internet traffic (and therefore audience) for news media businesses in Australia and, combined, account for more than 50% of traffic to news media websites.

- Google and Facebook are also competitors of traditional media. The growth in online advertising has been rapid and has occurred mostly at the expense of print media advertising.
- Regulatory disparity between digital platforms and the more heavily-regulated traditional media business provides the digital platforms with an unfair competitive advantage.
- There is a lack of transparency in the operation of Google and Facebook's key algorithms, and in the other factors that influence the display of results on Google's search engine page, and the surfacing of content on Facebook's News feed.
- The inability for advertisers to verify the delivery and performance of their Ads on Google and Facebook has the potential to lessen competition and mislead advertisers into thinking their ads perform better than they actually do.

While individual stakeholders are making separate submissions, which address the recommendations from the Preliminary Report in detail, the intention of this submission is to express the support of all stakeholders in respect of:

- Improving news literacy online
- Improving the ability of news media businesses to fund the production of news and journalism

### ***3.1 Improving the ability of news media businesses to fund the production of news and journalism***

NewsMediaWorks is concerned about the ongoing damage to the news media that has resulted from digital disruption, which was addressed in the ACCC's Preliminary Report.

Digital platforms have amassed significant audiences within their own products (such as Facebook and Google's YouTube) that use content produced by news media businesses but in many cases limit their ability to monetise and innovate by dictating business terms or simply not paying for that content. These impacts are ongoing for media content creators.

Media content creators have for many years acknowledged that the digital environment is a vital part of the evolution of news and content creation. Indeed, "traditional" media companies were among the first to establish an online presence and distribute content on these platforms. What has become increasingly clear is that news content is valuable to the platforms, in that it is a very useful tool for platforms in attracting and keeping consumers attention. Media content creators acknowledge that the discoverability and network effects of the platforms have made those channels increasingly important. And so, in turn, while media content creators use the platforms to reach consumers, the platforms are ensuring the prospects for media content creators earning a return on their content are controlled by the gatekeeper platforms.

The impact manifests in reduced incentives, and ability, for publishers to innovate, and consumers are ultimately impacted by reduced choice and quality.

#### ***3.1.1 Making personal subscriptions for publications by media businesses tax deductible to encourage production and consumption of news and journalism***

NewsMediaWorks supports further consideration of making personal subscription for publications by news media businesses tax deductible (Preliminary Report proposed area for further analysis and investigation 3c).

In light of the issues outlined in 3.3, subscriptions have become a significant aspect of media content creators' business models.

News media companies create trusted news and journalistic content, but the creators do not always receive proper benefit: platforms offer free and cheap services, including access to news and information created by others at a significant input cost to those businesses.

The increasing dominance of digital platforms, intermediating news media businesses and offering free access to news media has led to revenue losses for news media companies. This directly impacts the ability of news media companies to fund journalism.

Therefore, we believe that the ACCC should recommend that subscriptions to news media in both digital and print formats be made 100 per cent tax deductible.

This would be a viable contribution towards ensuring a sustainable future for journalism in Australia, including continued production of news journalism.

Tax deductions will make subscriptions more attractive to consumers, especially in an era where free online news (including that from dubious sources) is ubiquitous. In this way, the move would also form part of the answer to addressing concern over Australians' access to choice and quality of news media and journalism, and news literacy. Making it easier for Australians to access the best journalism that our country has to offer can only assist in creating a better-informed and more discerning public.

We note however that we do not support proposed requirements that media businesses be signatories to an ACMA code of practice. This is not suitable for the functioning of a free press.

### **3.2 Improving news literacy**

NewsMediaWorks agrees with the ACCC's concerns (outlined in Chapter 6 of the Preliminary Report) that news literacy in Australia is lacking and needs attention. We would support a proposal that the government fund programs to increase consumer literacy, especially among Australia's students at all levels of education. We hope to see initiatives that increase the public's awareness of how quality news is produced and funded, how to evaluate sources for trustworthiness, and the value to society of a free press.

We encourage the ACCC to consider not only online forms of news media literacy improvements. For example, offline initiatives might include school-based learning, or cross-media marketing aimed at educating consumers. We would like to see the ACCC support programs to educate the Australian public about the social and political impacts of misleading information posted online in the guise of legitimate news media, and the importance of maintaining a free press in a democracy.

## **Conclusion**

NewsMediaWorks believes that trust is our most valuable asset.

Meanwhile, the business models of many digital platforms nurture fake news: news that has no basis in fact.

The 2018 Edelman Trust Barometer, an annual study conducted by public relations company Edelman, found that 73 per cent of those surveyed "worry about false information or fake news being used as a weapon"<sup>1</sup>.

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<sup>1</sup> <https://www.edelman.com/trust-barometer>

Unlike premium news brands, which invest in professionally created and editor-curated content, many digital platforms host and propagate user-generated content, where any person can publish content on any topic. The difference between these types of content is not always clearly articulated, with the consumer left to discern for themselves which pieces of information are reliable. This highlights the need for news literacy initiatives outlined in 3.2.

Australian consumers currently benefit from a wealth of high-quality sources of news, yet the current economic model in which digital platforms flex their market dominance and unfairly profit from content – while media content creators shoulder the cost of creating – puts at risk the long-term growth and sustainability of news media in this country.

Digital platforms have the ability to promote quality journalism from trusted sources, to better highlight these trusted brands within social media news feeds or search results, and find a commercially equitable model in which media content creators are fairly remunerated – in revenue and audience data – to secure the future of public-interest journalism in Australia.