

# Paul Fletcher MP Speech to the 2019 INFORM News Media Summit

Thank you for the opportunity to speak at this important media industry event.

Let me start by stating the obvious - the media sector, particularly print media, is facing extraordinary challenges.

I want to begin today with the uncontroversial proposition that yours is an industry in flux. Next I want to argue that this raises significant - and novel - public policy issues.

Finally I want to describe the responses you are seeing from government, in Australia and globally.

## An Industry in Flux

Let us start, then, with the change your industry is undergoing - after nearly two centuries in which newspaper businesses were amongst the most lucrative and powerful in the land. Newspapers like *The Sydney Morning Herald* and *The West Australian* go back to 1831<sup>[1]</sup> and 1833<sup>[2]</sup> respectively - and many newspaper proprietors built vast fortunes.

It is instructive to look at the digitised copies of newspapers from, say, the late nineteenth century on the National Library of Australia's Trove website. Take the *Sydney Morning Herald* of 16 January 1890. The majority of the first page is advertisements - many from shipping lines, such as William Howard Smith & Sons advertising their 'Line of Magnificent Fast Steel Steamships', one of which was departing for Melbourne and Adelaide on Friday 17 January.

Also featuring prominently on the first page are personal notices: a Mr Jesmond for example advertises, 'C.B.K. - Come home at once and all will be forgiven; all broken-hearted.'<sup>[3]</sup> You have to get to page four - of the twelve page edition -

before you come across any news at all.

When newspapers were effectively the only way of distributing information quickly to large numbers of people, they were in a very strong economic position. Famously the revenues from classified ads were called 'rivers of gold.' It is no accident that in both Geelong and Adelaide the newspaper which survives today has the title 'The Advertiser.'

This powerful position continued for a very long time - even as radio and then television came along, classified advertising continued to be highly profitable for newspapers with strong market shares.

It took the arrival of the internet to disrupt the newspaper business - in Australia and around the world. In some ways it is the same story as in many other sectors - as businesses with decades or even centuries of dominance like Kodak, Encyclopedia Britannica or Barnes and Noble found their product no longer competitive with internet-delivered alternatives.

But there is a particular twist to the way the internet has affected the newspaper business. As the ACCC's recent *Digital Platforms Review* explains, the traditional newspaper business is an example of what economists call two-sided markets.[\[4\]](#) Newspapers provided two services: advertising, particularly classified advertising, and news. Classified advertising made lots of money; news generally did not - although it did give people an extra reason to buy the newspaper - and it was cross-subsidised by the profits from advertising.

The internet comprehensively disrupted classified ads - because it delivered a better solution both for advertisers and those wanting to buy. Just in Australia the success of Carsales.com.au, Seek.com.au, Domain.com.au and realestate.com.au is a powerful demonstration of this; and when it comes to personal ads poor old Mr Jesmond of January 1890 today presumably would be on Facebook or Tinder.

This disruption happened very quickly, as the ACCC's *Digital Platforms Review* documents. In 1998, nearly 60 per cent of advertising spend in Australia went to print media.[\[5\]](#) Just twenty years later, this had fallen to around 11 per cent.[\[6\]](#) Across that same period, online advertising grew from virtually nothing

in 1998 to contribute over half of the total advertising spend in 2018.[\[7\]](#)

As you know only too well, declining advertising revenue has put newspapers in significant distress despite their strenuous efforts to adapt to the digital environment. Since 2012, online subscriptions have only offset 53 per cent of the losses in print sales, while online advertising has only offset 13 per cent of the loss in print advertising.[\[8\]](#)

But while the internet offered a better solution than classified advertising, what it did not offer, in the main, was a better way to deliver journalism. That still requires journalists using their skills and investigative capacity to sniff out good stories, find sources, and write a good yarn. It takes hard, sustained, repeated work; it needs editorial judgement and feedback from supervisors and peers; it needs to be polished through sub-editing, it needs to be legalled, it needs all of the other quality control processes of a newsroom.

We hear a lot about ‘citizen journalism’ - and certainly it is rare today that a newsworthy event is not captured in a photo or video taken by a smartphone wielding bystander - but unsurprisingly most quality journalism still comes from people employed in traditional newsrooms.

What is very clear, though, is that the number of such traditional newsrooms - and the number of people employed in them - is declining. The statistics cited by the ACCC, based on data provided by Australia’s main media companies, are telling. There was a 20 per cent decrease in the number of journalists in traditional print media businesses between 2014 and 2018.[\[9\]](#) This, at a time when Australia’s population and economy were growing strongly.

ACCC data also shows 106 local and regional newspaper titles closed across Australia between 2008 and 2018.[\[10\]](#) This represented a net 15 per cent decrease in the number of these publications.

Significant - and New - Public Policy Issues

Which brings me to the public policy implications of these changes. Any time an existing industry has falling profits and jobs being cut, that attracts the interest of Government.

But the importance of journalism in our society and economy goes well beyond simply profits and jobs. As the ACCC noted in the *Digital Platforms Inquiry Final Report*, the social benefits of journalism include holding the powerful to account; campaigning for social goals; keeping a journal of record, and providing a forum for ideas.[\[11\]](#)

Hence if there is less journalism - that is a problem.

It is also important to be clear about where the impact is being felt the most. I mentioned the number of local and regional titles which have closed. The ACCC's analysis shows that these closures have left 21 local government areas - including 16 in regional Australia - without coverage from a single local newspaper in either print or online formats.[\[12\]](#)

A similar issue has been highlighted in the UK in the Cairncross Review into a sustainable future for journalism, which reported earlier this year. The author, Dame Frances Cairncross, drew attention to a couple of specific issues:

*Two areas of public interest news that matter greatly. Each is often of limited interest to the public, but both are essential in a healthy democracy.*

*One is investigative and campaigning journalism, and especially investigations into abuses of power in both the public and the private sphere. Such journalism is particularly high-cost and high-risk.*

*The second is the humdrum task of reporting on the daily activities of public institutions, particularly those at local level, such as the discussions of local councils or the proceedings in a local Magistrates Court.*

*Reporting on the machinery of government and justice matters at a national level too, but it is in greater danger locally, mainly because the size of the potential audience for local issues is so much smaller, and thus inevitably attracts less financial support from readers.*[\[13\]](#)

Governments historically have not given these issues much attention - precisely because, until recently, the robust financial health of the print media sector has underpinned the delivery of much public interest journalism. Of course, there has long been a policy to fund a national broadcasting corporation, and there are some limited local news requirements for regional television broadcasters. But

when it comes to jobs done traditionally by the print media, these have tended to occur independently of policy or regulatory intervention.

Quite apart from the media policy questions triggered by the disruption of traditional media businesses, there are also important competition policy questions. These go to the operation of markets in which advertising services are sold - and whether global giants like Facebook and Google have substantial market power and are misusing that market power.

Indeed, it was the importance of these competition issues which led our Liberal National Government to appoint the ACCC to carry out this review - as opposed to asking another regulator or choosing an eminent lawyer or businessperson. They are important public policy questions in their own right. Any time a business has a substantial market share - as Google does with over 90 per cent market share in search[\[14\]](#) - it raises a question of whether there is a competitive market at work.

But the public policy importance of the effect of Google and Facebook in the Australian advertising market is made even greater because of the reality that the existing players in the advertising sector, who are being disrupted, are also providers of a public good - namely journalism.

It is also worth pointing to the issue of Australia's cultural identity. This has been an important consideration in many aspects of media policy over the years. For example, since free to air television licenses were first allocated in the 1950s, there has been a requirement on licensees to show a certain amount of Australian content.

When Google has 19.2 million Australians who use it every month; Facebook, 17.3 million; YouTube, owned by Google, 17.6 million; Instagram, owned by Facebook, 11.2 million[\[15\]](#) - then these companies are having a massive impact on the lives of Australians. When we think about what they do - and what their competitors such as traditional Australian media businesses do - it clearly raises considerations of Australia's cultural identity.

I have argued that there are some very significant - and unprecedented - threats to Australian journalism arising out of the dominance of the global digital platforms. Let me also touch on an issue which I know many in this room are concerned about - the implications of the Australian Federal Police in June this

year executing search warrants against the ABC and against News Corp journalist Annika Smethurst.

I would make the point that, unlike the challenge from the global internet giants, the AFP's actions are not unprecedented. In a parliamentary democracy, there will always be - and there has long been - a healthy tension between competing objectives.

Of course press freedom is a bedrock principle of democracy. But there has never been an absolute freedom to publish; it has always been subject to constraints such as defamation law - designed to protect the reputations of citizens against unjustified attack; the law of *sub judice* - designed to protect the right of an accused to a free and fair trial; and national security considerations, recognising that there are matters known to government which if released into the public domain would put the lives of Australians in danger.

The Government acknowledges that following the execution of these search warrants, there is considerable concern amongst working journalists. We have taken a number of steps in response. The Attorney-General asked the Parliamentary Joint Committee on Intelligence and Security to conduct an inquiry into the impact of the exercise of law enforcement and intelligence powers on the freedom of the press.

The Committee's terms of reference include inquiring into the experiences of journalists and media organisations and how the powers of law enforcement or intelligence agencies have, or could, impact the work of journalists, including informing the public. It will report in late November.

The Senate Environment and Communications References Committee is also inquiring into press freedom and will report in early December. The Government will carefully consider the reports of both committees after they have been tabled.

The Minister of Home Affairs has also acted in response to these concerns, issuing a ministerial direction to the AFP Commissioner in August. This direction makes clear the Government's expectation that the AFP take into account the importance of a free and open press in Australia's democratic society, including exhausting alternative actions, before undertaking investigative action involving a journalist.

I also point out that several laws passed in recent years contain specific protections for journalists. The *Evidence Act* was amended in 2011 to strengthen the protection provided to journalists' sources.[\[16\]](#)

The *Criminal Code Amendment (Sharing of Abhorrent Violent Material) Act 2019* provides a defence if the material relates to a news or current affairs report, is in the public interest and is made by a person working professionally as a journalist.

The new secrecy offences in the *Commonwealth Criminal Code* contain exceptions for journalists who communicate national security information where they reasonably believe that engaging in such conduct is in the public interest, and prosecutions of these new offences cannot occur without the Attorney-General's consent.

## The Response from Government

I have spoken about the challenges to journalism - and the public policy issues this raises. Let me turn in the last part of my remarks to the responses you are seeing - from Government and others, in Australia and around the world.

### *Cross Media Reforms*

I want to start by observing that the last Parliament, under then Prime Minister Turnbull and Communications Minister Mitch Fifield, saw the most significant changes in media regulation for thirty years - with the abolition of many outdated rules concerning cross media ownership. The intention was to allow existing players - facing unprecedented competition from global internet-based businesses - to come together to build scale, improve their economics and in turn become better placed to respond to such competition.

That regulatory change has allowed the acquisition of Fairfax by Nine - and I have certainly been struck in my initial meetings with the Nine Management team by the vigour with which they are tackling the challenges facing the former Fairfax newspapers.

On 22 August 2019, Nine released its results for the financial year ending on June 2019. It reported:

- Net Profit After Tax of \$234 million (on a statutory basis), up 12 per cent on the previous corresponding period; and
- 56 per cent growth in Digital and Publishing EBITDA underpinned by more than 60 per cent growth in both Metro Media and 9Now.

### *Digital Platforms Review*

Another outcome of the cross media reform process was that our Liberal National Government committed to a review by the ACCC of the impact of the global digital platforms on the state of competition in Australia's media industry and advertising services markets.

This work commenced in late 2017 and the final report was issued in July this year after eighteen months of work. The ACCC held multiple stakeholder forums, received more than 180 public submissions and issued around 60 statutory notices requiring the provision of documents.

The final report is a very substantial piece of work – over 600 pages – which will be critical to setting our media policy agenda over coming years. It will also, I believe, be influential around the world.

The ACCC points out that digital platforms have fundamentally changed the way that media content is produced, distributed and consumed. There is some good news: the internet gives news media businesses opportunities to innovate, to reach new audiences and do so with lower distribution costs.

There is also some bad news. Australia's current media regulatory framework struggles to keep pace with changes in technology, consumer preferences and the way in which media businesses now operate.

Traditional media businesses can face very detailed regulation – while competing with digital platforms which go largely unregulated in Australia. And perhaps the greatest paradox is that digital platforms are both rivals to, and increasingly essential business partners of, news media businesses in the supply of advertising and dissemination opportunities.

In its report, the ACCC makes 23 recommendations to respond to the substantial market power that has arisen through the growth of digital platforms, their impact on competition in media and advertising markets and implications for news media

businesses, advertisers and consumers.

The Government recognises that news and journalism is an important public good. We accept the ACCC's overriding conclusion that there is a need for reform - to better protect consumers, improve transparency, recognise power imbalances and ensure that substantial market power is not used to lessen competition in media and advertising services markets. We also accept that there is a need to develop a harmonised media regulatory framework.

We have as you know asked for formal submissions from stakeholders - so we can get the widest possible range of views on the ACCC's recommendations. The deadline for submissions has now closed - and I can say we got a lot of them! We are also carrying out further targeted consultation with key stakeholders.

Later this year Cabinet will settle the Government's formal response to review and its 23 recommendations - and we aim to release that response by the end of the year.

### *Measures to Support Journalism*

Let me touch on one particular recommendation - that there should be a targeted grants program that supports the production of original local and regional journalism, including those related to local government and local courts.

Our Liberal National Government has already committed substantial financial support - some \$60 million over three years - through our Regional and Small Publishers Jobs and Innovation Package. Effectively though the ACCC is arguing that this should be replaced with the new grants program which it advocates.

Similar measures have been implanted in the UK, Canada and New Zealand. A few weeks ago on a visit to New Zealand I met Jane Wrightson, the Chief Executive of New Zealand On Air, which administers a grants program under which journalists are located in particular regional towns. The content they produce is available to local newspapers, radio stations and others.

There have been some tricky issues in rolling out the program. For example, if journalists are funded in towns where there remains a viable local newspaper, Government is effectively subsidising competitors to the business which already serves the town. Another issue is finding somewhere for the journalists to work

so they are not isolated; typically they are located in a Radio New Zealand news room, even though they are independent of Radio New Zealand.

In Britain a similar scheme works through the BBC, with journalists employed by the BBC but with their content available to local media outlets.

These would all be the kinds of issues of detail we would need to think about if Cabinet were to decide to take up this recommendation. Another issue in my view is whether such a program could be set up to provide opportunities for philanthropic support, so as to leverage and expand the impact of any Government spending. In the US it is not uncommon for newspapers to receive support from philanthropic foundations.

I would like to acknowledge here the Judith Nielson Institute for Journalism and Ideas. I applaud the commitment from Judith Nielson, announced late last year, to support and celebrate quality journalism during this period of historic transformation.[\[17\]](#) I was interested recently to see the Institute's Director, Mark Ryan, speak about how we might better coordinate work being done by industry and the good things going on within and supported by the government.[\[18\]](#)

Let me also mention that our funding for the ABC and the SBS is another important means of supporting quality journalism in the face of the current challenges. The ABC has some 56 outlets around Australia, so it makes an important contribution to local and regional journalism.

In the most recent budget, the Morrison Government committed an additional \$43.7 million over three years to the ABC, bolstering its funding for regional and outer-suburban news gathering, national reporting teams and state-based digital news.

## Conclusion

Let me conclude, then, by returning to my central point. Vibrant, vigorous, rambunctious journalism has been vital to healthy democracies for centuries.

A popular quote comes to mind, often attributed to the American press baron William Randolph Hearst: "News is something somebody doesn't want printed; all else is advertising."[\[19\]](#)

We politicians don't always like what journalists produce; nor do officials. But it matters greatly for our democracy.

Ultimately, whether journalism survives and prospers will depend a great deal more on the people in this room - and other newspaper and media managers - than on what Government may or may not do.

Fundamentally, I am an optimist. The newspaper industry found a sustainable competitive position after the arrival of radio, and of television; and I believe you will do the same in the post-internet world.

It is important for your industry; it is important for democracy; it is important for a civilised society.

So the kinds of issues you are discussing at this conference are of great importance.

Good luck in your deliberations today - and in the decisions you make in coming days, months and years.

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[1] <https://www.smh.com.au/national/nsw/sydney-timeline-for-herald-185th-20160404-gny4o1.html>

[2] <https://www.nla.gov.au/content/press-timeline-1802-1850>

[3] <https://trove.nla.gov.au/newspaper/article/13756458?browse=ndp%3Abrowse%2Ftitle%2FS%2Ftitle%2F35%2F1890%2F01%2F16%2Fpage%2F1383947%2Farticle%2F13756458>

[4] ACCC Digital Platforms Inquiry final report, page 63

[5] ACCC Digital Platforms Inquiry final report, page 121

[6] ACCC Digital Platforms Inquiry final report, page 121

[7] ACCC Digital Platforms Inquiry final report, page 121

[8] Based on data sourced from the PwC Australia Entertainment and Media

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[9] ACCC Digital Platforms Inquiry final report, page 280

[10] ACCC Digital Platforms Inquiry final report, page 280

[11] ACCC Digital Platforms Inquiry final report, page 283

[12] ACCC Digital Platforms Inquiry final report, page 280

[13] The Cairncross Review: A Sustainable Future for Journalism, page 17

[14] ACCC Digital Platforms Inquiry final report, page 65

[15] ACCC Digital Platforms Inquiry final report, page 6

[16] This is not an absolute privilege - there are circumstances where it can be overridden on compelling public interest grounds.

[17] <https://jninstitute.org/news/philanthropist-judith-neilson-commits-100m-to-journalism-initiative-22072019-142717>

[18] <https://newsmediaworks.com.au/interview-with-mark-ryan-director-of-judith-neilson-institute-for-journalism-ideas/>

[19] <https://quoteinvestigator.com/2013/01/20/news-suppress/>