

### Australian Community Futures Planning

We have it in our power to create the world anew

10 December 2020

# SUBMISSION Senate Inquiry into Media Diversity in Australia

Australian Community Futures Planning (ACFP) is pleased to make this submission to the Senate Inquiry into Media Diversity.

ACFP was established in March 2020. It is a community-based entity that is organising to involve Australians in planning a better future for themselves and for future generations. At ACFP we are using a new community engagement and planning framework called: National Integrated Planning & Reporting to create Australia's first National Community Futures Plan: Australia Together. Find out more about Australia Together.

At Australian Community Futures
Planning we are working to bring
Australians together to plan their
own future as a nation.

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has been established to help Australians
build a better

Australia Together

Australian Community Futures Planning has no affiliation with any political party inside or outside Australia. It receives no funding from political parties or other sources. All output from ACFP is supported entirely by voluntarily supplied non-monetary in-kind contributions.

This submission is made in good faith by the Founder of ACFP, Dr Bronwyn Kelly. Dr Kelly is a highly experienced former senior public servant in state and local government. She is an expert in the field of national integrated planning and the author of *By 2050: Planning a better future for our children in 21<sup>st</sup> century democratic Australia*. She is also the creator and presenter of the seven-part videocast series *The State of Australia in 2020* and an essayist in issues for Australian governance. Dr Kelly is the author of a major essay relevant to the Senate Inquiry into Media Diversity. This essay, *Prospects for journalism, the free information market and democracy in Australia under the ACCC's News Media Bargaining Code* was first published on 30 September 2020.



For detailed information about ACFP, visit our website at <a href="https://www.austcfp.com.au/">https://www.austcfp.com.au/</a>

In relation to this particular Senate Inquiry, ACFP provides special expertise. We have strong skills in long term strategic integrated planning that are not currently on offer elsewhere in Australia. Our long term planning skills enable us to examine the impact of diverse policies on future market structures and to analyse and document the implications for social equity, the environment and democracy in coming decades.

This submission is offered to provide insight into the differing prospects for a healthy public interest journalism industry in a well-regulated versus poorly regulated free information market. It draws attention to a major regulatory vacuum and to the potential for further harm from the ACCC's mandatory News Media Bargaining Code.



### Australian Community Futures Planning www.austcfp.com.au

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#### ACFP's submission to the Senate Inquiry can be viewed in three main parts:

- 1. The written submission provided below.
- 2. An overview by video at this link: <u>ACFP's Submission to the</u>
  <u>Senate Inquiry into Media Diversity in Australia YouTube</u>





3. Extra supporting detail is provided in the essay by ACFP's Founder, Dr Bronwyn Kelly, <u>Prospects for journalism, the free information market and democracy in Australia under the ACCC's News Media Bargaining Code</u>, (<u>hyperlink</u>), published on 30 September 2020.

This submission is also accessible in full on ACFP's website at www.austcfp.com.au/news

<u>Please Note:</u> This submission is based on specialist research and ACFP is aware that views expressed differ from the mainstream views currently circulating from the ACCC and news businesses who have signficant pecurniary conflicts of interest in their testimony as witnesses. ACFP is entirely free of these conflicts and its proponent, Dr Bronwyn Kelly, is an independent witness representing an organisation dedicated to the advancement of democratic values.

Accordingly Dr Kelly is seeking to be a witness at hearings for the Inquiry.





# Response to the Terms of Reference of the Senate Inquiry into Media Diversity in Australia

#### **Executive Summary**

Australia has one of the highest concentrations of news media business ownership in the world. $^1$  This is not in dispute. But this does not mean that there is a crisis for production of and access to a wide diversity of Australian news content.

Diversity of news content has narrowed on *non-digital* platforms of print, TV and radio, dominated by Murdoch.

But digital platforms have created a space for wide diversity in journalism.

Digital platforms have provided the journalism industry with sustainable new business model options.

Digital platforms are enhancing the prospects for independence in journalism, by uncoupling it from dependence on advertising income.

Democracy is not under threat from digital platforms.

But there is need for regulation of both digital and non-digital platforms.

Diversity in public interest journalism has declined markedly in those *non-digital* media platforms of print, TV and radio dominated by Murdoch and Nine in Australia. But diversity in news content has not declined in news delivered online via *digital* platforms. On the contrary, there has been an explosion of diversity in news and other content that is now freely accessible, courtesy of the rise of the internet and the 21<sup>st</sup> century free information market structure which efficiently (and without charge to buyers or sellers) connects readers with news in a way that allows journalists to then monetise their content and to do so at significantly reduced costs. This is providing the journalism industry as a whole with sustainable new business model options and these options are working well for both individual journalists and medium-size news businesses.

The rise of these new business models is also increasing the proportion of journalism in Australia that is more truly independent. News businesses reliant on advertising are not independent at all and never have been. That advertising-dependent business model for journalism should be phased out as much as possible if Australia is to recover a healthy democracy.

Australia's democracy is under threat. But this is not because of the digital platforms, although our democracy certainly will be adversely affected if governments continue to shirk responsibility for creating sound regulatory frameworks for search and share platforms alongside news content producers. If our current regulatory vacuum in the information market is permitted for too much longer, we will find ourselves exposed to an unethical,

<sup>&</sup>lt;sup>1</sup> Tim Dwyer and Dennis Muller, "FactCheck: is Australia's level of media ownership concentration one of the highest in the world?" The Conversation, 12 December 2016. <a href="https://theconversation.com/factcheck-is-australias-level-of-media-ownership-concentration-one-of-the-highest-in-the-world-68437">https://theconversation.com/factcheck-is-australias-level-of-media-ownership-concentration-one-of-the-highest-in-the-world-68437</a>



Threats to Australia's democracy will arise if we do not develop a sound regulatory framework for a 21st century information market.

But in Australia in 2020 governments are the main threat to a well-functioning democracy, through their irresponsible relaxation of cross-media ownership laws in favour of Murdoch.

The ACCC's News Media Bargaining Code will further damage Australia's democracy and open information market.

The News Media Bargaining Code addresses none of the regulatory failures in Australia's news and information market. It makes everything worse.

The News Media Bargaining Code <u>cannot</u> result in improved diversity in news content or sustainable business models for public interest journalism.

It is an anti-competitive disproportionate market intervention in Murdoch's favour.

The quality and diversity of news content can only be improved by establishing an ethically and fairly regulated free and open information market.

We need to establish what that market should look like.

restricted information market which will be a serious threat to equality of access to reliably factual information.

In 2020 in Australia, however, the far greater pernicious influence on our democracy is coming from the irresponsible corporate behaviour of the Murdoch-dominated non-digital news media oligopoly, aided and abetted as it has been by successive Australian governments in their irresponsible weakening of crossmedia ownership laws. The reality of our democratic decline is that it has been caused by successive governments that have given in to the bullying of Murdoch and that are now giving in again by blaming Google and Facebook for the threats to our democracy that they themselves have caused.

More than that, with the mandatory News Media Bargaining Code our government has been sponsoring an unfair regulatory measure with capacity to set our democracy into even further decline. It will make things worse in relation to media diversity and it will fail utterly to deal with the real challenges to democracy that are arising from the digital age — namely, surveillance capitalism, data security and misuse, privacy and personal information protection, consumer scams, political interference, production of quality ethical news content and reduction of misinformation and fake news. None of these things are dealt with at all by the News Media Bargaining Code. Instead, the Code — both drafts of it — increases risks for journalism, the information market and democracy.

A critical issue with the News Media Bargaining Code is that, structurally, it *cannot* result either in improved diversity in our news media or an equitably accessible information market. News is only a small part of the information market required for a well-functioning democracy<sup>2</sup> and the Code inordinately favours one set of players within that small part of the wider information market. Both drafts of Code are an anti-competitive instrument of market distortion attempting to drag Australia back to the dark ages of inefficient news production and dissemination by an elite few who will have no greater standards for quality and ethics imposed on them in return for the funds they are granted.

If the quality and diversity of journalistic production is to be improved at all, this can only occur via the introduction of a framework that ensures we can establish an ethically regulated information market. As yet Australia has not described what this broader information market would (and should) look like if it were structured to support a well-functioning democracy. The Senate Committee urgently needs to engage the Australian community to describe what that market should look like.

<sup>&</sup>lt;sup>2</sup> According to the ACCC's Digital Platforms Inquiry Final Report, of the total time Australians spend online less than 2.5% is spent browsing the news and entertainment sites of Murdoch, Nine, Seven, Ten and the ABC. Australian Competition and Consumer Commission, "Digital Platforms Inquiry Final Report", June 2019, page 6, https://www.accc.gov.au/system/files/Digital%20platforms%20inquiry%20-%20final%20report.pdf



If we wish to protect democracy, we need to protect open access to information, not subsidise unaccountable journalists and news businesses.

Scrap the News Media Bargaining Code.

Replace it with an ethical regulatory framework for a democratic information market.

The terms of reference for this Senate Inquiry tend to suggest that if we just create a lifeline for journalists this will protect democracy, when in fact access to the fullest array of information is what needs to be protected. The News Media Bargaining Code will decrease access to broader information resources and homogenise news content at the same time. It will increase concentration of media business ownership which will reduce the diversity of news content.

This submission asserts that the News Media Bargaining Code should be scrapped and replaced with a process of community engagement for collaborative planning of a democratic information market fit to handle the challenges to truth and ethics arising from the digital age.

#### Evidence for assertions in this submission

Fully detailed evidence justifying the assertions of this submission is provided in the following resources (these are hyperlinks):

- Dr Bronwyn Kelly: <u>Prospects for journalism, the free information market and democracy in Australia under the ACCC's News Media Bargaining Code.<sup>3</sup> (hyperlink)</u>
- Videocast extract: <u>The State of Australia in 2020, Episode 4 Part 3 Corporate Irresponsibility</u>, presented by ACFP Founder, Dr Bronwyn Kelly (<u>hyperlink</u>)

#### Part 1 – Commentary on the Terms of Reference

The Senate Inquiry's terms of reference would seem to be underpinned (or perhaps overshadowed) by a largely unquestioned assumption that independent journalism and democracy are in crisis in Australia mainly or purely because digital platforms have disrupted their preferred business model of reliance on income from advertising.

This submission from Australian Community Futures Planning argues that this disruption of the advertising-dependent business model for news media should, in the long run, be a good thing for democracy as long as governments do not shirk responsibility for regulating the things that really need to be regulated in the digital-age information market.

Australia's parliament at present is proceeding to regulate bargaining between non-digital news media market participants and the digital platforms – as though this will reverse threats to a well-functioning democracy. But the reality is that the News Media Bargaining Code is more likely to increase market concentration in non-digital news media businesses and may assist Murdoch to dominate news delivery in digital platforms as well, thereby exacerbating problems in the functioning of our democracy to an unprecedented degree. This will be even worse if no action is taken to develop a regulatory framework for the things that are really going wrong in the digital age information market. If we fail to reverse Murdoch's dominance and at the same time fail to properly regulate the digital platform space – for instance, by stipulating cross-media ownership rules which prohibit a news producer from owning a search engine as well – our democracy will not be

<sup>&</sup>lt;sup>3</sup> Dr Bronwyn Kelly: <u>"Prospects for journalism, the free information market and democracy in Australia under the ACCC's News Media Bargaining Code"</u>, Australian Community Futures Planning, 30 September 2020.



recoverable. There is a real prospect in the News Media Bargaining Code that Murdoch will be more easily able to enter the search engine part of the information market, although this potential is much greater in the exposure draft of the Code than the revised draft. If we do not guard against the sort of vertical integration that can arise from the Code, it will be a disaster for our access to diverse information. See <u>Attachment A – News market distortion under the News Media Bargaining Code</u> for a description of how this intervention can result in vertical integration and a near monopoly for Murdoch in the Australian news market if the Code is implemented in such a way as to drive Google out of Australia. The exposure draft of the Code is replete with capacity to do that. The revised draft has less capacity but it is still an anti-competitive intervention which can result in greater market concentration in Australian news media. It cannot result in less market concentration.

For purposes of the Senate Inquiry it is important to clarify that news diversity in Australia is not under threat from digital platforms. On the contrary, the digital platforms are the only thing standing between Australians and the decline of their democracy in the digital age. This is not to say that digital platforms are not engaging in their own market abuses. But to date, the decline of diversity in news in Australia is much more the result of the dominance of non-digital platforms by Murdoch and Nine than it is the result of the rise of the digital platforms.

Problems with the functioning of Australia's democracy are coming from two distinct quarters:

- 1. Murdoch and Nine's dominance of the non-digital news market which is the main cause of narrowed diversity in news (this is a problem confined to the non-digital platforms the digital platforms actually enhance the prospects for news diversity); and
- 2. Proliferation of misinformation and fake news via both digital and non-digital platforms.

In short, truth is being assaulted by both digital and non-digital platforms and in Australia both are using market dominance strategies. Murdoch is using those strategies for purposes of power. Google and Facebook are using them for purposes of capitalism. Both are of course highly problematic but policy makers are completely confusing the two. They are:

- blaming Google and Facebook for the thing they haven't done (they haven't narrowed media diversity in Australia, they've widened it – which is what Murdoch doesn't like);
- doing nothing about the wrong things that Google and Facebook have actually done (failing to stem proliferation of misinformation and fake news); and
- letting the wrong things Murdoch has done multiply into gross market abuse by developing a
  News Media Bargaining Code to maim or kill viable operation of his competitors in news,
  inasmuch as it can maim or kill the efficient digital platform providers (particularly Google)
  who are making that competition to Murdoch possible.

The News Media Bargaining Code – as per its exposure draft – is a grossly disproportional market intervention that, if passed, will have far reaching impacts on Australia's democracy. The revised draft is somewhat less gross but is still an unfair and dangerous market intervention – one that can upset and restrict the freedom and openness of the information market that we have come to enjoy, as never before, courtesy of the digital age. Both versions of the Code are unwisely based on an array of fictions<sup>4</sup>:

• fictions about the cause of our current news market problems; and

<sup>&</sup>lt;sup>4</sup> See "Ten fictions behind the ACCC's News Media Bargaining Code", Dr Bronwyn Kelly in *Prospects for journalism, the free information market and democracy in Australia under the ACCC's News Media Bargaining Code*, pages 19-34, accessible at <a href="https://543a0e22-a7ba-40a3-aea3-cc0010263a7e.filesusr.com/ugd/2b062e">https://543a0e22-a7ba-40a3-aea3-cc0010263a7e.filesusr.com/ugd/2b062e</a> 6ef9680488fd4fa898735132fe4abec4.pdf



• fictions about the ostensible benefits that will arise from unfair interventions that attempt to treat one (and only one) aspect of our information market problems – news market concentration – but in a manner that is entirely contrary to the interests of seekers of diverse news.

These fictions have been irresponsibly peddled by the ACCC and they have created significant barriers to sensible debate about the priority strategies that should be developed for ethical and balanced regulation of the wider digital-age information market (as opposed to the tiny bit of that market that is news content).

Failure to understand the way that the wider digital-age information market works to diversify news and ensure open democracy, and indeed putting out misinformation about it (something many journalists are doing now too), will have serious implications for development of solutions to the problems arising for democracy from the digital platforms, problems which are real but which thus far have actually had less impact on Australia's democracy than has the concentrated media business ownership in the non-digital news market. The failure of understanding about the way the now vast digital-age information market works – how much more democratic it actually is compared to the much smaller non-digital news market – is currently threatening to drag us back to the dark ages of the non-digital news market, where misinformation always abounded (and still does). Simultaneously, this failure of understanding will cause us to miss the opportunity we really should seize to set ethical rules for operation of the whole digital-age information market.

The Senate Committee needs to untangle this confusion about the culprits in this two-pronged threat to our democracy and it needs to understand exactly what each culprit is doing that is irresponsible, rather than attribute the sins of one to the other. The terms of reference are still limited by that confusion. For as long as that confusion prevails, solutions will be likewise confused and counterproductive.

ACFP submits that it would be deeply regrettable if the Senate Inquiry ended up aiding and abetting one of the culprits (Murdoch) and at the same time did nothing to stem the abuses perpetrated by the digital players. The ACCC is fond of characterising Google and Facebook as having inordinate power in the market compared to news producers. But in terms of political power in Australia, Murdoch actually has more – much more – and the Australian government is in thrall to that power, so much so that it has attempted to (and is probably still attempting to) gear our regulatory system to facilitate a raid on Google in particular to Murdoch's advantage (and to Australian information consumers' severe disadvantage). In short, the parliament is attempting to take the wrong regulatory approach to non-digital market abuses and no regulatory approach at all to digital market abuses. It is attempting to regulate (badly) a small part of the information market (news) instead of establishing the market rules which will provide the best chance of ensuring that readers, viewers and commentators can find truth in the digital age.

It is facts and truth that are under threat in the 2020s, not journalism as a profession or as a business. Journalism will survive. But because of the rise of the digital age the prospects for journalism are not limited to mere survival. With the digital age, we can establish fine world-standard journalism. If journalists can transition to the new funding structures offered by digital platforms they will be less dependent on advertising income streams. In that event their independence will be more assured than it has ever been and this will benefit democracy more than any Code which artificially props up inefficient news businesses that are so large that they dominate and therefore homogenise Australian news content.



## The opportunity not to be missed by the Senate – collaborative planning for a democratic information market

Australians are very lucky that the Senate Inquiry into Media Diversity in Australia has been established at this critical turning point in the history of our democracy – before any more damage can be done by news media market abusers. If it can be arranged that the Inquiry becomes the springboard for establishment of a truly visionary regulatory framework for the information market in the digital age then the benefit for democracy will be momentous.

ACFP submits that Australia can lead the world in development of an ethical and fair regulatory framework for the digital-age information market – not by a disproportionate market intervention under a Code favouring one set of players over another, *but by commencing a process which puts news and information consumers and their democracy first*. In that regard, ACFP has suggested in the essay on *Prospects for journalism, the free information market and democracy in Australia under the ACCC's News Media Bargaining Code* that a community engagement process should be established for collaborative planning of an ethically regulated democratic information market fit for the 21<sup>st</sup> century. ACFP has provided an outline in this essay of a possible 4-step process of consultation with Australians to establish this world-first. Senators can view an extract of the essay which outlines this option at Attachment B – Collaborative planning for a democratic information market.

## The vital obligation of the Senate – prohibition of greater market concentration via cross-media / cross-platform takeovers

In addition to setting up the above community engagement program for a world-first regulatory framework, the Senate should not miss the opportunity to ensure that our statutes guard against cross-media and cross-platform ownership concentration. Ideally the "two-out-of-three rule" (preventing news businesses from owning all three non-digital platforms – print, radio and television – in one geographical market) that was relaxed in 2017 should be reversed. But failing that (if that damage is irreversible), Australia should at least prevent cross-platform takeovers.

At present there is no protection in legislation against the prospect of a news content producer acquiring a search engine. The News Media Bargaining Code will bring us closer to that prospect — a prospect which would spell the end of the free access we currently enjoy to diverse content and the end of our open democracy. Although the revised draft of the Code has somewhat less capacity than the exposure draft to result in a situation where a large near-monopolistic news business can also own a search engine, there is still a big chance that at the dawn of the digital age Australia can fall into such a trap.

If we are going to end up with a News Media Bargaining Code along the lines of either draft (or even if we are not), a safeguard against this new type of market concentration – cross-platform vertical integration – is imperative. The Senate should:

- 1. develop robust legislative frameworks prohibiting cross-platform ownership by news businesses (i.e., a news business should never own a search engine), and
- 2. ensure that a News Media Bargaining Code is not legislated before these safeguards are firmly in place.

For an explication of how easy it can be under the News Media Bargaining Code for a news market dominant player to achieve this vertical integration, with the aid of a Code that attacks his competition, see Attachment A – News market distortion under the News Media Bargaining Code.



### Part 2 – Comments in relation to the specific terms of reference

ACFP submits the following comments in relation to the stated Terms of Reference:

The state of media diversity, independence and reliability in Australia and the impact that this has on public interest journalism and democracy, including:

Terms of reference		Response from Australian Community Futures Planning	
A:	"the current state of public	Summary response:	
	interest journalism in Australia		
	and any barriers to Australian	There are fewer barriers to Australian voters' ability to	
	voters' ability to access	access reliable, accurate and independent news than	
	reliable, accurate and	there have ever been.	
	independent news"		
		Further comment:	
		<ul> <li>Over the least two decades, media diversity has</li> </ul>	
		narrowed in Australia among large-scale mastheads as	
		their dominance of the non-digital news media has	
		increased. Murdoch and Nine now dominate the non-	
		digital media (print newspapers, TV and radio).	
		But the Murdoch and Nine mastheads have not	
		dominated the digital media and the digital platforms	
		have in fact enabled an explosion of diversity in public	
		interest journalism. Australians are seeking their news	
		more and more from independent digital sources and	
		less and less from the narrow journalism businesses of	
		Murdoch and Nine.	
		• Courtesy of the rise of digital platforms, there are now	
		fewer barriers to access "reliable, accurate and	
		independent news" than there have ever been.	
		• Where there are barriers, these are the result of news	
		businesses themselves that have put up paywalls.	
		These barriers are resulting in news businesses	
		strangling their own financial prospects by rejecting	
		custom delivered to them by the digital platforms and	
		therefore reducing the attractiveness of their websites	
		to potential advertisers.	
		<ul> <li>Commentators have asserted that:</li> </ul>	
		<ul> <li>a) public interest journalism is in peril and that</li> </ul>	
		b) this is because of the rise of digital platforms.	
		But neither of these assertions is correct. The industry	
		of public interest journalism is simply in transition to a	
		far more efficient production and distribution chain.	
		This is an unstoppable transition and it is good, not	
		bad, for journalistic diversity – as long as the digital	
		realm of operation for public interest journalism is	
		regulated properly. At present, governments are not	
		stepping up to set a regulatory framework for public	
		interest journalism on digital platforms. This needs to	
		be addressed urgently but carefully through a process	
		of open consultation with Australians – See	



Terr	ns of reference	Response from Australian Community Futures Planning
		Attachment B – A 4-step process of collaborative
		planning for a democratic information market.
B:	"the effect of media	Summary response:
	concentration on democracy in Australia"	Where concentration of news media business ownership occurs, which is only in the non-digital platforms (now unfortunately dominated by Murdoch and Nine), it is having significant detrimental effects on democracy.
		On the good side, the digital platforms are shaving off the market power of the concentrated non-digital news oligopoly. They are the only thing standing between Australians and the Murdoch media in his incessant drive for power.
		The News Media Bargaining Code will increase Murdoch's power. It will increase his dominance of the news market and therefore will be a blow to democracy in Australia. For evidence of how this can happen see <a href="Attachment A - News market distortion under the News Media Bargaining Code">Attachment A - News market distortion under the News Media Bargaining Code</a> .
		<ul> <li>Further comment:         <ul> <li>People often mistake the growth in concentration of media ownership in Australia for a narrowed media diversity across the board – i.e., across both the non-digital and digital platforms. The reality is that it is only in the non-digital platforms that diversity of journalistic perspectives has become narrowed:</li></ul></li></ul>
		The digital platforms which provide search and share options to discover and propagate this material are



Тоин	as of votovous	Page and from Australian Community Futures Planning
iern	ns of reference	Response from Australian Community Futures Planning therefore a very good thing for media diversity. They
		<ul> <li>are enabling a transition away from the corporate dominance of Murdoch and Nine.</li> <li>Suffice to say Murdoch and Nine are doing everything</li> </ul>
		<ul> <li>possible to stop this industry transition.</li> <li>If the News Media Bargaining Code is passed in anything approaching its exposure draft form this will increase Murdoch's market power and propel our democracy into further decline. The revised draft will</li> </ul>
		work more slowly to disable competition to Murdoch and Nine but it is still anti-competitive in Murdoch and Nine's favour. It props up their market dominance when it should be broken down.
C:	"the impact of Australia's	Summary response:
	media ownership laws on media concentration in Australia"	Changes to cross-media ownership for news media operating on print, TV and radio platforms in the last two decades have had far more significant detrimental effects on our news media diversity than the ownership arrangements for digital platforms. In fact, if it weren't for the digital platforms being so successful in making a space for competition to Murdoch in journalism production, we would probably now be living in a news media monopoly.
		Google and Facebook have their faults but news media market concentration isn't one of them. It's the fault of governments who have over the past twenty years loosened cross-media ownership laws, when they shouldn't have.
		Further comment:  The News Media Bargaining Code will increase market concentration problems in Australian news media. The Code is an anti-competitive entirely unjustifiable intervention. In its most extreme form (the exposure draft) it will remove competition to Murdoch because it will squash those efficient platforms and search engines which are enabling true competitors to Murdoch to transition to sustainable competitive business models in news production. In its less extreme form (the revised draft) it may still do the same, but more slowly.
		The exposure draft of the Code was designed to force Google in particular out of Australia. It is not a properly proportional market intervention designed merely to fairly correct some sort of imbalance in bargaining power; it is a <i>dis</i> proportional intervention that has the architecture of a facilitated raid on Google in particular. And it is well



designed to create a new market imbalance. And this time – if the Code is adopted in anything like the exposure draft

ſ	Term	s of reference	Response from Australian Community Futures Planning
			form – it will be an imbalance where Murdoch doesn't just dominate the non-digital offline platforms of print, TV and radio, he will dominate the last frontier of the information market as well – the online digital platforms.  If the federal parliament wishes to avoid intensifying the market concentration problems it has created by its crossmedia ownership laws, especially in Murdoch's favour, then the parliament should scrap the News Media Bargaining Code. Neither form of the Code deals with the market concentration issues in the non-digital realm that are the cause of the current decline of openness in our democracy.
	D:	"the impact of significant changes to media business models since the advent of online news and the barriers to viability and profitability of public interest news services"	Summary response:  The new business models made possible by digital platforms have enabled smaller more diverse news outlets to establish themselves and to de-couple themselves from the compromising conflicts of interests that arise when news businesses become overly dependent on advertisers.  News producers that are heavily dependent on advertisers are not and have never been independent.  It is a good thing for news businesses to be de-coupled as far as possible from advertising and for news providers to be set up at smaller scales to trade sustainably online and to trade on the basis of the quality of their journalism.  The proof that there are workable alternative business models is given in that outlets like Guardian Australia, Michael West and multiple others have been successful and they are able to produce better quality in news content.  The new business models, made possible by the free and open structure of the information market in the digital age, help journalists make money outside big news businesses without constraining their content.  Murdoch's preferred business model has done nothing more than allow him to rip journalists off for far too long (in the way that publishers through the ages have exploited authors) and to muscle out competition from smaller players.  In summary, the impact made possible by digital age
			open structure of the information market in the digital age, help journalists make money outside big news businesses without constraining their content.  Murdoch's preferred business model has done nothing more than allow him to rip journalists off for far too long (in the way that publishers through the ages have exploited authors) and to muscle out competition from smaller players.



Term	ns of reference	Response from Australian Community Futures Planning
		Further comment:  Because of the internet and the free nature of search and share, journalists can now monetise content through time and across several markets, getting paid repeatedly each time a story is clicked on, whereas in the pre-digital age they got ripped off by being paid only once for a story which was then usually lost in the market and much harder to access. New platforms like INKL pay journalists for their content and the world is better off.  The news business becomes unhealthy whenever it is too dependent on advertising. Taxation of Google and Facebook and all other digital platforms is a better answer to create a funding base for truly independent quality is usually to the story of the search of the sear
E:	"the impact of online global platforms such as Facebook, Google and Twitter on the media industry and sharing of news in Australia"	Journalism.  Summary response:  The rise of Google, Facebook, Twitter, YouTube and the like has on balance led to substantial benefits to journalists but not to big news business owners. It is a good thing to see the excessive power of big news business owners being whittled down. For too long they have been allowed to consolidate into oversized, inefficient, disproportionately powerful entities with little or no accountability in terms of actual production of quality journalism. Murdoch in particular does not carry on the proud tradition of responsible journalism and noone should be forced to pay for his brand of content – or any other brand.  News is both produced and distributed far more efficiently because of digital platforms and there is no need to prop up non-digital platforms, especially if they are not being held accountable for the quality of the news they produce. Smaller news outlets in the digital age can offer – and are offering – journalists a new space for healthy balanced journalism.  Further comment:  It will be suggested by many journalists who do not wish to transition away from heavy advertising dependency to new business models that digital platforms are stealing income and intellectual property. This is of course false. See Attachment C – Ten fictions behind the ACCC's News Media Bargaining Code for a list of falsehoods being relied on by some journalists (and the ACCC) to protect the advertising dependent business model.  These journalists should also be challenged to demonstrate that advertising dependent business models are good for democracy, how and to what extent. The fact



Term	ns of reference	Response from Australian Community Futures Planning
		is that advertising dependent business models for journalism result in compromised content – content that is not truly independent. That is bad for democracy, as anyone can see.
		These journalists will also suggest that their output is the only quality news product. Being employed by a big news agency does not guarantee quality journalism and advertising-dependent business models do not guarantee truth in journalism – far from it.
F:	"the barriers faced by small,	Summary response:
	independent and community news outlets in Australia"	The rise of digital platforms has <u>reduced</u> barriers to financial sustainability for small outlets and it will continue to reduce them, at least as long as interventions are not sponsored by the government and the ACCC which reinforce and consolidate the market dominance of Murdoch and Nine, the two most inefficient media businesses in Australia.
		The biggest barriers faced by small news outlets come from the big news outlets, not the digital platforms that allow the small outlets to connect more efficiently with both their readers and their sources of information.
		Further comment: There are fewer barriers now than there have ever been for smaller news outlets. The industry is in transition but this does not mean that barriers for small outlets have grown. They have dropped. It will take time for small outlets to reorganise, but anti-competitive moves by the ACCC and government to prop up highly concentrated business ownership will make the highly desirable transition to a larger number of smaller owners in news unnecessarily painful and protracted.
G:	"the role that a newswire	Summary Response:
	service plays in supporting diverse public interest journalism in Australia"	Newswire services are vital. And it is important that Murdoch does not establish a monopoly in that service.
		Further comment:  Murdoch used to act somewhat more cooperatively and collegiately in newswire service than he does now.  However, he has recently sold out and set up in opposition and now threatens to crush AAP at the first opportunity. If this is permitted, he will attain a monopoly in newswire.  New laws should be enacted and a federally funded
		independent news wire service should be established to ensure that cannot happen. This should compete with



Terms of reference		Response from Australian Community Futures Planning
		Murdoch and if well run as an independent government trading enterprise it is likely to make money for taxpayers. Regardless of whether a government owned newswire service might trade at a profit, Murdoch should not be allowed to attain a monopoly in newswire services. The Senate can prevent that.
Н:	"the state of local, regional and rural media outlets in Australia"	Local news outlets are declining as <u>print</u> outlets. But this does not mean they cannot be operated with efficient business models online.  The demise of local news in print is being blamed on Google and Facebook. But local news outlets are quite capable of attracting readership via online operation and with that they can re-gear to attract advertising and other income sufficient to cover the costs – most of which are lower because of not having to produce print newspapers.
		Further Comment:  The ACCC has laid the blame on Google and Facebook for the demise of local news reporting. But the reality is that in Australia it is Murdoch who has shackled the small outlets unnecessarily with outmoded business models and in several cases has chosen to shut them down rather than let them re-structure.  The fact is these businesses (and the big ones too) can still get advertising income (and maybe even more with the assistance of Google and Facebook) as long as they don't themselves put up paywalls and refuse to accept the benefit of traffic sent to them by the digital platforms.
		If local, regional and rural media outlets are in a poor state in Australia, that has little to do with Google and Facebook and more to do with Murdoch's refusal to engage in competition via efficiency on a level playing field.
I:	"the role of government in supporting a viable and diverse public interest journalism sector in Australia"	Only government can establish a regulatory framework for the information market capable of ensuring a viable diverse public interest journalism. This is because only government can establish the rules for fair competition. At the moment the government, through its News Media Bargaining Code is doing nothing more and nothing less than establishing a completely unfair playing field for competition in the news and information market. This is utterly contrary to the national interest.



Terms of reference Response from Australian Community Futures Pla	
	Government needs to stop the unbalanced market
	intervention of the News Media Bargaining Code
	(present in both drafts) and support a viable and diverse
	public interest journalism sector by setting up a
	regulatory framework for fair and ethical operation of
	the news and information market and by restoring
	funding to the ABC and SBS.

#### **Contact Australian Community Futures Planning at:**

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# Attachment A – News market distortion under the News Media Bargaining Code



## The road to narrowed diversity in news media in Australia under the ACCC's News Media Bargaining Code.

The exposure draft of the ACCC's News Media Bargaining Code is laden with capacity to drive Google in particular out of operation in Australia. The revised draft has less capacity in this regard but is still a risk. To the extent that any Code may decrease competition to Murdoch, this will result in increased capacity for Murdoch to dominate not just the non-digital platforms of print, TV and radio as he does now but online news market as well. At its worst, it may open up the prospects for Murdoch to acquire a search engine business, establishing a vertically integrated news market structure where news production and distribution are controlled by a single corporation. The following step diagram shows how the Code can facilitate this.

Step		Impact		
1.	Trading rules under the code establish an anti-competitive and unfair market structure and introduce a new bargaining imbalance.	<ul> <li>The News Media Bargaining Code establishes an anti-competitive market intervention by insisting that, in any bargains made between news content producers and content distributors, only one side can charge the other for services provided (or only one side must come out ahead).</li> <li>In the exposure draft this effect can be extreme:         <ul> <li>Murdoch and Nine (and other permitted bargainers) may charge Goog and Facebook but Google and Facebook may not charge Murdoch, Nin others.</li> <li>Google and Facebook must cover all the news businesses' costs in new production at the whim of the arbitrator, who is not required to take reciprocal costs borne by Google and Facebook into account and is in a other way restrained from unfairness to Google and Facebook.</li> </ul> </li> </ul>		
2.	Impose prohibitive fines for breaches of the Code – breaches which are almost impossible to avoid.	Again on pain of crippling fines, Google and Facebook must also provide advance notice of algorithm changes and information about the types of "user data" they collect and how the news businesses can access this "user data". The exposure draft of the Code is so flawed in this respect that it will be almost impossible to avoid breaching it on a daily basis.		
3.	Dismantle the free online information market.	• In addition to the above, Google and Facebook must also effectively pay to provide services to all permitted news business bargainers. Due to non-discrimination clauses in the Code, Google and Facebook cannot opt to deny service to Australian news content producers (they cannot discriminate against them in search results) or refuse to purchase their content. Google and Facebook must therefore incur costs they cannot recover or face exorbitant fines. Under the exposure draft of Code, there is no way for Google to avoid these costs other than to exit the market completely. The possibility that Facebook will have to exit the market is less clear but the information market re-designed in this way is no longer a free and fair market.		
4.	Wait for the cumulative effect of the above to drive out the competition to Murdoch.	<ul> <li>The combination of:         <ul> <li>arbitrated fees to be imposed on Google and Facebook for content made available through their search and share services <i>plus</i></li> <li>the size of the fines for breaches <i>plus</i></li> <li>the fact that costs cannot be avoided may sap the equivalent of the entire profit for Google. The revised Code will work more slowly, but the Code in the exposure draft effectively ensures that Google and Facebook will be forced to stay in the market incurring losses until they go broke and exit the market completely.</li> </ul> </li> </ul>		

#### Completion of the process:

Once the process of ejection of Google from Australia is complete, Murdoch will have free rein to dominate news on the digital platforms and, unless regulations are developed, can also move more easily to acquire a search engine. Vertical integration of the information market will embed the growth of a monopoly in news in Australia.



## Attachment B – A 4-step process of collaborative planning for a democratic information market

This is an extract from ACFP's major essay <u>Prospects for journalism, the free information market</u> <u>and democracy in Australia under the ACCC's News Media Bargaining Code</u> by Dr Bronwyn Kelly.

The extract provides one option as a model for community engagement with Australians on how we may set up a fair and ethical free information market in Australia in the digital age. The Senate Committee may wish to consider other models but it is to be hoped that the basic suggestion of collaborative planning on a sound regulatory framework will be given serious consideration and responded to by the Committee in its final report.



#### Collaborative planning for a democratic information market

Before [Australia] plunges into the dystopia that can all too easily arise from the News Media Bargaining Code, we should consider how we might resolve the real problems [of the information market in the digital age] in a more rational sequence. This is bound to be better than solving the wrong problems in an irrational sequence, as we are doing now. The following is a suggested rational sequence of steps that can be taken to develop a plan for regulation of an open, competitive, efficient, ethically responsible modern information market. As with any good planning process, it starts with community engagement.

A suggested process for community engagement on and development of a rational program of regulation of Australia's information market

- Step 1: Call a halt to the debate on the legislation for the News Media Bargaining Code, pending establishment of a conference between:
  - the Australian Communications and Media Authority (ACMA),
  - Google, and
  - one other suitably qualified independent expert in ethics, democratic governance and information market design

on the potential for development of a draft framework for fair and ethical regulation of the information market (meaning operation of, and responsibilities for, open transmission and quality of public interest content on both the non-digital and digital platforms).

Establish a cross-party Senate committee for the purpose of selecting the third independent expert and starting the process.

Charge ACMA, Google and the third chosen expert with joint responsibility for a program of community engagement on development of a draft proposal for a harmonised regulatory framework for information market players.

Set a minimum scope for the expected regulatory framework – in other words, list the essential matters that are in need of regulation, such as:



- responsible operation of social media, search engines and any other open access mechanisms;
- responsible use and security of user data;
- compliance procedures for ensuring responsible management of published content on digital and non-digital platforms;
- rules for cross-media/cross-platform restrictions necessary to prevent information market manipulation and monopolisation; and
- any other notable area of concern for which regulation is currently nonexistent or faulty and which, if not regulated properly, has the potential to introduce anti-competitive pressures into the market.

Require ACMA, Google and the third expert to present their proposal for the community engagement process to the Senate (and seek approval for commencement and instructions for report-back – see Step 2).

Establish secure funding for the engagement process.

- Step 2: Once the engagement process and its objectives have been developed to the satisfaction of the three experts and the Senate committee:
  - a) Set a requirement for ACMA, Google and the third expert to jointly lead a full, open and transparent consultation with stakeholders and with the Australian public about the scope of and options for the regulatory framework (taking the minimum scope already set by the Senate as a given).
  - b) Charge ACMA, Google and the third expert with preparing a joint report on the outcome of the consultation, their suggestions for the regulatory framework, full explanations of each aspect of the recommended framework, and any areas of disagreement about the framework.
- Step 3: Oblige ACMA, Google and the third expert to submit the above report to a cross party Senate committee that should be open for further public hearings.
- Step 4: Depending on those factors on which agreement has been reached, the Senate committee may request the government to draft law reforms consistent with the agreed aspects of the regulatory framework. For aspects on which agreement cannot be reached, the Senate committee may of course recommend an alternative process for selection of any valid reforms that may be demonstrably in the public interest.

#### What is the logic of this proposal?

The point is to allow Australians the opportunity:

- 1. to understand the *priority* problems in our information market which, believe it or not, are not about whether journalism will survive because it will, it is truth not journalism that is under threat; and then
- to consider the relative merits of different regulatory responses, and particularly the
  potential effects of any proposed responses on their democracy, their access to information,
  their freedom of speech, their consumer rights, and their control over their own privacy and
  personal information.

The ACCC's process for development of the Code has not allowed Australians this opportunity. As a result, the ACCC has ended up solving Murdoch's and Nine's problems but has done so by exposing



Australians to the risk of a failed democracy. The suggested alternative process for engagement with Australians allows them an opportunity to explore solutions to:

- other problems in the modern information market that the ACCC rightly identified, such as consumer scams, proliferation of fake news and misuse of data; and
- problems which would arise for the information market and Australian democracy if the ACCC's Code were to be implemented.

These problems are in fact far more pressing for democracy than whether two dominant news businesses survive or not.

### Why should ACMA, Google and a third expert in governance and ethics jointly lead the engagement process in Steps 2 and 3?

ACMA and Google are the most experienced players in the two main parts of the information market where regulation needs to be adjusted, or established, or harmonised – namely between the digital and non-digital platforms. A third expert is required for assessment of the implications of different regulatory options for democracy and the public interest. This has not been thought through at all in the ACCC's Digital Platforms Inquiry. That process paid lip service to democracy and was captured by the non-digital platforms, resulting in development of a Code that does nothing to resolve the most pressing problems for democracy in the digital age.

If our task is to solve the right problem instead of the wrong one, we will need to devise a draft model regulatory framework that brings together:

- regulations that have served us well in the non-digital market (ACMA's skill) and could be used as the basis for regulation of content in the digital part of the market;
- yet to be devised regulations for ensuring efficient, practicable (workable) and ethical operation of the digital part of the market (Google's and the third expert's skill); and
- yet to be devised regulations for preventing anti-competitive and anti-democratic trends within and across the platforms (all three skill sets).

The framework as a minimum should aim to promote:

- the maintenance of the highest quality journalistic standards,
- responsible use of digital and non-digital platforms by all authors, and
- an open, ethical market structure in which conflicts of interest can be minimised (in other words, the right Chinese walls and cross-media/cross-platform ownership rules are in place).

ACMA and Google are best placed to engage with the Australian community on these matters and the inclusion of a third independent ethics and governance expert would provide a good basis for confidence in the community that a regulatory framework will support their democracy rather than just the interests of a small section of the information market (news).

#### Why should the ACCC not be involved in leadership of this engagement process?

The above suggested step-by-step process does not exclude the ACCC and nor does it give complete control to ACMA, Google or anyone else. On the contrary ACMA, Google and the third expert in democratic governance would simply be partnering to lead an open engagement process and organising a report back to the Senate on priority reforms. The ACCC can still submit their Code for consideration as to whether it does serve the broader objectives of regulatory reforms for the protection of fair markets and democracy but allowing them to lead an engagement process would



simply put them in a position of being able to proffer their own proposals over others and this would diminish public confidence in the process. This does not mean that the ACCC's work should be discarded; rather it should be considered alongside other options and independently assessed on its merits, particularly in terms of its potential effect on democracy and efficient, ethical information market operation.

Joint leadership of the process between ACMA, Google and another agreed independent expert means we will have players from the key parts of the information market – the digital and non-digital and information producers and information access technicians – who can use their expertise to lead a well balanced engagement process – transparently. We will have:

- 1. ACMA who can contribute the perspectives of authors and appropriate regulations for content;
- 2. Google who can contribute the experience of library [information] cataloguing and access; and
- 3. A third expert in supporting the interests of readers, consumers and our democracy.

Bearing in mind that the community engagement process is not a decision making process and that equal standing is being given to the three areas of expertise and interests in the market (authors, [digital] libraries and readers), there is no danger that the process can cause lasting harm to our information market and our access to it. This is quite a contrast to the process run by the ACCC for the Digital Platforms Inquiry. That process was not well balanced and indeed was obviously captured by vested interests, resulting in development of an anti-competitive Code which will undermine our democracy. With the suggested alternative engagement process though, we have a chance to set a world-first benchmark for ethical operation of the now deeply interconnected – irretrievably globalised – market of information. This is totally consistent with the image that Scott Morrison wishes to promote for Australia on the world stage – an image of a nation which values, among other things, "democracy", "freedom of speech", "freedom of expression", and "equality", particularly "equality of opportunity". We can't claim to have all that if we shut down some authors and not others, if we reduce access to knowledge, and if we do not champion a regulatory framework for information that prioritises truth over vested interests.

It is obviously worth going back to the drawing board to develop a decent regulatory code for our information market. Let's ask the people that the Australian Competition and Consumer Commission didn't put first but should have – the consumers of information. An intelligent conversation with them is possible and vital at this turning point in our democracy.



<sup>&</sup>lt;sup>5</sup> Values as listed in "Australian Citizenship: Our Common Bond", Commonwealth of Australia, 2018. https://immi.homeaffairs.gov.au/citizenship-subsite/files/our-common-bond.pdf



# Attachment C – Ten fictions behind the ACCC's News Media Bargaining Code

Dr Bronwyn Kelly's major essay on <u>Prospects for journalism</u>, <u>the free information market and democracy in Australia under the ACCC's News Media Bargaining Code</u>, outlines ten fictions relied on by the ACCC and some journalists and commentators to support the Code. The list is provided below with a summary response. For full explanations and evidence as to why these assertions are fictional and for the full reality of what is going on in the news and information market, read the section on the ten fictions in <u>the essay</u>.

Fiction	Reality
Fiction No. 1: News content is being stolen by	News content is being promoted by Google and
Google and Facebook.	Facebook and without charge.
Fiction No. 2: Without the Code, journalism will	The Code will not save local news outlets. It
die, and so will local news.	places no obligation on Murdoch to keep them
	open. The digital realm is local news' best
	prospect for a sustainable business model.
Fiction No. 3: Google is responsible for	Google is unleashing journalism from the
destroying independent journalism.	dependence on advertising that causes loss of
	independence in new production. It is offering a
	lifeline to journalists who wish to retain
	independence from the editorial perversions of
	big news businesses.
Fiction No. 4: An unprecedented market	The unprecedented market intervention of a
intervention is required to save journalism and	mandatory code will destroy content diversity
content diversity.	and save Murdoch.
Fiction No. 5: If Google and Facebook remove	This will only hold true for smaller news outlets if
news content, readers will buy their news direct	Google and Facebook aren't forced entirely out
from news websites.	of the market in Australia. If they are forced out –
	and that is exactly what Murdoch wants –
	everyone else in the market will lose traffic.
Fiction No. 6: The Code will save us from the	Fake news is more likely to proliferate if big news
scourge of fake news.	businesses gain even more dominance in the
	news market. And beware! The exposure draft
	version of the Code is more likely to disable
	Google entirely but leave us with a Facebook
	business that has no greater accountability for
	the quality and veracity of information circulated
	on its network. We could end up doubly worse
	off in terms of the things we are trying to achieve
	for democracy – still stuck with fake news but
	unable to search as well as we can now for all the
	information that is most relevant to our search
	queries and unable to attract/receive as much
	traffic as we can now to our websites.
Fiction No. 7: A bargaining power imbalance	Because of the cost structures of digital and non-
between media businesses and Google and	digital platforms, the digital platforms are
Facebook is undermining media businesses'	cruelling the non-digital ones in provision of
advertising market shares.	advertising. This disadvantage for non-digital
	news platforms has not arisen from any so called



Fiction	Reality
	"bargaining power imbalance" between the news
	businesses and Google and Facebook. It is simply
	a function of the high cost, inefficiency and
	general unattractiveness of non-digital platforms. Big news media businesses are cutting
	themselves off from advertising income
	opportunities by putting up paywalls. That – and
	not a fictitious bargaining power imbalance – is
	another key cause of their losses in advertising
	revenue.
Fiction No. 8: Information consumers will not be	The Code refuses to allow Google and Facebook
disadvantaged by the Code.	to stop providing services in Australian news
	results and shares, and sets up a situation where
	the only options may be for them to vacate the
	market entirely or change their business models
	entirely in a manner that certainly will not favour consumers.
	The Code is designed to pincer Google and
	Facebook into introducing charges for search and
	share services. In that regard it is designed to
	result in taxpayers funding both their own news
	services in the ABC and SBS and the
	uncompetitive private news services as well.
	Taxpayers and other consumers who are too
	poor to pay tax will fund all these news outlets,
	one way or another, with no returns in terms of
	service, improved journalistic quality or access to
Fiction No. 9: Digital platforms are solely	a share of profits.
responsible for proliferation of fake news.	Journalists may consider that the rise of the digital platforms has led to "a takeover of our
responsible for promeration of take news.	public square with lies and bile". The phrase
	"gutter press" is not axiomatic for no good
	reason. Journalists – or at least some – are just as
	capable of proliferating fake news as anyone on
	social media. They are just as capable of peddling
	climate denialism, just as capable of stoking
	homophobia, xenophobia and racism, just as
	capable of demonising the unemployed, just as
	capable of stories about weapons of mass 44 Rod
	Sims, Statement on Facebook, 1 September 2020 https://www.accc.gov.au/media-
	release/statementon-facebook 45 Peter Lewis,
	Op. Cit. 33 destruction that don't exist, just as
	capable of supporting economic policies that
	cause growth in inequality, and just as capable of
	partisan political misinformation such as
	promoting a carbon price as if it is a tax. Indeed
	there is an argument that purveyors of this stuff
	in certain news businesses have done far more
	damage to the public interest than fake news,
	QAnon-style conspiracy theories and lies by



Fiction	Reality
	foreign interlopers, in Australia at least. From the
	news consumer's point of view, social media
	platforms and news media are probably about
	neck and neck in this latest race to trash
	Australia's public square. But if the News Media
	Bargaining Code is adopted then the likely result
	is that the big news businesses will streak ahead
	in that unholy race to the bottom. They have
	already won that race in Trump's America.
Fiction No. 10: A bargaining power imbalance	Australia is facing many problems with its
between digital giants and news media is	democracy at the moment but a bargaining
threatening decent journalism and democracy.	power imbalance between Google and Facebook
	on one hand and Murdoch, Nine, Seven and Ten
	on the other isn't one of them. There is no real
	bargaining power imbalance between the two
	sides. There's just one uncompetitive type of
	platform and another competitive type of
	platform that the news oligopoly is seeking to
	take over. Giving four news businesses
	dominance on both the non-digital and digital
	platforms will do nothing for democracy. It will
	simply start a whole new set of problems. Our
	news market will end up looking more like
	America's than we would care for – one where
	Murdoch will shove competitors to the margins.

