CAPITAL BRIEF

22 January 2024

Director, News and Journalism Section
Platforms and News Branch - Online Safety, Media and Platforms Division
Department of Infrastructure, Transport, Regional Development, Communications and the Arts
GPO Box 594
Canberra ACT 2601

Dear Director

Thank you for the opportunity to provide feedback on the News Media Assistance Program. Our submission is attached and we would welcome the opportunity to discuss further.

Kind regards

[redacted]

Chris Janz [redacted]
Chief executive officer

CAPITAL BRIEF

News Media Assistance Program

Capital Brief response to consultation paper

22 February 2024

Executive summary

Capital Brief is a news startup that covers business and politics for Australian decision-makers and the broader business community.

The company was founded on the principle that a thriving business can be built with high-quality, original reporting at its core. The model is inspired by a new generation of overseas media companies that are subscription-led and committed to sustainable investment in journalism.

Our newsroom has no agenda other than to present fair and accurate reporting that is valuable to our audience. Our team comprises full-time professional journalists with deep expertise in their coverage areas, stemming from their experience in relevant industries or leading newsrooms.

We have ambitions to increase our investment in Australian journalism over time, and break through the existing oligopoly in traditional media.

News startups such as *Capital Brief* can meaningfully support the policy objectives identified in the News Media Assistance Program consultation paper, particularly in relation to quality and media diversity.

There is a trend of decline and consolidation in Australian traditional media. Without new market entrants, there is a real risk of unhealthy concentration in editorial decision-making.

Concerningly, Australia has a relatively poor track record of fostering new entrants capable of producing original journalism at scale.

Prior policy interventions have predominantly supported large, structurally challenged (albeit in many cases, highly profitable) incumbents while offering little incentive to establish and grow new publications. Certain interventions have exacerbated the competitive disadvantages faced by emerging outlets.

Targeted government programs could meaningfully support news startups on the path to commercial sustainability. These include:

1. Grants for viable early-stage journalism startups;
2. Amendments to the News Media Bargaining Code to ensure it is inclusive of new entrants; and
3. Tax credits or relief to support investment in professional journalism, potentially including:
    a. An approach modelled on the existing Australian R&D Tax Incentive;
    b. Labour tax credits, as implemented in other markets; and
    c. Payroll tax relief to remove a tangible disincentive to newsroom investment.

Each of these mechanisms would support new sustainable journalism ventures. In addition, they do not favour particular types of publications (for example, regional or community over other coverage areas) or business models (for example, free over subscription).

Capital Brief is investing in high-quality, original journalism

The publication

Capital Brief (www.capitalbrief.com) is an independent news startup that covers business and politics for Australian decision-makers and the broader business community. It launched in August 2023, reporting on the institutions, issues and individuals shaping the future of the Australian economy including:

- Finance and markets;
- Politics and policy;
- Technology and startups;
- Law;
- Media; and
- Climate, energy and resources.

The business was founded by former Fairfax Media and Nine executives, Chris Janz and David Eisman. Chris previously led *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review* and Nine's digital business, and has experience as both a journalist and media business leader. He was previously a director of the International News Media Association (INMA) and is presently the sole Asia Pacific member of the World Association of News Publishers' (WAN-IFRA) expert panel. David led strategy and subscriptions for those mastheads and Nine's digital business. At Fairfax, he played a leading role in developing and implementing a plan for a sustainable future business model for quality journalism in Australia.

The newsroom has no agenda other than to present fair, accurate and relevant reporting for its audience, with a particular focus on stories that would otherwise not be told. It is led by editor-in-chief John McDuling, the former national business editor for *The Sydney Morning Herald* and *The Age* with international experience at then-startup *Quartz*.

The team has experience in significant newsrooms including the *Financial Review*, *The Sydney Morning Herald* and *The Age*, *The Wall Street Journal* and *Bloomberg*. Prior to joining *Capital Brief*, a number had left journalism to work in other industries or for overseas publications. They returned for the opportunity to launch and grow a serious new outlet for Australian journalism.

In less than a year, 20 full-time journalism roles have been created with plans for further investment.

Business model and funding

Subscriptions are *Capital Brief*'s core revenue stream, aligning the newsroom and business on original reporting that is valuable to the audience. *Capital Brief* journalists do not attempt to report on every piece of commoditised news, instead deeply covering stories where they can surface new information and insight.

Trust and transparency are core to the business. In all cases reporters seriously assess the credibility of sources, and are as transparent as possible about where information has come from, including openly acknowledging and linking to journalism in other publications. We avoid sensationalism, 'click bait' and politically partisan or other agenda-driven journalism.

As a business built on high-quality journalism, *Capital Brief* aims to maximise newsroom investment while minimising expenditure on other supporting functions. Around 85 per cent of spend is on the newsroom, a considerably higher proportion than any traditional media company in Australia. Incumbents typically spend more on support functions - including corporate overhead, advertising sales, legacy technology, printing and distribution, and broadcast infrastructure - than on journalism.

The business' launch was enabled by a venture capital investment in parent company, Scire Pty Ltd[1]. Consistent with many early stage businesses, *Capital Brief*'s investment in the product (i.e. journalism) exceeds early revenue, which is growing off a zero base.

After six months of publication, momentum is building. Early indications are that our target audience is willing to pay for journalism that helps them understand their world and make decisions. There is a clear business plan and path to ongoing sustainability, however the path is challenging and not without risk. Targeted policy initiatives could make a meaningful difference to emerging outlets like *Capital Brief* that seek to add to the vibrancy and diversity of Australian media.

Entrants such as *Capital Brief* can play a meaningful role in realising the stated policy objectives

The consultation paper identified four policy objectives. All are valid, and core to *Capital Brief*'s business model:

- Access: *Capital Brief* is investing in original journalism, and must ensure it reaches the target audience for the business to succeed.
- Quality: The newsroom team are experts in their fields, and operate entirely free of proprietorial influence and advertising-related considerations.
- Media diversity: *Capital Brief* is an independent publication operating in a particularly concentrated segment of Australia's concentrated media landscape. This is discussed in greater detail below.
- Engagement: In an environment of declining trust in media, one of *Capital Brief*'s core values is transparency. We avoid sensationalism at all times, seriously weigh the credibility of sources, and consistently ensure we are worthy of the trust of our audience.

Emerging outlets can be pivotal to media diversity outcomes, particularly with the trend (encouraged by legislative changes) towards consolidation of legacy media companies.

[1] Capital Brief is 100 per cent owned by Scire Pty Ltd, and is the only asset held by the company.

Consolidation is not necessarily problematic, as long as it is accompanied by an environment that fosters new entrants.

Concerningly, Australia's track record of producing new outlets for quality journalism at scale is poor. While a number of digitally-native media companies have been established in the last ten-to-twenty years, they have typically focused on commentary and lifestyle content rather than original news reporting. With the exception of *The Guardian*'s launch a decade ago, few have reached a scale where they meaningfully impact the landscape.

This has led to a media ecosystem where a small number of legacy media organisations (including the public broadcasters) largely dictate which stories are told and how the narrative takes shape.

In business journalism, a top focus for *Capital Brief*, editorial decision-making is even more concentrated. The *Financial Review* boasts "it doesn't have a competitor"[2], with few others meaningfully investing in business journalism for a professional audience.

Greater diversity in business media would enable a more diverse set of stories to be told, and more scrutiny to be applied to private and public institutions. We believe this is essential to the proper functioning of a market economy.

Government intervention in news media to date has supported large, and in many cases highly profitable, incumbents while exacerbating challenges facing new entrants

Traditional media in Australia is structurally challenged. This is well documented, and characterised by declining legacy revenue streams, falling audience across commercial media and public broadcasters, and the emergence of global digital platforms as gatekeepers of information.

Government intervention in the sector to date has focused on these challenges, while offering little (if any) support to emerging outlets producing journalism of national interest. At times government policy has added to the competitive disadvantages emerging outlets face.

[2] Michael Stephenson, Nine Entertainment Co chief sales officer, Nine Upfront 2022 (1:07:00)

The biggest winners of the News Media Bargaining Code were large, profitable incumbents

The News Media Bargaining Code is the intervention that has had the single greatest impact on the news media ecosystem in recent years. The Code led to the injection of more than $200 million[3] per annum into the industry, and established a structure for annual payments for years to come.

While additional funding for journalism is positive in aggregate, the majority flowed to three large and profitable incumbents: News Corp, Nine Entertainment Co and Seven West Media.

For example: In FY21, prior to the code taking effect, Nine Publishing reported earnings of $117 million on revenue of $505 million, a 23 per cent profit margin. In FY22, following the introduction of the code and commencement of deals with Google and Meta, profits increased to $179.5 million at a margin in excess of 30 per cent.[4] This is more than three-times the profit margin of *The New York Times*[5], widely recognised as the global leader in the transition from newspapers to digital publishing.

Profitable and sustainable journalism is a good thing and the recent financial performance of Nine Publishing has been world leading. The concern arises when government intervention primarily benefits highly-profitable incumbents while failing to support new and emerging outlets.

Under existing policy settings:

- The largest incumbents all receive substantial funding;
- A select group of smaller outlets, determined by Google and Meta, have deals in place; and
- There is no pathway for a new entrant such as *Capital Brief* to secure funding without new government intervention.

In addition, revenue resulting from the Code has created an uneven playing field for journalistic talent, with a small number of large incumbents having access to considerable "war chests" they can selectively deploy against new entrants. Similarly, when discussing similar legislation in New Zealand, that country's Broadcasting Standards Authority chief executive Stacey Wood told a parliamentary committee: "Australian media are already luring

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[3] *The logic behind Australia's news media bargaining code*, former ACCC chair Rod Sims, June 2022
[4] 2022 Financial Year Results (p19), Nine Entertainment Co, 25 August 2022
[5] The New York Times Company reported an operating profit margin of 9.2% in Australian FY22.

kiwi journalists offshore with offers of better pay and our local media need to be able to compete on a slightly more even playing field."[6]

Other interventions have similarly focused on legacy incumbents, while failing to incentivise or support new entrants covering issues of national interest

Aside from the Code, the recent history of Australian media policy is of a series of initiatives designed to support structurally challenged legacy businesses. In addition, certain interventions have favoured regional and local publications over others, and have done little to promote diversity and business model innovation by incentivising new entrants. These include:

- **The Journalist Fund:** $5 million in funding in 2022-23 to assist regional news businesses to hire cadets.
- **Regional and local newspapers publishers program:** $15 million funding to support structurally challenged newspaper producers in the face of rising print costs.
- **Public Interest News Gathering Program (PING):** $50 million funding to support commercial television, radio and newspaper businesses in regional Australia during COVID-19.
- **Regional and small publishers jobs and innovation package (RASPJI):** Eligibility criteria based on pre-existing revenue, not investment in journalism, and at least two-thirds of funding mandated for regional publishers.
- **Broadcast licence fee relief:** Abolition of broadcasting licence fees, saving the incumbent networks around $130 million per year.

As well as not typically benefiting from government support for the news media industry, journalism startups are commonly ineligible for government programs supporting the broader startup sector. For example, the NSW Government Tech Central Scale Up Accommodation Rebate provided a 40 per cent rebate on eligible rental costs and 30 per cent rebate on eligible fit out costs, however applicants needed to develop and commercialise new technology as part of their core service or product offering.[7]

[6] Evidence to New Zealand Economic Development, Science and Innovation select committee (16:20), 15 February 2024
[7] Tech Central Scale Up Accommodation Rebate, NSW Government

Likewise journalism startups are not eligible for other programs that support the production of Australian content, such as the Government's film and television tax rebates[8] or state-based film, television and digital games grants and incentives[9].

Targeted programs could support and incentivise emerging outlets that invest in quality Australian journalism

The Government has an opportunity to take a new approach that would foster diversity and business model innovation by incentivising and supporting viable new entrants. The risks of unintended consequences outlined on page 19 of the discussion paper are valid. These include the risks of creating a dependence on ongoing support, or inadvertently favouring certain types of organisations or models. Programs weighted primarily towards regional news, or an excessive focus on not-for-profit journalism are cases in point.

The pathways proposed in this section address these risks by:

- Offering support to businesses on the path to commercial sustainability;
- Not favouring particular business models (for example, not-for-profits or free outlets) or types of publications (for example, regional or community newspapers) over others; and
- Maintaining the editorial independence of news media outlets.

Non-tax initiatives to support emerging journalism businesses

1. Fund news startups building towards sustainability

News startups can be pivotal in improving media diversity, which is a policy priority. However there are limited sources of private funding for journalism startups, which typically do not fit within the mandates of technology-focused venture capital funds. There may be a role for government to provide grants to early-stage journalism businesses with clear business models and paths to profitability.

This is consistent with Recommendation 10 of the ACCC's Digital Platform Inquiry[10], that "grants be given to support original and local journalism that would otherwise be under

[8] Tax rebates for film and television producers, Department of Infrastructure, Transport, Regional Development, Communications and the Arts
[9] Funding and support, Screen NSW
[10] Digital Platforms Inquiry - final report (p334), The Australian Competition and Consumer Commission

provided". This should include reporting on crucial national institutions that lack diversity of coverage, such as business, and not be limited to regional and local coverage.

Any funding would need to be appropriately structured, with explicit protection of editorial independence, and not tied to particular editorial initiatives to avoid real or perceived government influence over editorial decision-making.

Deliberate targeting of early stage ventures with a clear path to ongoing sustainability would maximise public policy benefit and mitigate the risk of ongoing dependence.

2. Adjust News Media Bargaining Code to extend benefits to new entrants

The prior section outlined that the News Media Bargaining Code primarily benefits the largest incumbents.

There is currently no mechanism or pathway for new entrants, including *Capital Brief*, to seek funding under the Code, and no imperative for Google or Meta to engage in commercial discussions.

This situation could be addressed by requiring digital platforms to establish a fund of meaningful scale (for example, $20 million per annum would represent less than 10 per cent of funding currently provided under the Code) to support emerging outlets. To qualify, outlets would need to demonstrate their investment in Core News Content as defined in the Code, and not have other significant commercial agreements in place with large digital platforms. The fund could then be allocated in proportion to this investment.

This construct is similar to the "community fund" proposed in Nine Entertainment Co's 2020 response to the ACCC's News Media Bargaining Code concepts paper. It proposed that 15 per cent of digital platform contributions to Australian media be allocated to small publishers to "encourage news start-ups by providing a base of funding which is calculated to reward investment in original journalism".[11]

Tax incentives

We encourage the government to consider a suite of measures and avoid a narrow focus on supporting non-profit journalism via the extension of Deductible Gift Recipient status. Measures that could have a meaningful impact on emerging journalism businesses include:

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[11] Response to ACCC News Media Bargaining Code concepts paper (p9), Nine Entertainment Co, 31 July 2020

3. Journalism labour tax credit

The Government of Canada introduced in 2019 a refundable tax credit up to 25 per cent of expenditure on newsroom employees for qualifying journalism organisations[12]. In November 2023 the government announced that it would be extended to up to 35 per cent[13].

A similar measure in Australia would meaningfully incentivise investment in journalism. A cap on scale for eligibility could be considered to limit cost and focus the benefits on emerging outlets.

4. Concessional rates of taxation, modelled on the Research and Development Tax Incentive, for new ventures investing in public interest journalism

This was a recommendation of the 2021 Senate Inquiry into Media Diversity in Australia and such an initiative should apply to a broad set of investments required to establish and grow a newsroom. Similar to the R&D Tax Incentive, it should be refundable to maximise support for early stage businesses that typically take time to reach profitability.

5. Payroll tax relief for news startups

Contrary to Canada's Journalism labour tax credit, Australian news startups face a real disincentive to newsroom investment via 4-7 per cent state-based payroll taxes. This directly reduces capacity to invest in journalism.

Relief for organisations employing professional journalists would stimulate investment in new media. Eligibility could be capped at a certain scale to maximise the public policy benefit of media diversity.

To ensure the small number of recent startups are not unintentionally adversely affected, any taxation measures should be backdated to at least FY23.

Other issues raised in consultation paper

[12] Canada journalism labour tax credit, Canada Revenue Agency
[13] 2023 Fall Economic Statement, Government of Canada

This section responds to certain other issues raised and questions posed in the consultation paper that have not been covered elsewhere in this submission.

1. ACCC definition of public interest journalism must be broadened (page 6)

“Journalism with the primary purpose of recording, investigating and explaining issues of public significance in order to engage citizens in public debate and inform democratic decision making at all levels of government.”

This definition identifies many of the characteristics essential to the public benefit of news and journalism, particularly in relation to government. For completeness, the definition must be extended to encompass reporting on other institutions that crucially shape Australian prosperity and wellbeing, including business.

Similarly the discussion of the benefits of access to public interest journalism (page 13) must be broader than supporting “democratic participation at all levels of government”. Journalism must also be available to inform the public about other crucial institutions, such as business.

We support the suggestion that journalism should inform with diligence, without the intention to mislead or influence for private or partisan purposes. Quality journalism should also be free from government or proprietorial influence.

While it is difficult to mandate what happens “behind the scenes” in certain media organisations, diversity of ownership and business models can help ensure the plurality of voices and health of the news ecosystem.

2. Availability and accessibility of news and journalism impacted by global digital platforms (page 10)

This section correctly identifies that news content provides no value if Australians cannot access it. However the discussion of accessibility is incomplete without explicit reference to the role of large digital platforms, particularly Google, as near-monopoly gatekeepers of information. Decisions made by these platforms, whether by humans or algorithms, can significantly influence whether valuable news reporting reaches an interested audience or not.

For example, six months following launch, *Capital Brief* articles are not present in Google News, which in turn means the publication is invisible in certain elements of Google’s core search product and in the Google Alerts some individuals and organisations use to monitor news. This is despite employing professional journalists, meeting all technical requirements and complying with Google News' published policies.

As Google commands 94 per cent of the Australian search market, this invisibility limits Australians' ability to access emerging news sources. There is currently no defined pathway to inclusion in Google News for a new outlet such as *Capital Brief*.

Meantime Google News does include "sites that rip-off other outlets by using AI to rapidly churn out content".[14]

3. Allocation of government advertising is not the appropriate lever for intervention in the news media market.

Mandated minimum spend by government on advertising in particular media is a sub-optimal approach to supporting public interest journalism and only supports a subset of the industry (those funded by advertising).

Decisions related to the allocation of government advertising should be made with the objective of delivering on the government's communications objectives as efficiently and effectively as possible. In our view this should be assessed separately from industry policy, and the question of how to promote a vibrant and diverse news media sector.

Conclusion

There is an opportunity for Australian media policy to move beyond a focus on large, structurally challenged (and in some cases, highly profitable) incumbents, to establish incentives and support for new entrants to add to the quality and diversity of news media.

We welcome the opportunity to discuss this topic further.

[14] *Google News is boosting garbage AI-generated articles*, 404 Media, 18 January 2024