

**Seven West Media Response to
News Media Assistance Program
Consultation Paper**

March 2024

Public Version



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1. Executive Summary

1. Seven West Media (**SWM**) wishes to use the opportunity presented by the *News Media Assistance Program Consultation Paper* (the **Paper**) to advocate for structural media reform that effectively resets the competitive media landscape for the purpose of ensuring sustainability for Australian news media businesses.
2. This paper poses several timely and important questions in relation to the Government's approach to media policy and whether the objectives of access, quality, media diversity and engagement are the right policy objectives for public interest journalism.
3. Furthermore, the Paper seeks feedback on 'Potential Measures' to support public interest journalism including future policy, regulatory, and program designs.
4. SWM submits that the central objective of media policy in Australia should be to support a sustainable media sector that delivers high quality and trusted news journalism, iconic sporting events, and Australian entertainment that is freely and easily accessible by all Australians. Our trusted news products and services are a core part of our mass reach terrestrial and digital content offerings. Without a deep content offering of news, sports and entertainment that reaches mass audiences, we cannot attract the advertising revenue to fund the very costly schedule of live and catch-up content.
5. Australian media organisations continue to compete against giant multi-national digital players that are largely unregulated, have no sector specific competition constraints, and are not subject to the same strict rules that impact the economic viability of Australian broadcasters, such as media ownership rules, local content quotas, advertising restrictions and accessibility requirements.
6. Further, these large digital platforms do not produce local news or invest in public interest journalism. In fact, generative AI automated platforms are appropriating journalistic content produced by the work of others from across the internet in the 'production' of AI generated news stories. Worryingly, we are seeing outputs from these platforms which are inaccurate and misleading, feeding the spread of misinformation across the internet.
7. Generative AI is a new technology that could profoundly affect how people source their news as well as the reliability of that news. There is little empirical evidence on how AI technology's use of news media content will ultimately affect the viability of news businesses. However, what is not in doubt is businesses that produce news content that relies on advertising to fund its production will find it harder to monetise as audiences increasingly seek their news from generative AI tools. To what extent this impact is felt by the media sector should be the subject of further investigation by the Government.
8. The existential threats presented by large digital platforms to an open and free media and their sources of revenue must become the number one priority for the Government. Sustainability of the media sector needs to form the overarching objective for any policy and regulatory settings applicable to public interest journalism and the related content of sports and entertainment which form free-to-air's service offering. While the objectives of access, diversity, and quality — as

discussed in the Paper — are also important, they need to be balanced against a sustainable news media sector.

9. Regional media, in particular, is acutely experiencing the disruption to traditional news media business models and should form the immediate target of short-term funding.
10. There is no one regulatory ‘silver bullet’ that will underpin the best approach to attaining the objective of sustainability for the Australian news market. Therefore, SWM submits that a structural reforms package is required that — when taken as a whole — will address the structural imbalances in the market. SWM proposes that such a structural reforms package must include: new competition rules for the digital platforms; reducing the burdens on the industry caused by the restrictive and outdated media ownership and control rules that govern traditional media; and providing direct tax rebates for the production of professional public interest journalism and news in Australia.

Structural reform measures:

Recommendation: Implementing the competition ex-ante framework recommended by the ACCC to promote competition in the media and advertising markets.

Recommendation: Addressing the structural issues caused by the ownership and control competition caps that limit the media’s ability to build scale and compete in an advertising market dominated by large digital platforms, including through a review and modernisation of the ‘voices test’ and ‘one-to-a-market rule’ under to *Broadcasting Services Act 1992 (Cth) (Act)*.

Recommendation: Providing tax offsets for the producers of news media via a similar approach to that of the ‘producer offset’ in the screen sector which incentivises the production of Australian dramas.

11. SWM recognises that structural reform can take time and submits there are some short-term measures the Government should implement as a matter of urgency.

Short-term measures required:

Recommendation: Immediate short-term funding for regional and community media through another round of PING funding.

Recommendation: The immediate designation of Meta, Tik Tok, and YouTube under the News Media Bargaining Code.

Recommendation: Eliminating the Commercial Broadcasting Tax (CBT) to free up capital for investment in content.

Recommendation: Instruct the ACCC to conduct a market study on the impact of generative AI on news media for the purpose of establishing an evidence base for future regulation.

12. Finally, in relation to the evidence base the Government is assessing to inform media policy, SWM submits the Government should consider the commercial health of Australian media businesses as a primary indicator for whether any regulatory setting would be appropriate. Therefore, when considering regulatory settings that may operate to; obstruct a news media business' commercial success; or exacerbate the news media business' costs; the overarching and primary consideration must be the promotion of a vibrant and healthy commercial media sector.

2. Introduction

13. SWM is one of Australia's leading media companies with assets in television, digital media and publishing. We welcome the opportunity to respond to the Paper.
14. The Australian media sector has changed irreversibly since the beginning of this century, including through: an unprecedented number of channels becoming available to access media content; a rise in the proliferation of user-generated content; new methods for distribution of content; significant advances in technology; and increased competition in the advertising market from global digital platforms which provides new avenues for advertisers to connect with their markets.
15. Recently, there have been significant steps in isolated areas of media policy and SWM welcomes the Government's commitment to a legislated prominence framework for connected television devices and to the modernisation of the anti-siphoning regime through the Communications Legislation Amendment (**Prominence and Anti-siphoning**) Bill 2023 (Bill).¹
16. Free TV has made a submission to the Senate Committee reviewing the legislation regarding the material changes required to ensure that the proposed Bill is fit-for-purpose, and we do not intend to re-prosecute the case for prominence and anti-siphoning in this submission. However, this Bill remains the top priority for SWM over the coming months.
17. It is important to note that while the Paper focuses on news media and public interest journalism that the sustainability of the free-to-air sector also includes ensuring the right regulatory settings are in place for free sports, drama, entertainment, and the advertising that funds these free services.
18. Given the market has experienced and continues to experience such significant change as a result of evolving technology, the regulatory framework that was developed for a media market pre-internet, must undergo wholesale amendments to make it consistent, relevant and to future proof it in relation to emerging technologies.

3. About Seven West Media

19. SWM has a market-leading presence in content production across broadcast television, publishing, and digital media. The Seven Network alone reaches more than 17 million people per month.
20. The company owns some of Australia's most renowned media businesses, including the Seven Network and its affiliate channels 7two, 7mate, 7flix and 7Bravo; Broadcast Video on Demand (BVOD) platform 7plus; 7NEWS.com.au; *The West Australian*; *The Sunday Times* and *The Nightly*.
21. The Seven Network is home of Australia's most loved news, sport, and entertainment programming. Its iconic brands include Australia's leading news and public affairs programs 7NEWS, 7NEWS Spotlight, Sunrise and The Morning Show, The Voice, Home and Away, Dancing With The Stars, Australian Idol, My Kitchen Rules, SAS Australia, Farmer Wants A Wife, The Chase Australia, Better

¹ Communications Legislation Amendment (Prominence and Anti-Siphoning) Bill 2023.

Homes and Gardens, RFDS, The 1% Club, and the *TV WEEK* Logie Awards. The Seven Network is also the broadcast partner of the AFL, Cricket Australia, and Supercars.

22. The Seven Network has an extensive news network with over 55 newsrooms across Australia, which produce over 11 hours of news programming per day on its primary channel.
23. SWM operations also includes West Australian Newspapers (**WAN**), which operates as a wholly owned consolidated entity of SWM. WAN produces *The West Australian* daily newspaper, *The Sunday Times*, 19 regional newspapers, 11 suburban newspapers, and the *PerthNow* and *thewest.com.au* websites. WAN's cross-platform reach (which is a measure of its print and online audience) is about 4.5 million readers every month.
24. SWM has also just launched the *The Nightly* (www.thenightly.com.au), an advertiser-funded digital weeknight newspaper, website, and app which focuses on politics, policy, business, and culture.
25. SWM is continuing to evolve and diversify as it embraces the digital future. The next phase of the SWM strategy is to position the business for the future, with consideration of the digital landscape at its core. To accelerate the digital future SWM is focused on:
 - Building Australia's most loved and most watched free streaming service with 7plus to drive maximum audience, revenue, and profitability;
 - Creating the future of sports streaming through AFL and cricket;
 - Delivering new technology and tools to drive digital growth; and
 - Empowering and upskilling SWM people to lead the digital journey.
26. Professional journalism is central to SWM's brand and our business operations. Our commercial television licences are governed by the Free TV Commercial Television Industry Code of Practice, and our digital and print news publications are governed by strict editorial policies. These regulatory frameworks place obligations upon SWM with respect to several issues regarding Australian journalism, including requirements for the accurate, fair, and impartial presentation of news. The regulatory code governing SWM's news operations is the result of extensive consultation with advisory bodies, community interest groups, and the general public. This framework of co-regulatory codes and editorial guidelines has effectively ensured that Australians are able to access trusted and reliable sources of news from any SWM news brands.
27. SWM is a significant employer of Australian news professionals. Across all its newsrooms SWM employs around 900 journalists, producers, editors, and camera operators. Seven's 6pm news bulletin is consistently the number one TV program each day reaching an average of almost 2 million Australians and *The West Australian* is the premier news publication in Western Australia.

PART ONE: FRAMEWORK AND OBJECTIVES

28. The Government is seeking feedback on a proposed framework for public interest journalism that focuses on the objectives of access; quality; media diversity; and engagement.

29. The public benefits outlined in the Paper of: informed democratic participation; informed public administration and policy; and scrutinising and publicising the actions of both public and privacy institutions to build trust and accountability, are predicated on a strong and healthy media sector.
30. Maintaining the appropriate level of resourcing for public interest journalism to deliver on these public benefits continues to be challenging in an environment of increasing pressures on revenue and the necessity for commercial news media businesses to responsibly manage their costs.
31. SWM, therefore, submits that the overarching objective for the regulatory framework governing the future of news media must be one that prioritises the commercial health of the media sector and ensures that the industry is able to sustain the required level of investment in professional journalistic content to continue producing trusted and accurate news content for all Australians.
32. Where the Government should intervene in this market dynamic is addressed in this response to the Paper.

4. Sustainability

33. With the increasing level of new and emerging digital technology providers — in addition to the new and emerging subscription content services — there is now an unprecedented quantity of predominantly international entertainment content. This has caused a dramatic shift in the Australian media landscape as a whole.
34. SWM no longer operates in a purely television and print publication news market but is part of a broader digital media market – which includes our Broadcast Video on Demand (**BVOD**) platform 7plus, our digital website 7NEWS.com.au, and our digital publications provided by WAN. Audiences continue to migrate towards online platforms. Today, approximately 20% of SWM TV viewing is through 7plus, while some shows including, *Big Brother*, *Australian Idol* and *Farmer Wants A Wife* are already experiencing online viewing of between 30-50% of audiences.
35. WAN's consumption of its publishing titles is split almost evenly with 53% consumer through print and 47% through digital channels, with the digital business continuing to grow as subscribers migrate online.
36. However, trying to compete against globally scaled businesses with low variable content costs is becoming more and more difficult as they increasingly become the gatekeepers of access to our content, whether this be through:
 - Controlling the operating system of connected televisions and thereby determining what is displayed first and what gets found first by audiences;
 - Search engines that algorithmically select what news is surfaced;
 - Generative AI technologies that scrape the online trusted news media sites to answer queries from users; and
 - Social media sites that increase engagement through surfacing our news in their feeds.

37. Modern media regulation needs to be seen through a new lens of what defines the contemporary media sector and how the Government can achieve the goal of a free, trusted, and vibrant media through ensuring its ongoing sustainability.
38. One of the major challenges most media businesses are facing is the mounting pressure on revenue. As audiences and advertisers migrate to digital channels, retaining and growing advertising revenue through our digital products presents new challenges, particularly as we try to compete against large global digital platforms that have very low content costs of user generated content and commercialising content, including news from professional media business, which dramatically disrupts the media value chain. Further this low-cost content model provides advertisers access to audiences at a much lower Cost Per Thousand (**CPM**).
39. These challenging headwinds are against a backdrop of external forces which are applying pressure on important forms of revenue, including potential restrictions on wagering, quick service food restaurants and fast foods advertising. Further, the cost of managing media businesses continues to increase, which is expected to be further compounded by the Government’s proposals to introduce further costly regulations, including mandatory climate reporting and audio description.
40. With the benefits of public interest journalism as outlined in the Paper of: informed democratic participation; informed public administration and policy; trusted and accountable institutions; trusted and shared ideas; greater inclusion and social welfare; and informed decision-making by individuals, sustaining a healthy and viable media industry should be the utmost priority for the Government when considering the sector’s regulatory settings.
41. Recently, we have seen the result of what happens when the commercial news media is no longer attracting the revenue required to invest in costly news operations. In late February 2024, one of New Zealand’s biggest commercial media companies — Newshub — announced that it was closing its newsroom, which resulted in the loss of more than 200 staff. It has been reported that staff were told that, “[a]dvertising revenue ... has disappeared far more quickly than our ability to manage this reduction, and to drive the business to profitability”. ... “This doesn’t mean news isn’t valuable. We just haven’t found a way to make it work financially here in New Zealand.”²
42. The New Zealand situation serves as a cautionary tale for the fate of news media when the regulatory framework fails to prioritise and protect the industry’s commercial health and sustainability.
43. The policy objectives that are relevant are those that enable and promote a competitive and sustainable media sector, including:
- Regulating the market power of large digital platforms;
 - Loosening the competition restrictions on media businesses which prevents them from scaling to sustainably compete; and
 - Providing the right funding incentives to ensure public interest journalism is appropriately resourced.

² [Anne Barrowclough, ‘Devastation as NZ media company closes Newshub newsroom’, *The Australian Business Review* \(online article, 28 February 2024\).](#)

5. Access

Discussion Questions

Q1.1: Is access to news the right objective?

Q1.2: How should the access objective be understood, and to what extent should this include access to, or availability of, news and journalism relevant to each level of government, including national, state/territory, and local? What do citizens require at each level of government?

Q1.3: What are the appropriate roles for government and industry in pursuing this objective?

44. The Paper poses the question of whether access to news media is the right objective. Access is an important objective and should be understood in the framework of a broad market made up of traditional media businesses, non-professional content creators and citizen journalists, and the digital gatekeepers who control the access points.
45. The objective of access should also be understood to include news media being freely and widely available. The majority of SWM's news media is accessed via a free, advertising-funded business model, including 7NEWS.com.au, television and BVOD and our new national news publication, *The Nightly*.
46. The news media's ability to maintain an advertising-funded business model is paramount to any proposed media reforms. However, the rising role of the gatekeepers in the access to news is being undermined by:
- Internet search engines that act as gatekeepers to what news is served to an end-user's query. Internet search engines gain trust and reliability off surfacing professional news media content as an output of a search. Often the news that is displayed satisfies the user query and the user does not leave the search platform environment eliminating the content providers ability to monetise the attention of the consumer;
 - Connected TV manufacturers that act as gatekeepers to what television services are first seen or preloaded on their devices or act as the arbiters of the content that is discovered when searching for news on their platforms;
 - Social media businesses that act as gatekeepers with their algorithms determining what news posts are served into their content feeds and their ability to change the algorithms to self-preference their commercial interests and bypass the commercial interests of professional content creators, and
 - More recently, with the advent of generative AI products, there is a new gatekeeper between news sources and their audiences as these products automatically generate news articles from sources across the internet without attribution, referral, or compensation.

47. The importance of the News Media Bargaining Code cannot be understated in helping balance the commercial relationship between news media publishers and the digital gatekeepers. However, as access to news falls into digital bottlenecks of search engines and social media platforms, widening the scope of the News Media Bargaining Code to include Tik Tok, Instagram, Meta Reels, Facebook Watch and YouTube and their derivatives will promote greater access to the news media available to Australians.

Recommendation: The immediate designation of Meta, Tik Tok and You Tube under the News Media Bargaining Code.

6. Quality

Discussion Questions

Q2.1: Is quality the right objective?

Q2.2: How should the quality objective be understood? Is it the same for all forms of journalism?

Q2.3: What are the appropriate roles for government and industry in pursuing this objective?

Assessments about the quality of news content raise concerns about the independence and freedom of the press. What approaches might government consider to measuring, safeguarding and promoting the quality of news content? What content, procedural and organisational factors might be taken into consideration?

48. Quality public interest journalism is an important objective. Quality journalism is accurate, factual, balanced, fair and relevant to the consumer of that content. It is well researched and produced by 'qualified' news professionals who have studied journalism. Professional news media is produced by journalists that go to the source by attending court, conducting in depth interviews and are 'on the ground' in their local towns, in the halls of Parliament, and the streets of major metropolitan cities.
49. To achieve a high level of quality journalism a great deal of resourcing is required and most of that resourcing comes in the form of human capital. News media is an extremely resource intensive business. (CIC) Quality directly equates to the level of resourcing of a newsroom. The role Government can play in pursuing the objective of quality is to ensure that media businesses are sustainable through implementing the short-term and structural reform package proposed in this submission.
50. Further, as discussed in the Free TV submission, the measure of quality should also be seen through the lens of accountability to a professional journalistic standard.
51. A professional journalistic standard can be achieved through well trained journalists, overseen by experienced and credentialed editors who are guided by robust editorial and ethical codes and standards.
52. The Government needs to be very careful in the role they play in editorial codes. Government creeping into editorial choices and oversight will directly affect the quality standard of journalism that seeks to hold the powerful and parliaments to account.

7. Media Diversity

Discussion Questions

Q3.1: Is media diversity the right objective?

Q3.2: How should the media diversity objective be understood? How might the media diversity objective be promoted in the contemporary media environment?

Q3.3: What are the appropriate roles for government and industry in pursuing various elements of this objective? For example, is it the role of government to monitor media diversity and regulate ownership and control?

53. The Paper poses the question of whether media diversity is the right objective for media policy.
54. The number of sources of news is important so that citizens can draw from a variety of news and opinions to make informed choices for civic participation. However, media diversity is defined by the unacceptable media diversity situation test introduced in the BSA in 1992. This statutory test is not only becoming increasingly difficult to achieve within its current parameters but is equally becoming incapable of achieving its original objectives within a market that has changed so dramatically in the intervening years.
55. Many newsrooms are closing, publications moving to digital only, and audiences are increasingly accessing their 'news' from sources that are not subject to the media diversity provisions. There is no doubt that the artificial licence area boundaries are becoming less relevant in the age of digital communications.
56. This unacceptable media diversity situation known as the 'voices test' is a policy that was implemented in the early 1990s. It was designed to limit any one voice dominating the media landscape. It was introduced at a time where there were fewer competitors for advertising revenue and before the internet had fully developed. Therefore, the market could sustain many players in small commercial radio broadcast licence areas, including many small community and regional news businesses. However, in the current, much-altered media market, local communities are struggling to sustain even one local newspaper or TV news bulletin, and many have none.
57. How voices are currently defined in the 'voices test' does not reflect the current media market and is no longer fit-for-purpose. Many communities are sourcing their hyper local news from social media community groups, which were once serviced by local publications. Therefore, the pursuit of media diversity should not be at the expense of business sustainability - that is, the rule will not deliver benefits for audiences if it means news businesses close because of it. The concept and approach to media diversity needs to be rethought and modernised.

61AB Unacceptable media diversity situation

Metropolitan licence area

- (1) For the purposes of this Division, an **unacceptable media diversity situation** exists in relation to a metropolitan licence area of a commercial radio broadcasting licence if the number of points in the licence area is less than 5.

Regional licence area

- (2) For the purposes of this Division, an **unacceptable media diversity situation** exists in relation to a regional licence area of a commercial radio broadcasting licence if the number of points in the licence area is less than 4.

58. The arbitrary voices test from the BSA prohibits media businesses' ability to scale to the size of a business needed to be competitive with the large global digital platforms.
59. Furthermore, the inflexibility of the 'voices test' is requiring SWM to invest (CIC) to extend the circulation of the Kalgoorlie Miner outside of Kalgoorlie in order for it not to be counted as a voice in the Kalgoorlie RA1 licence area. Further the Kalgoorlie RA1 is also served by the ABC's Goldfields radio service, which is not counted as a local voice. In fact, the ABC has more than 50 newsrooms producing local news and local radio coverage across regional cities and communities across Australia, none which are counted in as a point in the 'voices test'.
60. The other choice for SWM to ensure it is not in breach of the 'voices test' is to close the Kalgoorlie Miner. This would be an unfortunate outcome of a regulatory mechanism that was designed to promote as many voices as possible.
61. While the ACMA has the authority to approve transactions which would otherwise give rise to an unacceptable media diversity situation under s61AJ of the BSA, section 61AJ only enables the ACMA to approve a transaction if a mechanism is put in place in order to address the unacceptable media diversity situation within a period of not more than 2 years.
62. SWM submits that Section 61AJ could be expanded to enable the ACMA to grant an exemption to the 'voices test' if it is satisfied that the transaction would result in a benefit to the public or if the transaction is in the long-term interests of end users notwithstanding that an unacceptable media diversity situation arises. In the case of the Kalgoorlie Miner, if the ACMA was given the power to grant an exemption, SWM would expect that the case of the Kalgoorlie Miner would give rise to an exemption and thereby save SWM unnecessary compliance costs which could be invested in other regional markets which are struggling to remain profitable.
63. Furthermore, by relaxing the competition caps presented by the 'voices test' through; introducing the ability for the ACMA to grant an exemption to a breach; modernising the definition of 'registered newspaper' to include digital publications with no publication frequency requirements; expanding the geographical reach of a voice footprint; and adding the national broadcasters as voices, this could enable media businesses to scale up to help achieve sustainability of the media sector into the future.

Recommendations: Loosening competition caps on Australian media businesses: Addressing the structural issues caused by the competition caps limits the media's ability to build scale and compete in an advertising market dominated by large multi-national digital advertising business that have no competition caps. SWM is requesting a review of the ownership and control rules in the BSA including changes to the 'voices test'. These changes could include:

- Adding the national broadcasters as voices;
- Changing the definition of 'registered newspapers' to include digital/newspaper publications with no publication frequency requirements;
- Including a process for an exemption under section s61AJ if the voices fall below the statutory threshold; and
- Expanding the 'voice' geographical footprint to more sustainable market sizes.

64. Additionally, regional TV licence areas are continuing to be significantly challenged due to the rising costs of content and transmission and their inability to capture advertising revenue moving to digital platforms. Given the high cost of delivery, the 'one to the market' and 'two to the market' rules should be examined as part of a review of the ownership and control rules contained in the BSA.

65. (CIC)

8. Engagement

Discussion Questions

Q4.1: Is engagement the right objective?

Q4.2: How should the engagement objective be understood? How might the engagement objective be promoted in the contemporary media environment?

Q4.3: What are the appropriate roles for government and industry in pursuing this objective? For example, does government have a responsibility to foster citizens' critical engagement with news content?

66. While critical engagement with news content is an important goal, it should be understood as a commercial goal rather than a Government policy objective, as engagement with news media and any type of media content attracts advertisers and thereby drives commercial success.

67. Commercial media businesses focus their efforts on being relevant to the communities in which they operate within. To be commercially successful the content produced by media businesses must be discoverable and relevant, with relevant content being inherently engaging.

68. Given engagement is a key commercial objective for advertiser-funded media business models it should not be a priority objective for Government media policy.

PART TWO: POTENTIAL MEASURES

9. Direct Funding to Support the Production of Public Interest Journalism

Discussion Questions relating to funding programs to support public interest journalism

Q5.1: In what circumstances is it appropriate for government to intervene in the form of direct funding? What are the competitive impacts of Government funding?

Q5.2: How can any government support for public interest journalism be structured to maintain the editorial independence of recipients and avoid undue influence over news content? What factors should be taken into consideration, and how do these factors change between short-term and ongoing support?

Q5.3: How should any support for public interest journalism be targeted? For what purposes and to what entities and why? For example, should regional areas and local news be a focus of Australian Government support? What other factors are relevant to targeting? Serving particular communities or addressing particular issues? Organisational form such as not-for-profit organisations or commercial providers? What are industry or private interests best-placed to deliver?

69. The Paper poses the question as to when it is appropriate for the Government to provide direct funding and whether regional areas and local news should be a focus of Government support. SWM submits that, given the acute pressures regional and community media is facing, there is a strong argument for Government to provide direct short-term relief for regional and community media as previously provided by way of Public Interest News Gathering (**PING**) grants. (CIC)

70. SWM is committed to informing and entertaining, through our news, entertainment and sports content in the regional towns and communities in which it operates. As a leading television network in regional Australia and the prevalent news publisher in regional Western Australia, SWM is well placed to outline the number of challenges associated with providing public interest journalism to regional Australian communities.

71. The Paper at page 21 notes: “Smaller markets, such as local news in outer-metropolitan and regional areas, have seen the largest business disruptions”.

72. The significant disruptions faced by smaller markets is a result of the pressures on revenue which are felt more acutely in smaller markets that are facing unique cost pressures as a result of remoteness and access to resources.

73. Regional media markets are faced with higher transmission and distribution costs given the large geographical areas they are required to deliver services to. Additionally, attracting and retaining journalists in regional locations presents an ongoing challenge for SWM, particularly in mining towns where employment is competitive, and the average salaries are higher.

- 74. SWM acquired the assets of Prime Media Group (**Prime**) in 2021. Through this acquisition SWM established a national television footprint delivering local weeknight 30-minute news bulletins in: Cairns, Townsville, Mackay, Rockhampton, Maryborough, Toowoomba, Northern Rivers NSW, Tamworth, Central West, Wagga Wagga, Victorian Border (Albury/Wodonga), Regional WA (all of WA outside of Perth), and nightly news and weather updates in Newcastle, Wollongong, Canberra, and Regional Victoria

Figure 1: National news footprint of Seven West Media



- 75. With the former Prime assets now part of the larger SWM group we have also been able to deliver many cost savings while also delivering a national advertising product.
- 76. Further, as part of the SWM group, regional news is also being distributed digitally through our 7plus BVOD service.

(CIC)

West Australian Newspapers- Regional

- 77. WAN provides significant benefits to West Australians through its public interest news journalism – for example; the four-part investigation revealing the domestic abuse experienced by recently [REDACTED]; investigations into sexual assault in the WA mining industry; the failure of Government agencies to address dysfunction in Indigenous communities; and ongoing coverage of the scourge of domestic violence.

78. In Western Australia, SWM is the only commercial newspaper printing business left, as all other print centres have closed due to excessive cost pressures. (CIC)
79. The WAN business has 11 community newspapers branded under *PerthNow* that are entirely funded by advertising. This is important hyper-local news journalism which continues to face cost and revenue pressures.
80. Media diversity in Western Australia is being significantly reduced as regional newspaper businesses are becoming less financially viable. This is evidenced by the recent closures at ACM where the Mandurah Mail and Bunbury Mail were closed and the Busselton-Dunsborough Mail and Augusta-Margaret River Mail were sold.
81. In the past, raising cover prices would assist in arresting revenue decline. However, it is very difficult for paid media products to significantly increase the cover prices (e.g. Kalgoorlie Miner). This is because price increases have a detrimental impact on circulation volumes, which negates the impact of a cover price increase.
82. There is an ever-mounting cost of servicing regional WA towns, with increasing production and transport costs, high salary inflation, plus the very high cost-of-living for staff to reside in the towns they serve. This is a significant challenge, particularly in booming mining towns such as Karratha and Port Hedland. (CIC)
83. Western Australia's latest Regional Price Index (RPI) shows costs are much higher in rural and regional Western Australia. Towns in the Pilbara and the Kimberley are the most expensive places to live. For example, the cost-of-living in the Pilbara is 15% higher than in Perth, and housing costs in the Pilbara are 40% higher than in Perth.
84. The current housing cost comparison between Perth and Port Hedland, a typical mining town in the Pilbara, is over 20% the Perth median house price and over 60% in the Perth median rental price³. Housing and utility costs in regional Western Australia and in particular rural mining towns such as Port Hedland are also much higher than in Perth. This makes attracting and retaining regional editorial staff incredibly difficult.
85. WAN continues to struggle to fill staff vacancies in regional towns, as average salaries in regional WA are well above what we can pay editorial staff in these regions.
86. (CIC)
87. Given the unique cost pressures of regional media, SWM submits that there is an immediate need to provide direct funding for regional and community media as provided in the PING grants 2020/22.
88. SWM proposes the grants payment should be based on the number of news and editorial staff employed. The previous PING grant payment was based on revenue, given the case made earlier in the Paper that quality journalism equates to the number of journalists producing the news, the number of journalists should be the primary metric for a grants program.

³ Median price data per REIWA.com.au as of 16 February, for 12 month period ending January 2024³

Recommendation: Immediate short-term funding for regional and community media through another round of PING funding based on the number of news and editorial staff employed.

10. Support for Business Modes

Discussion Questions relating to support for business models

Q6.1: What are the key barriers or challenges faced by news media organisations in adopting innovative business models or pursuing new revenue streams? How can these barriers be addressed through policy, regulation, or industry-led initiatives?

Q6.2: How can government and regulators encourage and support innovation and the development of sustainable business models in the news media sector? Are there any examples from Australia or internationally that could be adapted to serve this purpose?

Q6.3: How are news organisations reacting to, or leveraging, the development of more sophisticated artificial intelligence services? What are the likely consequences for news and journalism resulting from existing and novel artificial intelligence services over the coming years and decades? What opportunities and challenges are likely to emerge?

89. The Paper recognises challenges for news media businesses in adopting new innovative business models and pursuing new revenue streams. One of the biggest impediments is the regulatory restrictions around ownership and control. The free to air business model is regulated through its source revenue having to be from advertising BSA s 14(1)(c)), it must provide its services for free (BSA s 14(1)(b)(ii)). It must also show 55 percent Australian content between 6.00am and midnight (BSA s 121G).

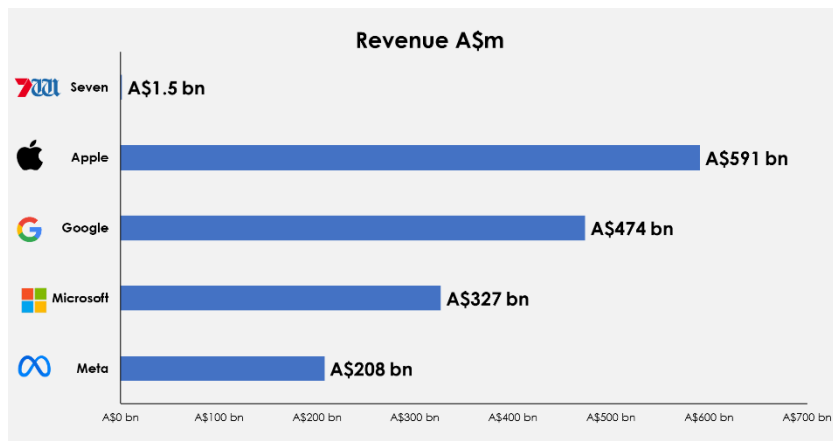
90. The Government can support more innovative and sustainable media businesses by loosening the restrictions around the 'voices test' and ownership rules which would enable businesses like SWM to build further scale.

91. Further, the Paper asks what the key barriers or challenges faced by news media organisations are in adopting innovative business models or pursuing new revenue streams. And how these barriers can be addressed through policy, regulation, or industry-led initiatives.

92. The key barrier for SWM is the ability to fund new and innovative business products, models and revenue streams. In the first instance the research and development, testing, development and launch of such products and models is expensive, and with revenues declining as money moves to dominant unregulated digital platforms, the ability to fund these programs is simply not there.

93. Additionally, even if innovative models are able to be developed, the risk of failure and the financial impact of that failure is such that it is not a risk businesses like ours can possibly take on at this time, given the competition faced by the large global digital platforms.
94. Trying to ‘out-innovate’ the innovation machines of the scaled multi-national businesses like Google, Meta and Amazon is impossible. As a result, smaller local media businesses will always be technology takers. For context, Meta Platforms' annual research and development expenses for 2023 were \$38.483B (USD), an 8.9% increase from 2022 (\$35.34B (USD)). Alphabet Inc's (parent company of Google) research and development expenses for 2023 were \$45.427B (USD), a 15.01% increase year-over-year (\$39.500B (USD) in 2022). For context, this equates to approximately 53%-63% percent of our market cap, which is unrealistic and not achievable.
95. The scale and resources that these businesses can invest back into innovation is unmatched by any local media business. The tables below provide the context of the scale of these businesses to invest and innovate and stay ahead of the market.

Table: Revenue figures from annual 2023 disclosures and market capitalisation sourced Feb/March 2024.



96. The Paper also seeks views on how government and regulators can encourage and support innovation and the development of sustainable business models in the news media sector.

97. SWM submits that the regulatory changes suggested in this submission including loosening restrictions on our ability to scale and compete; introducing an ex-ante framework (discussed later in the paper) on designated digital platforms; and payment for fair use of content across all products (search, AI, social etc) is key to supporting sustainability.
98. The Paper also seeks to understand how news organisations are using AI and the likely consequences for news and journalism.
99. We have begun investigating the possibilities of AI for everything from assisting news production and generation all the way through to basic operational efficiencies. However as above, the ability to do so is severely hindered by the fact that these investigations alone – let alone any implementations – are incredibly expensive and thus it is prohibitive for us.
100. Moving from business harm to social harm, separately, if unregulated, these platforms will continue to spread mass misinformation, drive agendas at the expense of social good (through undeclared and unregulated algorithms), and once again create a new economy where the ultimate success of the large multinational technology businesses is not their platforms but their ability to make money from the work of other businesses.
101. The potential long-term challenges of AI on the news media system are that they undermine the sustainability of news businesses as they continue to scrape news media content for their own products. However, the irony of the sustainability of the many generative AI models is the need for trusted contemporary news sources and should their products drive audiences away from trusted news brands the input to their products will dry up and the quality of their outputs will diminish.

Recommendation: The Government request the ACCC conduct a market study on generative AI and the impact on news media to establish an evidence base for future regulation.

11. Tax Based Incentives

Discussion Questions relating to tax-based incentives.

Q7.1: What are key advantages and disadvantages of tax-based incentives to support public interest journalism?

Q7.2: Are tax-based incentives preferable to other mechanisms, such as grants?

102. **Immediate tax relief:** As discussed above the immediate implementation of another round of PING funding, will help the short-term investment in public interest journalism in regional and local community publications.
103. Further, Australian broadcasters pay the highest spectrum prices in the world. The current spectrum tax was intended to be a 5-year interim arrangement. We are currently paying 52 times more than USA and this is increasing with CPI. Regional broadcasters face charges of up to 20% of total profit.

Recommendation: Eliminating the commercial broadcast tax to free up capital for investment in content.

Immediately eliminating this unnecessary cost burden will assist SWM in its ability to continue to invest quality news journalism.

104. **Long-term tax incentives:** SWM sees several advantages in tax incentives for producers of news media in Australia.
105. Tax incentives assist in shielding news businesses from the fluctuations in the advertising market and - when structured correctly - can provide incentives to maintain investment in news resources.
106. The Australian screen sector is well served by the producer off set program which is a refundable tax offset (a rebate) calculated on a project's qualifying Australian production expenditure, providing a 30% rebate for television dramas and a 40%rebate for films.
107. The Producer Offset was introduced in July 2007 as part of the Australian Screen Production Incentive (ASPI), the Australian Government's package of measures to boost support for the Australian film and television industry. One of the key aims of the Offset was to assist Australian producers to build stable and sustainable production companies to create Australian content.⁴
108. The way the scheme is structured does not interfere with the creative process but rather seeks to ensure it qualifies as Australian produced and fits the guidelines as a drama.
109. SWM submits that a similar scheme should be considered for the producers of public interest journalism. With the right funding models and guidelines at arm's length to government, valuable funding could be directed to the newsrooms that produce the news.
110. The advantage of this type of funding is it a reliable inflow of funding for newsrooms, it is at arms' length from government, and can be directly aimed at resourcing newsrooms.

Recommendation: Providing tax offsets for the producers of news media via a similar approach to that of the producer offset in the screen sector which incentivises the production of Australian dramas

12. Government Advertising

Discussion Questions relating to government advertising

Q8.1: What are key advantages and disadvantages of government advertising to support public interest journalism?

Q8.2: Is government advertising preferable to other mechanisms, such as grants?

⁴ <https://www.screenaustralia.gov.au/getmedia/14380132-5665-4504-83c9-799b5b0cba4e/Getting-down-to-business.pdf?ext=.pdf> (page 2)

111. Given the Government is seeking to address the sustainability of public interest journalism because of its value to Australian Society, government spend in advertising should be a favoured channel of marketing.
112. The latest ACMA research report “How we access news report” found Free-to-air television remained the most common main source of news, reported by 26% of respondents, the same figure as in 2022. This was followed by 23% who used online news websites or apps as their primary source in 2023.
113. (CIC)
114. SWM urges the Government to renew their commitment to government advertising in trusted news brands; not only on account of their reach, engagement, and trust in these platforms, but also the currently declining market conditions and the dangers this poses for public interest journalism that is required under legislation to be funded through advertising and be made available for free to the public (see ss 14(1)(b)(ii), (c) of BSA).

13. Considerations for Future Policy, Regulatory and Program Design

Discussion Questions

Q 9.1: Who should be regulated? The contemporary news ecosystem includes a broader range of actors, including intermediaries such as digital platforms. How should these intermediaries be considered in relation to diversity of control, and should they be subject to any specific regulations or requirements? What other factors affect diversity? Should this consider transparency of the source of donations or funding? Should diversity be considered at the production or program-input level? Should personnel diversity within an organisation be considered?

Q9.2: Why should they be regulated? Should news media diversity be regulated at a national level or at a more localised level (for example, major cities, regional and remote)?

Q9.3: How should they be regulated? What are your views on whether government regulation of news media diversity be focussed on the media through which it is delivered or be agnostic to the media delivery mechanism?

115. The Paper seeks views on who should be regulated in in the contemporary news ecosystem. SWM takes the regulatory requirements attached to its broadcast licences seriously. We comply with the requirements of the BSA from co-regulatory codes, content quotas, to restrictions on ownership. However, the media sector has changed significantly and the competitive dynamics are markedly different from when the BSA was drafted in 1992. Therefore, who should be covered by regulation and why type of regulation is required, needs rethinking and a new approach.
116. SWM has submitted that the future of media reform needs to be addressed through amendment to the structural regulatory rules imposed on traditional media businesses.
117. As argued previously, the footprint of the markets for the ‘voices test’ needs to be expanded. Hyper-local and remote areas are becoming less viable to sustain local voices in small markets where

advertising revenue has moved to digital and social media platforms. Furthermore, online community groups are often playing the role of keeping the community connected and informed, albeit with no journalistic standards. An analysis of the ‘one to a market’ rule for ownership and control of television licences and the ‘two to the market’ rule for radio licences should be reviewed.

118. Further, as argued by Free TV in its pursuit of a regulated prominence framework, connected TVs are the gatekeepers for audiences to our television content. The prominence framework is imperative to commercial TV networks to obtain the mass reach and scale they need to sustain their advertising business model. Therefore, it is imperative that the Prominence Framework is implemented as a matter of urgency in a much more expedited timeframe than 18 months for TV manufactures to begin to comply.
119. SWM submits that urgent action is required on the ACCC competition recommendations *Digital platform services inquiry: Interim report No. 5- Regulatory reform*.⁵
120. The evidence base is clear. The ACCC has found the market power of some large digital platforms is substantial and enduring (i.e. non-transitory). The report found:⁶

Report Finding – Digital Dominance	Current Regulatory Imbalance
<ul style="list-style-type: none"> Between 2008 and 2018, Amazon, Facebook (now Meta) and Google made approximately 300 acquisitions. 	<ul style="list-style-type: none"> Traditional media is restricted in its ability to merge or acquire other media companies because of restrictive ownership and control rules.
<ul style="list-style-type: none"> Google consistently provided between 93% to 95% of general search services between 2012 and 2022. 	<ul style="list-style-type: none"> s 61AB of the BSA deems that there is an “unacceptable media diversity situation when a metropolitan market voices drop below 5 points and regional voice below 4 points (for how points are determined, see s 61AC of the BSA).
<ul style="list-style-type: none"> Google had a 96% share of general search advertising revenue in Australia in 2018, and approximately 97% in 2020. 	<ul style="list-style-type: none"> The BSA requires that a person must not be in a position to exercise control of more than one commercial television broadcasting licence in the same licence area) (BSA s 53)
<ul style="list-style-type: none"> Over 90% of ad impressions traded via the ad tech supply chain passed through at least one Google service in 2020, and Google had a share of 40–70% of revenue for ad tech services where revenue data was available.⁷ 	<ul style="list-style-type: none"> The Government is yet to implement the ACCC recommendations to increase competition in the adtech market.
<ul style="list-style-type: none"> Over the period June 2018 to May 2022, Meta’s Facebook and Instagram combined 	<ul style="list-style-type: none"> Meta’s Facebook has not been designated under the News Media Bargaining Code.

⁵ <https://treasury.gov.au/sites/default/files/2022-12/c2022-341745-cp.pdf>

⁶ <https://www.accc.gov.au/system/files/Digital%20platform%20services%20inquiry%20-%20September%202022%20interim%20report.pdf> (page 38)

⁷ See [Digital platform services inquiry Interim report No. 5 – Regulatory reform, page 38](#).

supplied 79% of social media services in Australia (by time spent),	
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121. Further, the report finds the current regulatory settings in Australia are inadequate at addressing specific competition and consumer issues and recommends a new regulatory framework⁸.

122. The report recommended: Additional competition measures for digital platforms:

- “The ACCC recommends the introduction of additional competition measures to protect and promote competition in markets for digital platform services. These should be implemented through a new power to make mandatory codes of conduct for ‘designated’ digital platforms based on principles set out in legislation. Each code would be for a single type of digital platform service (i.e. service-specific codes) and contain targeted obligations based on the legislated principles. This would allow flexibility to tailor the obligations to the specific competition issues relevant to that service as these change over time. These codes would only apply to ‘designated’ digital platforms that meet clear criteria relevant to their incentive and ability to harm competition.”⁹

123. They also recommended: Targeted competition obligations. The framework for mandatory service-specific codes for Designated Digital Platforms (proposed under Recommendation 3) should support targeted obligations based on legislated principles to address, as required:

- anti-competitive self-preferencing
- anti-competitive tying
- exclusive pre-installation and default agreements that hinder competition
- impediments to consumer switching
- impediments to interoperability
- data-related barriers to entry and expansion, where privacy impacts can be managed
- a lack of transparency
- unfair dealings with business users
- exclusivity and price parity clauses in contracts with business users.

124. The codes should be drafted so that compliance with their obligations can be assessed clearly and objectively. Obligations should be developed in consultation with industry and other stakeholders and targeted at the specific competition issues relevant to the type of service to which the code will apply. The drafting of obligations should consider any justifiable reasons for the conduct (such as necessary and proportionate privacy or security justifications).¹⁰

125. The proposed ACCC ex-ante framework is based on years of data and evidence. As proposed, it will improve competitive outcomes for competition in the advertising market and for media companies.

⁸ <https://www.accc.gov.au/system/files/Digital%20platform%20services%20inquiry%20-%20September%202022%20interim%20report.pdf>

⁹ <https://treasury.gov.au/sites/default/files/2022-12/c2022-341745-cp.pdf> (pg 9)

¹⁰ <https://treasury.gov.au/sites/default/files/2022-12/c2022-341745-cp.pdf>

126. SWM submits that the work to implement this framework is prioritised and that immediate action is taken to implement an adtech code that sets requirements to:
- prevent anti-competitive self-preferencing, tying and exclusive pre-installation arrangements;
 - address data advantages;
 - ensure fair treatment of business users; and
 - improve switching, interoperability and transparency.
127. Future codes could include the use of media content in Generative AI.
128. However, the implementation of these reforms is slow. The News Media Bargaining Code took around five years from the Terms of Reference of the inquiry to the code being legislated. The prominence framework by the time it is legislated, will have taken over two years from the election of the Albanese Government and will additionally take a number of years from then until the effects are realised.
129. The market is changing quickly and dramatically. SWM submits that providing powers to the ACCC to implement codes to address anti-competitive behaviour would be the most appropriate way to address the changing dimensions of competition in an expeditious timeframe. But action on this needs to be taken now.
130. Finally, as the Government reviews future, policy, regulatory and program design the roles of the national broadcasters should be addressed. Both the ABC and SBS have very specific and important roles in the Australian media landscape. They should be governed to fulfill these roles and have rules which prevent them from stepping into the commercial space filled by the commercial free to air sector.

Recommendation: Implementing the competition ex-ante framework recommended by the ACCC to promote competition in the media and advertising markets.

13. Media Literacy

131. SWM understands that the next generation of media consumers are faced with new platforms that are unregulated, carrying the risk of an increased level of misinformation and disinformation being widely disseminated.
132. These platforms - a number of which are refusing to pay for trusted news sources that they carry on their platform - have the real potential to undermine our democracy. Understanding why trusted news sources are so important and how the news is produced is an important component of a functioning democracy. This understanding must be taught at a young age as the youth are increasingly getting their news from unverified sources on social media.

133. SWM is committed to increasing the media literacy among Australian school children. We have a number of programs running at our own cost to assist in increasing the media literacy of Australian children.
134. With a new facility at Eveleigh SWM has been able to resume its school tour program in Sydney. Since launching last year, we have had three primary schools come through with more booked throughout 2024.
135. A school visit involves the students touring the entire newsroom floor, encompassing all of SWM's news and public affairs division, along with a behind-the-scenes experience in the state-of-the-art studios and control rooms. There is a chance to sit at the news desk and experience reading the autocue, as well as opportunities to visit the Sunrise set. The students also hear from experienced news anchor Mark Ferguson about his career and the industry.
136. 7NEWS Brisbane, 7NEWS Melbourne and 7NEWS Adelaide also run variations of the same program.
137. SWM also had an established media literacy program in Western Australia, which provided useful resources to teachers to educate WA student on media literacy. However, after many successful years of the program it was closed down in order to save costs.
138. If the Government were to provide funding for these media literacy programs where students can engage directly with news media businesses, SWM would consider developing a more formal program to work in with the Government's objectives.

14. Establishing the Evidence Base

139. A great deal of consultation has gone into how to track media diversity in Australia. SWM understands the Government has funded the mapping of newsrooms across Australia through the PIJI New Mapping Program.
140. SWM would like to make the following observations. Any model needs to be simple and must not place additional burden on the media businesses to provide data and information. Responding to information requests in addition to annual compliance returns are a large drain on limited resources.
141. The quality of news directly correlates with the resources available, so a profitable and commercially healthy media businesses is also an important measure to be considered.
142. Profitable media businesses ensures that there is less demand on public funds and there are more resources to invest in production of news media. The more commercial business can succeed through the right regulatory settings the more media voices there will be in the market.

15. Conclusion

143. The time for structural reform is long overdue. The competitive dynamics of the news media and advertising sector has driven the urgent need for a more sustainable and fit-for-purpose regulatory framework.
144. The short-term imperative is; for direct funding for regional and community news to maintain the level of public interest journalism they currently enjoy; to immediately designate not only Facebook newsfeed and Instagram Reels, but Tik Tok and YouTube and its derivatives; to eliminate the commercial broadcast tax that will immediately free up capital for content investment, and to instruct the ACCC to conduct a market study on generative AI to understand the impact on news media and inform future policy considerations.
145. Finally, a package of structural reform which addresses the market dominance of the global digital platforms, reforms the outdated criteria of the 'voices test' and ownership rules, and looks at incentives for the production of news journalism, all as a package will underpin the ongoing sustainability of the news media sector in Australia.

(CIC)