

Productivity Commission's Philanthropy Inquiry

Submission from the Local & Independent News Association

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Executive Summary

The Local and Independent News Association (LINA) welcomes the opportunity to comment on opportunities for, and obstacles to, increasing philanthropic giving in Australia. Recognition of public interest journalism as a charitable good has been in discussion in communications policy forums in Australia for at least 15 years and has widespread support from industry, in both media and philanthropic communities. The converging crisis of a rapidly shrinking news media industry, increasing misinformation and disinformation, increasing emergencies requiring distribution of timely and accurate information to keep communities safe and an under-resourced journalism sector provides Government with a strong **impetus to introduce policy supports** that facilitate the emergence of a new sector of independent news publishers.

LINA adds its voice to the growing list of agencies calling for a **clear pathway** for independent news publishers producing and distributing public interest journalism to register as a charitable good with an associated deductible gift recipient category to help grow the not-for-profit news sector, increase the sustainability of local news outlets and support media diversity in Australia. This submission explores the **shared objectives** of government and industry toward strengthening Australia's democracy, provides examples of international success where policy supports **significant charitable giving** for news services, and points tools for **measuring the effectiveness of policy interventions** in the news media landscape.

This submission does not comment on the mechanics of policy implementation but focuses on the opportunity to meet government objectives with support from the philanthropic community and grow the sustainability of public interest journalism in Australia.

“The availability of a wide range of high quality news and journalism provides significant benefits to Australian society and is important for the healthy functioning of democracy.... Journalism provides significant and unique benefits to individuals who consume it, and to society more broadly.”

– Australian Competition and Consumer Commission, 2019 *Digital Platforms Inquiry Final Report*, page 282-3

About LINA

The Local and Independent News Association is a industry association supporting hyperlocal and independent digital news publishers. LINA's growing membership currently includes 55 digital news publishers, producing 84 mastheads in all States and Territories across Australia. LINA members are independent, locally owned and controlled news publishers, creating high-quality public interest news that meets professional Editorial Standards, by and for a defined community. LINA membership is open to all digital news publishers who meet our membership requirements. Our services are tailored to capacity building for small publishers, with most LINA members having an annual income less than \$350k and operating with fewer than 5 staff. Although many of our

members are for-profit entities, they are community focussed and provide an essential public service to their communities, operating with an average 5 volunteer contributors per organisation.

LINA sees these news businesses as the 'green shoots' of the news industry, driving the expansion of digital newsrooms in the wake of newsroom contractions and closures. This change reflects an audience shift to digital news consumption over decades and the weakening of business models sustained by advertising and user-fees on a global scale. LINA's role is to support hyperlocal and independent digital news publishers, including their capacity to provide accurate and timely information during emergencies, their role in building community and their significant contribution to strengthening democracy.

The role of philanthropy and government in news

Nearly 300 Australian newsrooms have downsized or, more often, closed completely since January 2019, offset by only 166 expansions leaving a net loss of 127 local newsrooms across Australia over the past three years. At least 30 areas across Australia are now considered to be news deserts with no local print or digital outlet at all.¹ These changes have occurred at a time when a need for very localised information was highlighted by the pandemic and by increasing extreme weather events challenging community resilience and safety, meaning the time for Government action in this space is now.

"It is widely recognised that Australia has one of the most concentrated media markets in the world. While it was hoped that the rise of the internet would democratise access to information, the business model that underpins public interest journalism is coming under great stress in the internet age... The concentration of media ownership is inherently corrosive of democratic practice because it places control over the sources of information and opinion in far too few hands." – Senate Environment and Communication References Committee, Media Diversity in Australia report, Commonwealth of Australia. December 2021

The Australian Government has an active role in supporting Australia's news landscape. It provides direct funding for public broadcasting services (ABC & SBS), Indigenous media programs, and community media, and maintains fee-for-service advertising relationships with a broad range of media services to promote campaign materials and public notices. In addition, Government has capacity to facilitate the growth of an emerging hyperlocal and independent digital news sector to curb growing news deserts through policy amendments that provide access to philanthropic giving.

In recent years the Commonwealth has supported new publishers in Australia through a variety of policy levers, including;

- Creating the Regional and Small Publishers Innovation Fund;
- Developing the News Media and Digital Platforms Mandatory Bargaining Code;
- The Public Interest News Gathering fund;
- Tax relief measures for the commercial broadcasting sector;
- A print relief assistance program for print newspapers; and
- The News Media Assistance Program (News MAP) currently in development.

With varying levels of success and engagement, these actions have provided one-off funding injections, predominantly to larger news corporations and the extent to which they have supported journalism remains

¹ Dickson G. 2022, *Australian News Data Report: Australian Newsroom Mapping Project*, Public Interest Journalism Initiative

unclear. Hyperlocal and independent publishers have been, for the most part, overlooked in the eligibility requirements for some of these programs and have faced capacity barriers to effectively engage with others.

Meanwhile, diverse voices and regional audiences remain underserved, as do critical issues such as environmental and health crisis. Mainstream media continues to consolidate, syndicate and/or remove regional services while under-representing Australia's diverse communities. LINA members are well placed to support Government priorities to meet the information needs of local communities and geographically and culturally diverse audiences, address news deserts and increase media diversity. Connectedness with local communities makes hyperlocal news publishers uniquely placed to respond to increasingly frequent emergencies. LINA members have capacity to provide information services, build community and offer significant return on investment.

Philanthropic support for local news services producing and distributing public interest journalism can complement government investment in media diversity to increase the sustainability of small and emerging newsrooms in local communities and topics of public interest that are underserved by mainstream media. Recognition in the Charities Act and an associated DGR category is a policy action Government can introduce now, generating durable changes to the capacity of public interest news publishers to self-generate income into the future through bequests, grants and individual donations.

Measuring effectiveness

Donors and governments each have an understandable desire to measure the impact of their support. LINA is currently working with its members to establish and roll out a networked impact tracking framework for local news organisations to help inform their own decision-making, as well as communicate impact to interested parties. Meanwhile, the Australian Communications and Media Authority (ACMA) is developing a News Media Diversity Measurement Framework which will draw on a range of data sources to map the Australian media landscape and reflect the effectiveness of both government and philanthropic investment in news diversity and access to relevant information for audiences. In this way, work is already underway to benchmark the impact of future philanthropic investment in the Australian news landscape.

"Abundant research in recent years has found that strong local journalism builds social cohesion, encourages political participation and improves the efficiency and decision-making of local and state government...The fate of communities and local news organisations are intrinsically linked, journalistically and economically." – Penny Abernathy, *Why Local News Matters and What We Can Do To Save It*, New York State Bar Association, February 2023

Public Interest Journalism is a public good

In its Media Diversity in Australia Report, the Senate Environment and Communications Reference Committee acknowledged that "public interest journalism is essential to a democracy. Active citizenship requires access to reliable information, and democracy cannot flourish without a diversity of media sources and a regulatory regime that protects consumers against the spread of misinformation."² Correlations between a healthy media sector and a strong democracy are well established in academic literature and nearly summarised by the Centre for Media Transition: "Public interest journalism builds communities and fosters democracy by facilitating public discussion, ensuring diversity of voice, providing open justice, holding public power to account and providing accurate and reliable information."³

² Senate Environment and Communications References Committee, December 2021, *Media Diversity in Australia report*, Commonwealth of Australia, Canberra

³ Attard M, Dickson G & Jehangir A, 2022, Media Diversity in Australia submission, Centre for Media Transition, University of Technology Sydney

LINA supports calls from the Public Interest Journalism Initiative (PIJI), UTS's Centre for Media Transition, Croakey Health Media and other stakeholders to provide news organisations with access to Deductible Gift Recipient (DGR) status, and highlights PIJI's research on the role that philanthropy can play in supporting public interest journalism.

LINA supports Philanthropy Australia's definition of philanthropy to include 'the giving of money, time, information, goods and services, influence and voice to improve the wellbeing of humanity and the community.' In producing and distributing public interest journalism, our members have capacity to attract contributions in each of these categories. As small publishers, the average LINA member has 5 paid staff (3 full time equivalent positions) and 6 volunteers contributing to their organisations. News publishers need access to information and funds, while giving voice to local and diverse perspectives on topics relevant to their communities. Recognition of public interest journalism as a public good in the Charities Act and a clearer pathway to eligibility for DGR tax deductible gifts would incentivise more news services to be not-for-profit organisations and facilitate greater access to grants, volunteer contribution and partnership-based supports.

"The loss of local journalism has been accompanied by the malignant spread of misinformation, political polarization, eroding trust in media and a yawning digital and economic divide among citizens. In communities without a credible source of local news, voter participation declines, corruption in both government and business increases." – Penny Abernathy, *The State of Local News*, Local News Initiative, 2022

Removing unnecessary regulatory barriers to giving

While community radio and television services in Australia are required to be not-for-profit to meet licensing eligibility requirements, community-based digital newsrooms in Australia are disincentivised from establishing themselves as not-for-profits and/or charitable organisations by a lack of recognition for public interest news services as a public good. Some newsrooms have aligned themselves with education activities to access ACNC registration, however this is not a neat fit in terms of core objective, despite every newsroom taking an active role in informing communities every day. Consequently, most newsrooms have been established as private businesses, trusts, sole traders, or partnerships, and are not eligible to apply for DGR status, significantly curtailing their capacity to attract donations from both individuals and foundations.

A pre-requisite to access funds through many grant opportunities and philanthropic foundations is DGR registration, a barrier meaning many news publishers are ineligible to apply for this form of financial support. As such, some news publishers spend considerable time finding auspicing partners for grant projects resulting in additional administration fees and reducing the impact of philanthropic gifts. Access to DGR status would reduce administrative expenses and provide a direct relationship between newsrooms and funding organisations with likely positive impacts on funding strategy and recurring giving, and would increase the number of news outlets eligible for grants from existing Australian foundations who are open to funding media projects – but only to tax-deductible entities.

LINA asks the Commonwealth to introduce a clear pathway for recognition as a charitable good and an associated DGR category for public interest journalism to support donations from the public, philanthropic grants, and, where appropriate, corporate sponsors. LINA acknowledges that the guidelines for such an inclusion should focus

on support for small and emerging newsrooms providing public interest journalism services to defined communities. The Centre for Media Transition, to provide one example, suggests introducing content classification as ‘public affairs’, as a mechanism for identifying material relevant for public subsidy or philanthropy.⁴ LINA anticipates working with government and stakeholders to develop relevant boundaries for eligibility. This would increase the sustainability of independent news outlets and the diversity of news sources available to Australian society.

Opportunities to increase giving

Digital newsrooms offer more flexible distribution channels and associated diversified revenue streams. However, they are not financially viable on a user-pays basis. Globally, only 17% of readers pay for online news. Paying for news increased to 18% in Australia in 2022, only just above the global average. However, an increasing number of people are making donations to support a digital news service, up by +1 to 4% in 2022.⁵ While advertising is already a tax-deductible expense for companies as a marketing/promotional expense, donations from individuals are not tax deductible and have growth potential.

Typically, LINA members support free access to public interest news content as a community service and have mostly opted not to implement paywalls, unlike many of the national and state-based news outlets. Instead, they encourage small, voluntary contributions to complement advertising revenue and support their work using online donation tools (widgets) such as ‘Buy Me a Coffee’ and PressPatron. Readers can give one-off payments or make regular contributions and some publishers provide additional content to paying newsletter subscribers or engage with financial contributors in other ways through community events. To date, these very small contributions (often in the \$5-\$30 per month range) provide supplementary income to small news publishers and foster engagement with audiences but are not significantly impacting the sustainability of local newsrooms. There is opportunity to grow this revenue stream if individual donations were tax-deductible, and significant scope for non-profit media organisations eligible for DGR to attract and maximise bequest donations.

According to a Reuters Institute study, the percentage of people donating to news organisations is still only 1% in the UK, and 3% in the US, where such donations attract tax relief. However, they found this source of funds could increase with nearly a quarter of respondents (22%) stating they might be prepared to donate to a news organisation in the future, motivated by the need to support fact-based journalism in an era of fake news and to secure a greater variety of independent voices.⁶

Government interventions across the globe have included grants supporting content production and/or journalist employment, tax breaks for public interest news publishers, operational support grants for publishers in the form of grants and subsidies. Governments in Canada, France, Tunisia, Lebanon, Colombia, Indonesia and El Salvador have each introduced tax credits, tax exemptions and/or deferred tax payments to support news businesses. However, media outlets must be profitable to benefit from tax exemptions, but could benefit from other tax exemptions such as GST and pay-roll tax exemptions.

By contrast, in the U.S. where journalism is recognised as a public good attracting tax deductibility for donors, the industry has been highly successful in attracting philanthropic support. Democracy Fund, for example, spent about \$13 million in 2021 to support local news in the U.S. Other significant philanthropic contributors to the U.S.

⁴ Attard M, Dickson G & Jehangir A, 2022, Media Diversity in Australia submission, Centre for Media Transition, University of Technology Sydney

⁵ Park S, 2022, *Digital News Report 2022*, University of Canberra, Canberra

⁶ Cairncross F, February 2019, *The Cairncross Review: A Sustainable Future for Journalism*, Department for Digital, Culture, Media and Sport, UK

news industry include the Racial Equity in Journalism Fund, Democracy Voice Fund, New Jersey Community Foundation, Carnegie Corporation, the Gates Family Foundation, the Knight Foundation, the Walton Family Foundation, Google News Initiative, impact investment firm FJC, Colorado Trust, and Lenfest Institute, who set up a National Trust for Local News in 2021.⁷ Australia not-for-profit media organisations have potential to attract grant funding from overseas foundations in the US, UK and Europe if they can demonstrate tax-deductibility. For example, a US foundation can make grants to international organisations if the recipient has the equivalent status to a US 501 3(c) not-for-profit under the US tax code.

LINA observes the success news publishers abroad have attained through integrating online fundraising platforms with their news services. The Institute for Non-Profit News (INN) in the US represented 27 not-for-profit news publishers in 2009 and now supports over 400 newsrooms producing public interest journalism. INN has raised \$230 million from individual donors for independent public interest journalism since 2017. In 2022 its coordinated fundraising campaign attracted over 350,000 people to donate to non-profit news for the first time, providing an example of the capacity of news organisations to increase potential donors. INN matches local donations with philanthropic contributions from national and regional funders, significantly increasing the scale of funding support for public interest journalism by \$25 million in matched funds in 2022, with almost 20% coming from family or local foundations. Similar fundraising efforts from news publishers in Australia, and LINA, are constrained by ineligibility to register as a charity.

LINA notes trends toward fewer people making charitable donations in Australia and suggests local news services as one means of using widespread media reach to encourage more people to give, as per the Newsmatch example, as a public strategy to increase the status of giving. LINA is well-placed to provide platform support, campaign tools and philanthropic partnerships for its members, taking a similar coordination role to the INN template. Newsrooms here in Australia have access to the same tools to run fundraising activities online, if not the same population base. While it is possible to run a coordinated appeal for contributions to newsrooms in a similar fashion to INN's Newsmatch program, such activity would have much greater financial impact if individual donations were tax deductible.

Conclusion

In the Australian market, smaller populations and cost of living pressures will limit the potential scope of donations compared to international counterparts. However, the Digital News Report indicates an increasing number of people are making donations to support digital news services, and feedback LINA has received from the philanthropic community to date indicates a willingness to support newsrooms with donations should DGR status be applicable. Given the enthusiasm expressed by the giving community, and the urgency to support media diversity, curb the spread of misinformation and respond to information deficits in under-represented communities, LINA urges the Government to act now to provide a new avenue for revenue generation for public interest news publishers. Here lies an opportunity to complement existing government investment with philanthropic funds to address concerns shared by government, industry and community about news plurality in Australia; increasing philanthropic and individual giving in a very public setting with effectiveness measures already in development.

LINA would be happy to discuss these suggested measures further and thanks the Productivity Commission for its consideration of these matters.

⁷ Schriffin A, Clifford, H & Dame Adjin-Tettey T, January 2022, *Saving Journalism 2: Global Strategies and a Look at Investigative Journalism*, Konrad Adenauer Stiftung, Washington