



FOLD THE FRONT PAGE?

That newspapers and independent journalism are taking a major hit from digital platforms is apparent, but what is the extent of the impact? **ROD SIMS** of Australia's competition authority describes an inquiry that is setting a global agenda

The digital revolution, the so-called 4th industrial revolution, has been growing in influence since the middle of the last century, just about the time the IIC was established. It is appropriate to be contributing this article to an organisation that has been on the frontline of chronicling the digital communications issues that have significantly disrupted the way people live and work over the past 50 years.

While the dramatic emergence of a few dominant digital platforms over the past two decades has provided many social and economic benefits, it has also led to an increasing imbalance between these platforms, consumers and businesses, without corresponding changes in the regulatory landscape.

On 4 December 2017, the Australian government directed the Australian Competition and Consumer Commission (ACCC) to conduct an inquiry into digital platforms to examine the effect that digital search engines, social media platforms and other digital content aggregation platforms have on competition in media and advertising services markets. The Digital Platforms Inquiry (DPI) looked at a large number of issues. Issues of particular relevance to the media sector include:

- The extent of market power of digital platforms

- The impact of digital platforms on choice and quality of news and journalism
- The extent to which digital platforms have changed the media and advertising markets, including the ability to produce high-quality news and journalism for Australians
- Whether the digital platforms have an unfair competitive advantage as a result of unequal treatment of regulation
- The implications for those who consume news and journalism content.

The inquiry afforded the ACCC the opportunity to look at these issues in a holistic way, highlighting the intersection between competition, consumer protection and privacy issues.

The government's terms of reference directed us to look at the following categories of digital platforms: search engines (for example, Google, Bing, DuckDuckGo); social media platforms (for example, Facebook, Instagram and Snapchat); and other digital content aggregators, such as Apple News. Other types of digital platforms including online dating services, real estate platforms and e-commerce platforms such as Amazon were not covered by the inquiry. In relation to Amazon, at the time of the inquiry, Amazon was a small player ➔

◀ in Australia and also did not offer news or journalism.

The ACCC looked at the digital platforms' disruptive impact on three sets of stakeholders: media content creators, advertisers and consumers. This article, however, will primarily focus on the impact on media markets, including changes to the production and consumption of news and journalism and the impact on consumers of news and journalism.

IMPACT ON THE PRODUCTION OF NEWS AND JOURNALISM

Cost savings. Digital platforms have created opportunities and cost savings for online media by enabling news media businesses to reach a larger potential audience and lowering the costs of research, production and distribution.

Digital platforms can be extremely effective tools for journalists, aiding the process of news gathering and reporting. The lower cost of producing and distributing online content has also assisted the entry of smaller scale “digital native” news producers, which previously would not have been able to afford the costs of traditional production and distribution methods.

Reduction in advertising revenue of news media businesses. However, the reduction in advertising revenue which flowed to Australian news media businesses over the past 20 years, for reasons including the rise of online advertising, has reduced the ability of these businesses to fund Australian news and journalism.

Australian commercial media businesses have traditionally relied heavily on advertising. Free-to-air commercial television and radio broadcasters provide programming without charging their audiences and rely, almost exclusively, on the sale of broadcast advertising to generate revenue. Similarly, Australian print publishers traditionally generated the vast majority of their revenue by printing advertisements and classifieds, with only a small proportion of their income generated by subscription fees and cover prices.

Print media businesses (now print/online media businesses) have been the most significantly impacted by the reduction in advertising revenue.

They first suffered a significant reduction through the unbundling of classified advertisements from newspapers and the emergence in Australia of online classifieds such as eBay, SEEK and Carsales.com.au.

This resulted in a decline from AU\$2 billion in classified advertising revenue in 2001 to AU\$200 million in 2016 (nominal figure). If these figures are adjusted for inflation, the decline over the same period is from AU\$3.7 billion to AU\$225 million.

The decline in advertising revenue available to traditional media businesses continued as Australian consumers increased their use of the internet. This move online has brought benefits to advertisers (including media businesses). For advertisers, digital platforms have provided a cheaper and more targeted way of reaching consumers who spend an increasing amount of their time online.

However digital advertising, particularly programmatic advertising, is often a “black box” to both advertisers and the websites and apps on which they advertise. The automated advertising supply chain is particularly opaque. The ACCC's final report¹ provides considerable insights into this market.

While not all online advertising revenue goes to digital platforms, a large proportion has flowed to Google and Facebook.

The total online advertising market in Australia has grown by AU\$3.7 billion between 2014 and 2018 and Google and Facebook account for 84% of that growth.

As a consequence of

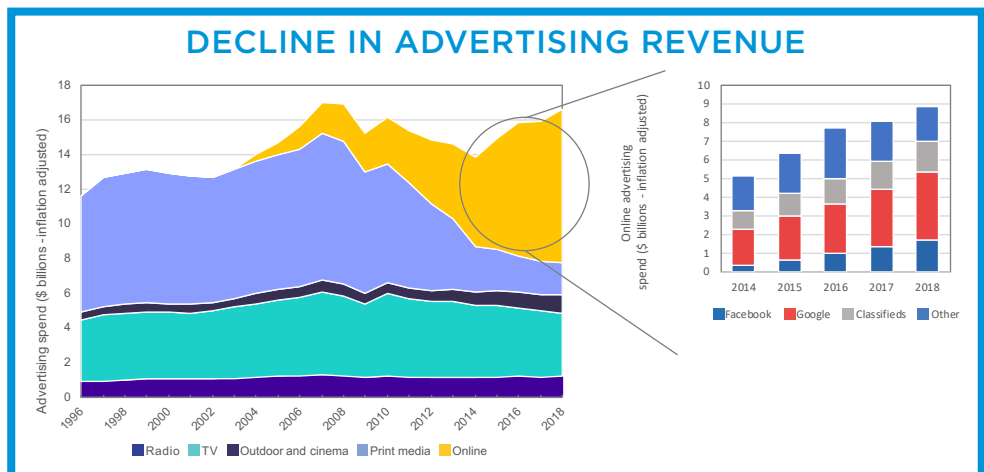
the shift in advertising revenue from traditional news media businesses and other suppliers of traditional advertising to digital platforms, news media businesses have faced difficulties in monetising their content, which has affected their ability to invest in news and journalism.

Reduction in the number of journalists and quantity of journalism produced. The decline in advertising revenue available to media companies has had a quantifiable impact on the production of journalism in Australia.

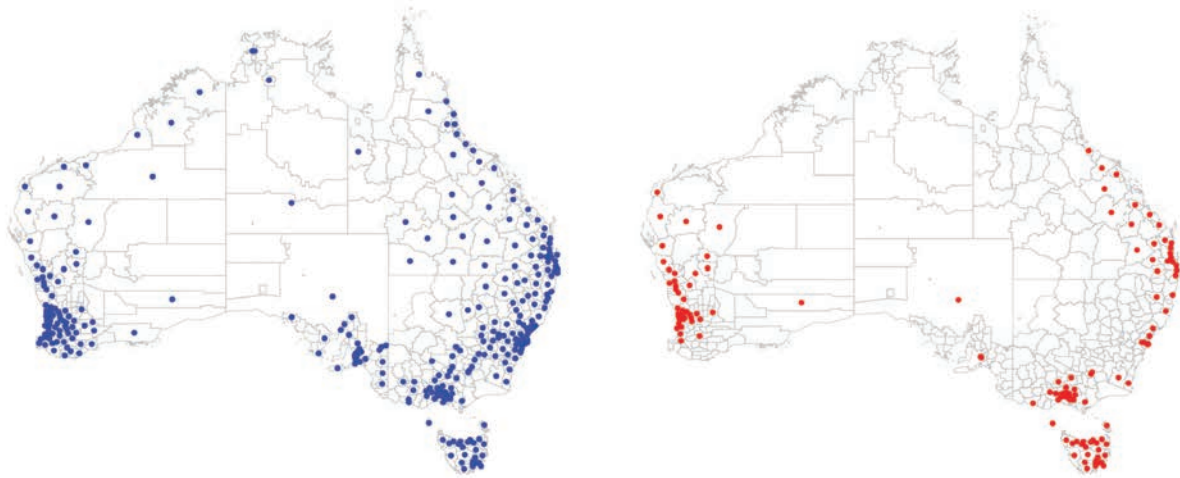
Census data show that from 2006 to 2016, the number of Australians in journalism-related occupations fell by 9% overall, and by 26% for traditional print journalists (including those journalists working for print/online news media businesses). Data provided to the ACCC by Australia's major media companies show the number of journalists in traditional print media businesses fell by 20% from 2014 to 2018. This is at a time



Australians in journalism-related occupations fell by 9% overall, and by 26% for print.



COVERAGE AND CLOSURE OF PUBLICATIONS



Geographical coverage and closure of regional and community publications (2008-2018). Blue dots indicate local government areas where a local or regional publication was published between 2008 and 2018. Red dots indicate local government areas where a local or regional publication ended circulation between 2008 and 2018. Closure of a single publication can affect multiple local government areas

when Australia’s population and economy were growing strongly.

These changes have affected local journalism in particular. Data collected by the ACCC show that between 2008 and 2018, 106 local and regional newspaper titles closed across Australia, representing a net 15% decrease in the number of these publications (see graphic above). These closures left 21 local government areas previously covered by these titles without coverage from a single local newspaper (in either print or online formats), including 16 local government areas in regional Australia.

We also carried out an assessment of print articles published in metropolitan and national daily newspapers by three of the largest Australian news publisher groups. This research demonstrated a significant reduction in the provision of certain categories of articles over the past 15 years, particularly local government, local court, and health and science reporting.

The risk that public interest news and journalism including local and regional reporting may be under-produced is an important societal issue. News and journalism generate important benefits for society through the production and dissemination of knowledge, the exposure of corruption, and holding governments and other decision-makers to account.

While our assessment of articles produced focused on traditional news publishers, we also considered whether new market entrants, and in particular the so-called “digital native” publishers, have offset the reduced provision of particular types of journalism in Australia.

Most digital native publishers in Australia are less than 10 years old and, like traditional publishers operating online, many are highly dependent on digital platforms for building and retaining audiences. For commercial reasons, these publishers generally have a broad national or international

focus, but there are also a range of niche providers covering specialist areas.

Editorial jobs at Australian digital native publishers tend to be small in number, and digital natives such as BuzzFeed in Australia have been subject to recent redundancies, reflecting the fact that these publishers are subject to many of the same financial challenges as traditional media businesses.

For these reasons, it appears unlikely that digital natives will fully compensate for reductions in output by traditional journalism companies, particularly at a local level.

IMBALANCE IN THE BARGAINING RELATIONSHIP BETWEEN NEWS MEDIA BUSINESSES AND DIGITAL PLATFORMS

The financial difficulties of the traditional print sector (now the print/online media sector) have occurred at the same time as their content has been used by digital platforms to attract and retain consumers. Google and Facebook in particular generate a significant number of referrals to the websites of news media businesses and are unavoidable trading partners for a significant number of media businesses. These digital platforms appear to be more important to the major news media businesses than any one news media business is to the platforms. This creates a fundamental bargaining power imbalance between media businesses and Google and Facebook.

In the course of the inquiry we considered a number of concerns from media businesses stemming from this imbalance in bargaining power. These include the lack of warning of changes to key algorithms relating to the display of news content, the implementation of policies and formats that may have a significant and adverse impact on the ability of media businesses to monetise their content, and the impact of such policies on the incentives for the creation of news and journalism.

← **IMPACT ON CONSUMPTION OF NEWS AND JOURNALISM**

In addition to the impact of digital platforms on the production of news and journalism, the final report highlights a number of ways digital platforms have affected how news and journalism is consumed, including the atomisation of news, the impact of audience feedback on news and journalism produced, and the diminishing incentives to provide high-quality journalism.

News content accessed through search engines, social media platforms and news aggregators is served as a mixture of content from different sources. This inherently involves the atomisation of the content: the process by which individual articles are decoupled from their source and consumed on an article-by-article basis. This may have the effect of distancing journalism from its creator and diluting the value of the publisher’s news media brand. Under this atomised model, the success of a particular piece of news content depends on both the operation of the platform’s algorithms and the behaviour of users.

This environment encourages news media businesses to optimise their content for commenting and sharing on an article-by-article basis. Overall, this creates and compounds commercial incentives to focus on emotional or sensationalised content that acts as “click bait” to attract consumer attention. The impact of this focus on audience engagement extends beyond the content of individual articles. Our final report notes that several stakeholders highlighted that the commercial importance of audience numbers and interactions has likely reduced the viability of some forms of public interest journalism, such as local court reporting.

The atomisation of news content has also made it difficult for news consumers to gauge the reliability of journalism they access online, even as digital platforms have become a primary source of news for many younger people. Misinformation and disinformation (“fake news”) is particularly hard to identify on social media, where news content is often presented alongside content that has no relationship to news at all.

This has affected audience trust in journalism. Around 92% of respondents to an ACCC survey were concerned about the quality of news they were consuming, with respondents expressing concerns about stories being made up for political and commercial reasons (29%), misleading commentary (19%), and factual mistakes (16%). The 2019 Digital News Report by the Reuters Institute found that 62% of Australian news consumers had a high level of concern about the veracity of online information, above the global average of 55%.²

Some digital platforms have introduced tools to assist consumers to judge the accuracy and source of news content accessed on their services. These tools vary between platforms and it is difficult to judge how effective they are.

IMBALANCE IN REGULATORY TREATMENT

As the media landscape has evolved in the past 50 years, the roles and functions of media companies and digital platforms have likewise changed.

Increasingly, digital platforms actively participate in the online news ecosystem in similar ways to news publishers and broadcasters.

While the ACCC doesn’t consider the functions of digital platforms and news media businesses to be comparable in all cases, where digital platforms perform comparable functions to media businesses, we consider that they should be regulated similarly. For example the imbalance in the regulatory treatment of content delivered via traditional broadcasting, as compared with digital platforms, is distortionary and should be addressed.

Digitisation and the increase in online sources of media content highlight inconsistencies in the current sector-specific approach to media regulation in Australia that have given rise to an uneven playing field between digital platforms and some



Virtually no media regulation applies to digital platforms; this creates regulatory disparity.



news media businesses. Digital platforms increasingly perform similar functions to media businesses, such as selecting and curating content, evaluating content, and ranking and arranging content online.

Despite this, virtually no media regulation applies to digital platforms. This creates regulatory disparity between some digital platforms and some more heavily regulated media businesses that perform comparable functions. This regulatory disparity has two potential consequences:

- The regulation may be less effective and unable to meet the goals set by policymakers (for example, protecting children from inappropriate advertisements or content)
- The disparity risks distorting competition, such as competition between the digital platforms and media businesses supplying advertising opportunities.

The disparity exists due largely to the failure of current regulatory frameworks to keep pace with changes in technology, consumer preferences and the way in which media businesses now operate.

ACCC RECOMMENDATIONS

We have made a number of recommendations specifically in relation to media businesses and news and journalism.

- We recommended that designated digital platforms be required to provide enforceable codes of conduct governing the relationships between them and media businesses to the Australian Communications and Media Authority (ACMA). Each platform’s code should ensure that it treats news media businesses fairly, reasonably and transparently in their commercial dealings with them and involve appropriate value sharing. Where a digital platform is unable to submit an acceptable code to the ACMA within 9 months of designation, the ACMA can create a mandatory standard to apply to the platform.
- We also recommended that the regulatory frameworks governing media, communications and

REFERENCES

1 Digital platforms inquiry - final report. ACCC, 26 July 2019. bit.ly/2GtUJLk
 2 Newman N et al. (2019). Digital News Report 2019. Reuters Institute. digitalnewsreport.org
 3 The Cairncross Review: A sustainable future for journalism. Department for Digital, Culture, Media and Sport, 12 February 2019. bit.ly/2SvCQWe
 4 Foster R, Bunting M (2019). Public funding of high-quality journalism. Case studies of schemes for funding high quality journalism. bit.ly/2lZccph

advertising be aligned as appropriate, as they do not allow competition on the merits. We recommended that a new platform-neutral regulatory framework be developed to ensure effective and consistent regulatory oversight of all entities involved in content production or delivery in Australia, including media businesses, publishers, broadcasters and digital platforms. This would create a level playing field that promotes competition in Australian media and advertising markets. The framework should, as far as possible, be clear and contain appropriate enforcement mechanisms and meaningful sanctions.

- To address the risk of under-provision of local journalism, we recommended a new grants programme to replace Australia’s existing Regional and Small Publishers Jobs and Innovation Package, which is due to terminate in June 2021. The new programme should be designed to support original local and regional journalism, including coverage of matters relevant to local and regional communities, such as local courts, local issues and local government. The government should review this programme after 3 years of operation to assess its effectiveness and to determine whether it should be expanded to other areas of public interest journalism at risk of under-provision by the Australian commercial media market.

- The inquiry also recommended continued funding for the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS), which provide public interest journalism, and that the government considers taxation measures to encourage philanthropic support for public interest journalism.

To address the concern that consumers accessing news through digital platforms potentially risk exposure to unreliable news and also disinformation, the final report recommended that:

- An independent regulator, such as the ACMA, should monitor the various initiatives by the platforms to help consumers identify reliable and trustworthy news sources

- Digital platforms be required to implement an enforceable industry code which would set out a process for the handling of complaints about disinformation and about their services.

These measures, combined with consideration of digital literacy in schools and the community more broadly, should reduce the potential negative impacts of unreliable and malicious news on consumers.

We are not recommending establishing a new regulator with oversight of digital platforms and the dissemination of news. Rather, more effective and targeted oversight would be provided by supplementing the functions of existing Australian enforcement and regulatory agencies. The ACCC already works closely with other Australian government entities, in particular, with regulators the ACMA and the Office of the Australian Information Commissioner. Together and separately, these agencies cover a broad range of policy issues and potential enforcement actions raised by the conduct of the digital platforms.



We are not recommending a new regulator with oversight of digital platforms and the dissemination of news be established.



In relation to the ACCC, the government has accepted a recommendation in the report to create a digital platforms branch within the ACCC to monitor and investigate instances of anti-competitive conduct and consumer harm arising from the large digital platforms’ actions. It is intended that this branch will conduct further targeted inquiries and make information available through regular public reports and where appropriate, recommendations to government to address market failure.

CONSIDERATION OF THESE ISSUES IN OTHER JURISDICTIONS

Following the publication of the ACCC’s preliminary report in December 2018, there were a number of significant reports published internationally that dealt with some of the same concerns addressed in our inquiry. The increased international focus on the impact of digital platforms, their business models and the significance of the user data they collect demonstrates the substantial and widespread impact of digital platforms, irrespective of geography.

Of particular interest to the set of media issues being considered by the ACCC inquiry and canvassed in this article is the review commissioned in March 2018 by the UK government into the sustainability of high-quality journalism and, in particular, the future of the press, led by Frances Cairncross.

The Cairncross Review was published in February 2019,³ and a number of recommendations were made. These include that leading digital platforms be required to set out codes of conduct to govern their commercial arrangements with news publishers to rebalance their relationship with media businesses; regulatory supervision of digital platforms’ efforts to improve user’s experience of news; innovation funding and funding for local news; new forms of tax reliefs; and the establishment of an institute for public interest news.

Concerns about the sustainability of high-quality journalism are clearly not limited to the UK and Australia. In the course of the inquiry, we commissioned research from consultancy Communications Chambers on international approaches to public funding of the production of journalism. The results of that research are presented in a two phase report which is available on the DPI page of the ACCC website.⁴

CONTINUING INTERNATIONAL ENGAGEMENT

Many of the recommendations in the ACCC’s final report involve policy proposals. The decision on how and when to act on these recommendations ultimately lies with the government.

At this stage, it is not yet clear how many of the recommendations contained in the final report will be taken up by the government and progressed into policy.

Certainly, implementation of some of the key recommendations would benefit from coordination across national borders. Concerns about the power and influence of digital platforms, and how they might be regulated, are not unique to Australia. It is envisioned that the digital platforms branch to be established within the ACCC will work closely with international agencies in order to share learning, enhance cross-border enforcement and, where appropriate, share information and align approaches. This follows the close engagement that the ACCC had in the course of the inquiry with overseas competition and consumer agencies as well as with those working on key government initiated reviews.

ROD SIMS is chair of the Australian Competition and Consumer Commission.