

In the age of the ten-dollar printing press

WorkDay Media on the provision of information to Australian communities

Ian Rogers, publisher
David Walker, chief operating officer

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About WorkDay Media

WorkDay Media exists to publish:

- reliable and insightful journalism
- with the right combination of industry focus, format and publication time
- that makes people happy - even eager - to pay for it.

Our current publications are *Banking Day* and *The Bank Investor*. *Banking Day* began publication in 2003 and has been described by Rismark International CEO Christopher Joye as “the industry bible” for Australian banking. It publishes close to 2000 articles per year on banking and finance topics, the substantial majority involving original journalism by *Banking Day* writers. More than 2300 subscribers receive a paid daily email copy of the publication.

WorkDay Media is an entirely online business. From the phone system to the accounting system, all our systems are Internet-based. We work with editorial contributors, suppliers and partners across Australia and from Auckland to Chicago.

As an organisation, we believe in the need for journalists to report and comment fairly, and to seek out and publish the truth.

WorkDay Media publisher Ian Rogers and chief operating officer David Walker have many years of experience in journalism, online publishing and commerce, and public policy.

Ian Rogers is WorkDay Media's publisher and in charge of all editorial activities. Formerly financial services editor of *The Australian Financial Review*, Ian has written on banking since 1989. He also co-edited (with Michael Carman) the 1999 book *Out of the Rut* on Australian public policy issues. He founded *Banking Day* in 2003 and has made it one of Australia's most successful for-profit email information services. Based in Melbourne, Ian edits *Banking Day* and writes on a wide range of banking topics.

David Walker is WorkDay Media's chief operating officer. Before coming to the company in April 2010, David was the director of strategic communications and advocacy for the Business Council of Australia. Prior to that he was a consultant to the federal government's 2008 Innovation Inquiry and director of policy and communications for the Committee for the Economic Development of Australia (CEDA), where he was responsible for, among other works, a major report on Australian broadband policy. His earlier roles include site director at online financial services startup eChoice, and online business editor and columnist at *The Age*. From 1990 to 1993 he was a member of the Canberra Press Gallery.

Summary

The decline of newspapers in an age of online media is real and inevitable. However, the problems caused by this decline are overstated. And the rise of online media promises to provide the community access to a far greater range of information sources than Australia has ever before enjoyed.

So this change in the balance of media provides no justification either for moves to extend the regulatory net, or to protect newspapers from their fate.

But governments can still take sensible, low-cost steps to encourage a better media landscape for the next 20 years.

Recommendations to the Independent Media Inquiry

Recommendation 1: Recognise the vast quantity, diversity and quality of new content providers that have sprung up over the past 20 years and that will appear over the next 20.

Recommendation 2: Avoid subsidies to existing major media organisations, especially in areas contestable by new providers.

Recommendation 3: Improve delivery of government information.

Recommendation 4: Encourage the Australian Press Council to open membership to smaller organisations.

Why this document

This document began as WorkDay Media's submission to the federal government's Independent Media Inquiry. It has been written in the hope that it will:

- Provide insight into the day-to-day business operations of what is still often called "new media".
- Clarify elements of the economic models underpinning traditional media and "new media".
- Suggest ways to usefully support the media forms whose development will matter to Australians in the next 20 years.
- Suggest why superficially attractive options for support of traditional media will likely have different effects from those their proponents intend.
- Suggest how the Australian Press Council may best evolve as a useful social institution.

As co-authors, we have a combined 22 years' experience in online media as well as extensive experience in public policy. Together we are now running a profitable online media business which has already become an influential player in its market.

The term "major media" is used in this submission to signify large and long-standing media channels such as newspapers and television stations².

We welcome any responses to the views in this submission:
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The economics of old and new media

The economics of information has fundamentally shifted in the past 20 years.

Overall, this shift in the economics of information is an enormous boon. For content consumers and the vast majority of potential content creators, information is being created and distributed more easily, at less cost, and with greater richness than ever before in history.

Three underlying changes have transformed media economics.

² These major media have in many cases embraced online publishing, so that the term "traditional media" does not capture the scope of their activities.

The new Gutenberg gift

The single biggest benefit to Australians from the changed economics of information is that content creators now have the means and the incentives to distribute a large amount of material to the community at low cost. By "content creators", we mean everyone from the Parliament of Australia to the local junior football club.

This change is historic and profound. The power of content distribution that was given to a few by Johannes Gutenberg in 1439 has now been given to almost everyone in Australia.

Content distribution is an activity in which barriers to entry were traditionally high. When newspapers were the only arena for publication of complex textual content, you needed a large press and a distribution network. Radio and television stations needed their own expensive equipment, as well as government licences based on a historic scarcity of bandwidth.

In economic terms, a newspaper is also an agent in a "two-sided market": it brings together advertisers and information consumers³. As is typical of two-sided markets, it bundled together two services – in this case, content distribution and advertising distribution.

But any Australian with an Internet connection and a computer can now have access to extremely sophisticated content distribution for \$10 a month.

This \$10 a month is the cost of purchasing Web hosting facilities with sophisticated online publishing tools, such as the Drupal content management system used by BBC Magazines, CNN's Asian travel site and Warner Brothers Records⁴.

This is the "ten-dollar printing press" referred to in the title of this submission.

Many distribution mechanisms are now available for free. They range from weblog platforms such as Blogger to social media tools such as Facebook pages to free email distribution list tools such as Mailchimp. These tools can be used to reach audiences of tens or hundreds of thousands or even millions of people.

Digital delivery mechanisms such as email, the Web and social media are not only cheap but in many ways more effective than newsagency delivery. Material that would have to be retrieved from a broadsheet newspaper thrown into a cold garden on a Thursday morning can instead be viewed on an

³ See Parker, et al., 2000

⁴ Prices from web hosting provider Dreamhost, dreamhost.com. As at 21 October 2011, Dreamhost provided its standard shared server package for \$US8.95 a month. This includes access to a pre-installed version of the Drupal content management system, which is used to managed the cited sites. In 2010 Dreamhost hosted over one million domains, making it a representative large player in the industry.

iPad over breakfast or supper, in some cases 24 hours earlier.

Content *distribution* has always been newspapers' main economic role in the content cycle. Their role in content *creation* has always been smaller than it has appeared. Although most newspapers have many of their journalists working out of large central newsrooms, these are largely an artefact of newspapers' historic oligopoly position in distribution. It would in fact be perfectly viable to run a newspaper without such facilities. A content outlet with a few journalists is likely to be as efficient at the *creation* of text and still images as an outlet with many journalists.

In economic terms, content creation has:

- **Low agglomeration economies:** Journalists usually work physically isolated from each other, rather than in teams needing face-to-face contact. In WorkDay Media's case, only our publisher and chief operating officer are

located in the same office for any substantial period of a typical working week. This is not to say that contributors work "alone". there is interaction between contributors, but it usually occurs via email and phone. Indeed, on balance there are some benefits to having contributors working at their separate homes.

- **Few capital needs:** The journalists who create newspaper text content don't need much to do their work: phones, simple computers, notepads etc.. You can write with a \$200 computer and communicate and record with a \$600 iPhone or a \$35 piece of PC software. The capital needs of photojournalists are somewhat higher, but not remarkably so.
- **Almost no economies of scale:** One journalist generates pretty much exactly one per cent of the content generated by 100 journalists. Most of typical scale effects of increasing staff – cheaper purchasing, lower finance costs, better access to technology –do not apply⁵. This is arguably a typical result for a service business⁶.

Newspapers play several other roles in the content creation function, but they are not uniquely important in any of them:

- **Leadership:** Many journalists can benefit from having an editor focus, guide and discuss their work. However, this can be done via electronic communication and the majority of the benefits are captured by the journalist. That is, it is reasonable to expect that journalists with channels available for selling their content might purchase the "coaching" service of an editor. However, the value of such services may decline as the abilities and experience of the journalist

⁵ In the case of finance, this is largely because capital needs are so low.

⁶ See for example the work of the service management thinker John Seddon.

risers. WorkDay Media generates some value from this editing function within our titles, but we do not delude ourselves that this is a powerful value-add.

- **Quality control:** This is easily outsourced.

Text and still image content creation is now effectively a cottage industry, highly distributed rather than highly concentrated and heavily co-ordinated. It is likely to remain so over the next two decades.

This is why, once the Internet removed high barriers to entry in content *distribution*, newspapers immediately became so much less important as engines of information. Once newspapers began to lose their power over content distribution, the economic viability of their bundle of content and advertising services rapidly began to ebb – a characteristic response for agents in a two-sided market. As content consumers found newspapers less compelling, advertisers had less incentive to advertise. As the FCC put it:

“[A] consumer who bought the newspaper for the [baseball] box scores was helping to pay the salary of the city hall reporter. Today, a reader can get a mobile app that provides only box scores (with second-by-second updates!). The bundle is broken—and so is the cross-subsidy.”⁷

At the same time, online media gave advertisers different ways to reach their customers.

The change in the economics of content distribution really does have profound implications for what we have traditionally called “the media”.

The inquiry should bear this in mind when considering these questions:

- How are existing major media likely to evolve? This submission contends that existing “major media”, particularly newspapers, will continue to become less central to Australian society over the next 20 years.
- Can laws be written on the basis of an institution known as “the media”? This submission contends that such an institution barely now exists, and that it is dissolving year by year. Instead of “the media” we now have what might clumsily be called “community information providers”, a group which extends from Parliament to daily newspapers to individual bloggers and the local footy club.
- Are “major media outlets” the appropriate target for any subsidy on which the inquiry may decide? This submission contends that if subsidies are to be provided – and we do *not* think they should – then such subsidies should go instead to individual journalists.

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The explosion of media channels

The new media forms enabled by this technology have a tremendous range. Some are new publications from traditional institutions. Others did not exist a decade ago. A representative sample:

- **Hansard:** the long-established parliamentary record is now available and searchable online. The importance of this facility should not be underestimated: the parliamentary discussions which for decades have been available in text form only to a few are now available to all, often within hours of having occurred.
 - **ABC Radio:** audio and transcripts are now easily accessible for productions going back many years. In podcast form, ABC audio is reaching a large new audience of highly engaged listeners who were previously unable or unwilling to listen to its productions at the time they were broadcast.. This combined audio and text service has moved the ABC into competition with newspapers to supply audience with news, current affairs and other products.
 - **Banking Day:** The subscription daily email newsletter and website archive published by WorkDay Media. It is broadly in competition with the banking section of the Financial Review and the finance sections of the Australian broadsheet newspapers.
 - **Aussie Macro Moments:** Economist Christopher Joye blogs on financial issues, providing free high-quality commentary on issues concerning the conduct of monetary policy, the operations of the Reserve Bank and the Australian property market. Joye’s interpretations are in many cases seen as better-informed and shrewder than those available in mainstream Australian financial media.
 - **Club Troppo:** A group of bloggers led by academic Ken Parish and professional economist Nicholas Gruen examine a wide range of cultural, economic and political issues, with free-wheeling and often heated discussion.
 - **Footy Almanac:** Former Age journalist John Harms oversees a team of almost 300 contributors writing match reports, essays and much else about Australian Rules Football. The site generates a yearly print publication, The Footy Almanac.
- These publications and many others are now duplicating many of the content creation, aggregation and distribution functions traditionally performed by newspapers, while adding the new dimensions that online media make possible:
- Comment facilities allow immediate feedback from readers of much published online content. On sites where such facilities are enabled, the volume of comment frequently vastly outweighs

⁷ See Federal Communications Commission (US), 2011 p. 17

the amount of material posted in the original item. The websites of Crikey, Club Troppo, Catallaxy Files, The Australian and The Age all provide notable examples just in the realm of political debate. Whereas the newspaper letters page has typically been viewed as a secondary feature of newspapers, two-way discussion facilities are a core feature of online content.

- Some content previously supplied by newspapers will come from other subscription sources. This appears to be the case for financial news and analysis, where some barriers to entry exist because of the complex nature of the material and the high wages existing in parts of the finance industry.
- Much content that we previously got from newspaper is becoming free and disintermediated. Weather, stock prices, word puzzles and the TV schedule, for instance, are now available directly rather than through a newspaper⁸. Similarly, parliamentary debates can now be viewed via Hansard online by readers who would previously have had to rely on newspaper accounts if they could not listen to Parliament when it was broadcast (or if discussions of interest were occurring in the house not being broadcast on a particular day).
- Much of this content is also becoming available in greater diversity. Political and economic news and commentary, advice to new mothers and computer users, word puzzles and reports of football matches will come from dozens of sources rather than just a few.
 - For instance, newspaper economic commentators are now confronted by local free-access bloggers such as former Reserve Bank economist Christopher Joye and former government adviser Nicholas Gruen, as well as Nobel Prize winners like Brad Delong and Gary Becker.
- Syndicated reports will become increasingly important as compared to newspaper reports. Agencies such as AAP have found a ready market amongst online content providers, although at a much lower price point than was the case when newspapers were their only customers.
- Content whose raw material is prepared by third parties such as corporations, unions and lobby groups will also continue to be produced and distributed. It is left to others to judge the value of such material, but its continued existence is not in doubt.
- Finally and perhaps most importantly, huge amounts of new content are becoming available on niche topics to which major media outlets have never paid much attention, but which deeply matters to particular audience groups.
 - To give but one example, the match reports and photographs of the Northcote Junior

⁸ For many newspaper readers, these were central reasons for buying a paper.

Football Club matter far more to most players' family members than the racing results published by their metropolitan newspapers.. The NJFC can now publish this material cheaply to an audience across Melbourne, Australia and the world.

Niche audiences are often (although not always) individually small. But because they number in the millions they may be the most important beneficiaries of the new Gutenberg gift.⁹

The richness of such sources is routinely underestimated. One leading Australian media academic, David McKnight, has gone so far as to claim that "there is really no such thing as online news ... what there is is news from newspapers and news from the BBC and ABC ..."¹⁰

Paying the bills

This huge new range of information forms, sources and channels is sustained by a far more complicated mix of funding than ever before – advertising, subscription payments, referral fees, sales commissions, sponsorship, charity and, perhaps most important of all, individuals' contributions of their time under the perennial motivation of wanting to make themselves heard in the world¹¹.

Recovering the costs of journalism in this environment poses significant challenges. The greatest are:

- The challenge of monetization – that is, turning engagement with content into revenue. Information economist Hal Varian, now Google's chief economist, is correct when he says that the "online world reflects offline: news, narrowly defined, is hard to monetize."¹² The largest monetization opportunities, Varian argues, are tied to travel, health, shopping, computers and electronic goods, where "contextual targeting" of advertising is effective in generating sales for advertisers. Such targeted advertising does not work well for traditional news content.
- Free-riding: Once journalism is in digital text form, it is difficult to restrict its re-distribution to non-paying users. Media organisations which try to impose such restrictions typically find themselves criticised as user-unfriendly. The result is that revenues for online publishers can be less than is socially optimal. This is a continuing challenge for products such as *Banking Day*.

The online world reflects offline: news, narrowly defined, is hard to monetize.

⁹ This explosion of small but numerous sub-audiences has been referred to as "the long tail", in reference to the shape of a graph plotting the number of audiences against the size of their memberships.

¹⁰ See McKnight, 2011

¹¹ See on this point Pew Research Centre's Project for Excellence in Journalism, 2011

¹² See Varian, 2010

- Major media cross-subsidies: Major media online properties publishing content acquired from their corresponding print titles at essentially uneconomic rates. Although this content is supported by advertising, the revenues from that advertising are unlikely to cover the true arms-length cost of purchasing the editorial material.

The funding mix is not yet settled and experimentation continues. WorkDay Media is actively involved in this experimentation. Our flagship product, *Banking Day*, is a profitable publication providing financial news to subscribers who pay a fee of up to \$1790 per year for a daily email plus access to a password-protected website. We believe the email publishing model is under-exploited, notably by traditional media publishers who see websites as closer to their traditional model.

The economics of such publishing ventures is very different from that of major media. News must be differentiated from competitors' news product, or there will be pressures to push prices down to next to nothing¹³. Fixed costs are kept very low, on the expectation that economies of scale will be relatively small. Close attention is paid to the sales and marketing functions, because the product is not as immediately well-known as a major media website. Original journalism is supported by content curation – summarising and linking of items of interest from other sources.

Selling journalism, unbundled from advertising, is hard work and has always been so. The funding of journalism will continue to present both challenges and opportunities.

The Amazon effect

Beyond the gain from cheap content distribution, a second important gain from online media is that commercial search and acquisition functions become much more efficient when information about and transactions for products and services goes online. You can advertise for skilled employees or buy a book literally in minutes, at lower cost than was possible pre-Internet.

As soon as such systems became available in the 1990s, with web servers hooked up to relational databases and payments systems, their effects became apparent. Among the first sites to exploit this effect were the Amazon book retailing site and the Craigslist US employment listings service.

This technology quickly started siphoning off from newspapers ads for jobs, cars and real estate, because the Web delivers these much better than newspaper.

Such classified advertisement revenue streams were referred to by the late Kerry Packer, as “rivers of

¹³ In technical terms, this is “Bertrand competition”, where prices for an undifferentiated product are competed down to marginal cost.

gold”, a phrase that signified their disproportionate economic significance in the media industry.

The half that's wasted

A third gain from online media, less often recognised, is that measurement of advertising effectiveness has improved substantially, to the point where it has become an important driver of marketing activity. It used to be a truism of the advertising industry that “I know half of my advertising spending is wasted, I just don't know which half”.

One effect of the collision of technology with marketing over the past 20 years has been to reveal that compared to rivals (including online advertising), newspaper display advertising is relatively ineffective at driving sales of products and services in fields where it might once have been regarded as effective.

Newspaper revenue figures suggest that newspaper advertising was becoming less attractive to marketers even before the Internet came into common public use. US newspaper ad revenues stagnated in real terms and began dropping as a share of GDP from around 1989¹⁴.

Newspapers lose

This combination of new content distribution technology, new search and acquisition technologies and improved measurement of advertising effectiveness has rendered much of the traditional newspaper's function uneconomic.

It is also important to note that newspaper circulation's decline began, at least in the US, long before the advent of the Internet. Hal Varian notes a secular trend decline in US newspaper circulation per household stretching back to at least 1947; the trend is virtually a straight

line., with the impact of the Internet impossible to detect¹⁵.

Newspapers have thus already dramatically lost impact in both editorial and advertising markets¹⁶. The impact on them may be compared to the impact which the advent of television wrought on the radio industry. Radio survived, but with its journalistic and drama content sharply reduced and replaced by cheaper content products - popular music and “talkback”. To the extent that they survive, newspapers can be expected to suffer the same fate.

If the traditional newspaper industry survives, it will be in much-changed form.

The current two national and nine capital city papers contract may well slowly in number, general content

¹⁴ See Varian, 2010 p. 6

¹⁵ See Varian, 2010 p. 11

¹⁶ The decline is documented for the US case in a major recent FCC study, “The Information Needs of Communities” (Federal Communications Commission (US), 2011).

offerings, news offerings, advertising volumes and circulation¹⁷.

In such a scenario, online offerings would remain complementary to print, and print versions would subsidise online product. This would likely be so regardless of whether the online offerings were free or paid-for. The profitability of the print product in this scenario would be supported through a variety of tactics, including:

- moves to different pricing mixes (mostly either to free distribution to drive advertising revenues or higher cover prices to drive circulation revenues);
- greater use of wire copy;
- greater use of unpaid editorial material; and/or
- copy-sharing between titles in different cities.

In an alternative scenario, most or all current major national and capital city newspapers – including the three major broadsheets and the *Australian Financial Review* – become uneconomic and eventually cease printing. The titles removed print market survive as much smaller online-only entities with reduced reporting staffs, operating as medium-scale news providers and as effective vehicles for opinion and debate. Upon making the transition to digital-only, these titles will begin to concentrate much more on user-generated content and low-cost blogs, the model pursued by online titles such as Huffington Post in the US. This scenario is favored by analysts including Roger Colman of CCZ Equities¹⁸, who has argued that "all metropolitan newspapers in print editions will be unprofitable, definitely, by 2020"¹⁹.

We don't know which of these scenarios will be closest to the truth. However, we can be reasonably sure of the direction of change. While overall global newspaper circulation is rising, this is due to an economic transition taking place in what were previously called "less developed countries". Circulations are falling in all higher-income nations, from the US to Belgium to South Korea²⁰.

A number of politicians continue to focus on the failings of "the press" as the most important issue in informing the community. This is a profound mistake. Viewed from any long-term perspective, newspapers are growing far less important in Australian society.

¹⁷ The contraction here is in the *structural* level of content, circulation and advertising – that is, the levels given a steady growth in GDP. There will be *cyclical* changes around this structural level as drivers including advertising market demand and unemployment rise and fall.

¹⁸ In relation to The Age and the Sydney Morning Herald, see Crook, 2011

¹⁹ See Colman, 2011

²⁰ See the figures provided in The Economist, 2011, part of a special presentation on "The news industry"

No more "the media"

One often overlooked effect of the changes in the media landscape is that there is arguably already no longer any such identifiable, limited group as "the media". Rather, there is a huge range of information forms, sources and channels with different levels, of reach, frequency, engagement, audience trust and motivation.

This may seem a dramatic conclusion to make. It is still often claimed that "the Australian media" is an oligopoly owned largely by the wealthy²¹. However, it is the conclusion shared by the US federal Communications Commission in a recent report²². The FCC started off writing a report on "the media" and ended up with a report which instead explicitly focused on "the information needs of communities"²³. As FCC report lead author Steve Waldman has observed:

*"[T]his isn't just about media. In the new world, people have different ways of getting information, including not using media."*²⁴

An analysis that focuses on the woes of "the Australian media" without identifying the dramatic widening of information sources beyond the major media over recent years will end up putting forward solutions unfit for the Australia of 2011, let alone 2021 or 2031.

The new media scorecard

It is theoretically easy to catalogue the woes of the existing newspaper industry: the loss of newsroom positions, the roles now unfilled by professional journalists, the reduction in column centimetres of coverage. Although we are not aware of this being done in Australia, it has been done in the US²⁵.

It is much harder to attempt to measure the gains in content quality and content provided by online media

over the past 20 years:

- The new media sources are far more numerous and difficult to count and assess.
- Many new media sources, such as private Facebook groups and email distribution lists, are effectively invisible.
- Their audiences are individually smaller, in many cases.
- The information provided is different: for instance, there is far more international information.

²¹ See, for instance, Waterford, 2006

²² The report is Federal Communications Commission (US), 2011

²³ See Meares, 2011

²⁴ See again Meares, 2011

²⁵ See for example Federal Communications Commission (US), 2011 p. 5

Losses to the public are specific and identifiable, while gains are diffuse and often difficult to identify and/or measure.

- The information is vastly more accessible; it does not simply appear and disappear in the space of 24 hours as a print newspaper usually does, but is typically available - and can be searched and retrieved - at any time.
- Online media are frequently more effective at facilitating discussion between large numbers of people, who each bring their own perspectives and information to the debate.

In this media transformation, losses to the public are specific and identifiable, while gains are diffuse and often difficult to identify and/or measure²⁶. Any assessment of the state of Australian media should not make the error of concentrating on large, known losses to the neglect of gains that are harder to document or assess.

Who wins? Citizens.

The Australian citizen is the main beneficiary of this shift in the economics of information.

In economic terms, newspapers have been able to keep the price of information high, and charge large economic rents for information services. Now plummeting barriers to entry mean effective prices are low and newspapers are unable to charge economic rents. Most of the surplus generated by Internet-enabled information transfer accrues to citizens as newly-enabled producers of media, or as consumers. The main losses are incurred by previous oligopoly providers and their suppliers, including their journalists.

(It is notable that the newspaper industry which mourned the loss of publications like the Melbourne Herald and the Sydney Sun for reducing media diversity has been somewhat reluctant to celebrate this development. This fuels the suspicion that some expressed concerns about the future of “media” are actually concerns about the job market for journalists and other media professionals. Such concern is understandable, but as noted above there is no good reason for it to drive public policy.)

It is important to note here that firms such as Google, while recording high headline profits, do not capture most of the economic value of their activity. Google is successful as a business because its costs are so relatively low and its user base so large that just by capturing revenues from a small percentage of its user base it can nevertheless turn a substantial profit. In aggregate economic terms consumers, not Google’s owners, are Google’s biggest beneficiaries. The consumer surplus²⁷ from

Firms such as Google, while recording high headline profits, do not capture most of the economic value of their activity.

²⁶ This is essentially the same problem presented in reform of national tariff systems. In both cases, gains accrue almost invisibly across a population, whereas losses are concentrated in a minority who are severely affected.

²⁷ Consumer surplus is the difference between the *maximum* price a consumer is ready to pay and the *actual* price they pay. Every time you are willing to pay more than a

the Internet in the US in early 2005 has been credibly estimated at around two per cent of GDP²⁸, and some commentators suggest a figure as high as four per cent is possible.

Online content distribution is a particular boon to Australia, because it connects our highly literate English-speaking population more closely to other such populations, including not just the US and the Commonwealth nations but also a huge and fast-growing English-language cohort in China and substantial English-speaking populations in Europe and elsewhere. This is reflected in world-leading usage rates for Internet-based communication and collaboration services such as Facebook.

Finally, the benefits of online content distribution extend beyond mere economics, to the quality of the society. The quotation from Oliver Wendell Holmes provided on page two of the Inquiry’s own issues paper²⁹ is relevant here:

“[T]he ultimate good desired is better reached by free trade in ideas—that the test of truth is the power of thought to get accepted in the competition of the market.”³⁰

The philosopher Karl Popper makes a similar point when he argues for an open society which advances by “piecemeal” reform via trying, making mistakes, and encouraging open discussion and debate – a society in which:

“[T]he great art of convincing ourselves that we have not made any mistakes, of ignoring them, of hiding them, and of blaming others for them, is replaced by the greater art of accepting responsibility for them, of trying to learn from them, and of applying this knowledge so that we may avoid them in the future.”³¹

The rise of online content distribution is enabling the ideals expressed by Holmes and Popper to be approached for the first time – a society in which we experiment, discuss, debate, make mistakes, and learn from them. The “marketplace of ideas” has never been closer to being fully realised.

The online media gap

The newspaper industry sometimes represents the possible loss of newspaper content and its providers as a kind of cultural disaster. This is a mistake. As pointed out above, online media bring gains which far

provider asks you to pay for a good or service, you receive a consumer surplus when you purchase.

²⁸ See Goolsbee, et al., 2006

²⁹ See Independent Inquiry into Media and Media Regulation, 2011

³⁰ In US Supreme Court, 1919. It important to note that Holmes’ reference to the marketplace was not a reference to economic notions but to the idea of an intellectual contest between competing claims to truth.

³¹ See Popper, 2002 p. 81

outweigh the losses in the newspaper industry. The possible loss of newspaper content and its providers is a side-effect of one of the most positive developments of the past 100 years. Indeed, in its proper perspective, it is a relatively minor side-effect.

- Major media news rooms, in particular, are largely populated by people who have refined their skills for a world in which content creation and distribution is controlled by major media organisations. They are naturally disappointed to find that this is not now the world in which they live.
- However, most of the people working in major media have enough skills to survive in the job market post-newspapers. In this sense, they are much better off than, say, the largely migrant workers in textiles, clothing and footwear who were made redundant in the 1980s and 1990s as Australia adjusted to the opening of its markets to cheaper overseas goods. Social policy should simply not worry too much about media professionals.
- Newspaper industry workers in particular have a natural tendency to overvalue the cultural importance of what they do. It is important that public policy not be overly influenced by this natural self-interest and myopia.

If there is an impending media problem, it is a very specific one: the possible lack of incentives to provide a specific type of journalism, and the lack of clarity over how online media will evolve to fill this possible gap.

Local losses?

A 2009 report for the Columbia Journalism School (Downie, et al., 2009) (Downie, et al., 2009) concluded: "What is under threat is independent reporting that provides information, investigation, analysis, and community knowledge, particularly in the coverage of local affairs."

This analysis accurately identifies the fields where changes in newspaper publishing run the greatest risk of depriving audiences of important information.

The biggest risk from the decline of newspapers is that communities will be deprived of aggressive "digging".

The biggest risk from the decline of newspapers is that communities will be deprived of aggressive "digging" – investigative journalism that uncovers important facts unlikely to be otherwise revealed to the public. This risk is greatest for issues at state and local level, where scrutiny is already low.

Concerns about the death of investigative journalism are frequently overstated. In regard to online media, they may rely on a failure to imagine in sufficient detail the post-newspaper world.

- Investigative journalism is currently a small minority of all published content.
- Even such investigative journalism as currently takes place frequently relies on sources which are already publicly available, which will eventually be publicly available, or which could be made publicly available.
 - For instance, most of the stories written in probably the most famous investigative reporting episode of all - the Watergate saga - relied on the work of official investigators such as the FBI and a US Senate committee.
- The vast bulk of investigative journalism relies on sources revealing information to journalists. Top journalists at major newspapers are the recipients of a disproportionate number of these leaks. However, in most cases these journalists are chosen because they are the leaders in their field, not because their work appears on newsprint under a particular masthead. Even if journalism were to become a purely unpaid activity, journalists would still be the recipients of leaks.
 - The journalist Laurie Oakes has broken two of the biggest stories of recent Australian political history - the contents of the 1980 Federal Budget and the existence of the "Kirribili agreement" between Bob Hawke and Paul Keating. Although Oakes is one of Australia's most skilful and respected journalists, it is not obvious that either of these stories involved enormous additional effort. The 1980 Budget was delivered anonymously to his doorstep; the Kirribili agreement was revealed at Paul Keating's behest by ALP allies. What was crucial to the leakers in both cases was that they were delivering their story to the distribution channel who could give the story the widest distribution³². Such channels will be different in the future, but by definition one channel or another will still be the most attractive for someone wanting to disclose a secret.

It would be unwise to presume that developments in online media will not provide solutions to this problem of local investigative journalism. Given online media's history to date, it seems more likely that online media will eventually lead to greater scrutiny of local issues than currently takes place.

It is arguable that local investigative journalism in a post-newspaper environment is in many ways both easier to do and more effective. Stories are able to be reported in greater detail, with more extensive presentation of original sources. Those with inside knowledge have a greater ability than ever before to transmit information to those who will publish and publicise it. Good stories can be rapidly linked to, "liked" and tweeted by large numbers of other outlets.

³² Oakes had earned that position, it should be said, by a combination of talent and years of diligent effort.

However, governments at all levels – but particularly at the state and local level – can do much more to make their workings easier to report on in online media.

Parliaments could in fact reinvigorate themselves as public forums by ensuring that they publish proceedings and committee hearings as close as possible to real-time. This could take the form of accelerated Hansard production, but simply making available in a timely fashion audio downloads of proceedings (rather than the current streaming³³) would greatly assist reporting of local issues. Local governments should be encouraged to make their proceedings available in, at the very least, downloadable audio.

Such developments could help to return parliaments and councils to a more central role in community discussion, after an era when major media has dominated that discussion.

The perverse impacts of supporting traditional media organisations

One of the biggest brakes on the further development on online media in Australia is the existence of newspaper websites which are heavily cross-subsidised by what profits remain in the newspaper business. It is unlikely that any existing Australian newspaper's online operations could operate profitably without free content from their associated print publication. This was the acknowledged reason for Fairfax's failure to float its online operations in the early 2000s.

To the extent that newspapers and other major media dwindle further, their retreat will open the field for more independent for-profit online journalism. To the extent that newspapers and other major media are supported, they will continue to block the emergence of such new publications.

To the extent that the Inquiry decides investigative journalism or any other journalism is to be subsidised, however, there is no need to subsidise newspapers in particular. Given the likely overwhelming dominance of digital news media in the near future, governments which want to provide a subsidy would do better to subsidise "digital native" media. But given the economics of content creation detailed above, the most intelligent subsidy would be a subsidy to individual journalists.

WorkDay Media stands ready to receive any subsidies which government decides to deliver to journalism. However, we contend that no such subsidies should be delivered. The merits of a subsidy are dubious even in theory, for the reasons described above. In practice, any such subsidy system would be undermined by the impossibility of apportioning funding in a fair and politically independent manner – and, equally importantly, in a

³³ Streamed media are delivered in real time i.e. as events being streamed occur, but they cannot be accessed after they are delivered.

manner that was seen by the vast majority of citizens to be fair and politically independent.

A Press Council for the 2010s

In a world where information sources are multiplying by the year, the Press Council does need to either redefine its role, or be replaced or abolished. Below, we explore some of the options:

Abolish the Press Council?

Retention of the Press Council should not be considered automatic. It evolved in an era in which those who were the subject of unfair reporting had few means of publicising their complaint. In the current media environment, someone who is unfairly reported can email hundreds of friends and colleagues, start a Facebook page or blog, or take their grievance to the ABC's Media Watch program.

Fund alternatives?

It is notable that Media Watch rather than the Press Council disclosed the biggest media scandal of the past two decades, the Australian Bankers Association's secret commission payments to broadcasters Alan Jones and John Laws. This is in part because Media Watch does not require a formal complaint before it acts. If the behaviour of major media is an issue for policymakers, one response would be to fund the continued provision of Media Watch by the ABC³⁴.

Online forums?

One alternative to the current Council would be the establishment of an online forum in which individual complaints of unfair media reports could be aired and then discussed. Such forums can be a rich source of insight and can be maintained at minimum cost - essentially IT costs, a small amount of publicity expenditure and the cost of a small group of skilled moderators.

Such a forum is also an option for the existing Council, and could usefully inform the Council's decisions.

The Press Council ... evolved in an era in which those who were the subject of unfair reporting had few means of publicising their complaint.

A statutory body?

Another alternative, canvassed in the Inquiry's issues paper, is to replace the Press Council with a statutory body. Such a move would place a government body in the position of making enforceable decisions about what constitutes fair journalism.

³⁴ It should be noted that this approach carries its own risks. One of them is that Media Watch's existence will crowd out potential online media-critic services. On balance, though, that risk is small in this case.

Australia and many other western societies have survived for many decades without such a body, and the openness of these societies is in part attributable to its absence. Freedom of speech is worth protecting. It should admit very few limitations. Current defamation law is arguably, but only arguably, one such limitation.

It seems particularly peculiar that we should be contemplating such a law just at the time when major media are losing their dominance of content distribution – when it is easier than ever before for ordinary citizens to circumvent major media outlets and put their views on the record. The ten-dollar printing press changes many things, but it is impossible to understand how it can be thought a reason to place new limits on freedom of speech.

It would also be near-impossible to create a law or institution which is required to draw a line between “professional” and “amateur” media and impose laws on “professional” media. Such a law or institution would not only pose risks to freedom of speech, but would face a near-impossible definitional task: drawing up a list of what was and was not media content over which it had authority.

One effect of creating laws or institutions underpinned would likely be to encourage the publication of particularly controversial material in smaller online publications that were not on the “official media” list. As the owner of two such publications, WorkDay Media could be expected to benefit from such a move, Nevertheless, we view the proposal as poor public policy.

The existing Press Council is sometimes referred to as “toothless”. One implication of this statement is that such a status is as bad for a media watchdog as it is for a genuine working canine. Another implication is that it might be better to give the watchdog power to compel media outlets to adhere to standards, provide rights of reply or response, and power to punish media outlets that breach the rules.

We do not submit that self-regulation is a reliably effective mechanism for guaranteeing the delivery of important public policy needs. Self-regulation is generally compromised by self-interest. The former Reserve Bank governor, Ian Macfarlane, was right when he declared that “self-regulation is to regulation what self-importance is to importance”³⁵.

The practical reality though, is that giving the watchdog teeth will inevitably bring it into conflict with ideals of free speech and face-to-face with the impossibility of defining the scope of those “teeth”. Relative toothlessness is, in these circumstances, preferable.

³⁵ See Macfarlane, 2008. Macfarlane attributes the quote to another unnamed party, but no earlier source could be found.

Retaining the Press Council

We believe that on balance the best option is to retain the existing independent Press Council.

However, it is clear that the Council faces a number of problems. Among these is the effective impossibility of drawing a dividing line between what publishing is done by “media” and what is not. As pointed out above, media sources have multiplied beyond the point where the term makes much sense.

Given these circumstances, the Council’s best option is to evolve into an opt-in media reputation brand, somewhat analogous to those provided for online commerce by firms such as Verisign and McAfee. The cost of membership for online media could be based on figures from services such as ABA Digital Audit Services³⁶.

In general this submission endorses the submission made to the inquiry by Dr Johan Lidberg³⁷. A voluntary Australian Media Ethics Council or similar body could act as a mark of reputation for online and offline media.

The Press Council is currently an expensive and difficult body to join. In direct communication with the

Council, we have been told that it is many years since the Council had a new member – and this in the middle of the greatest explosion of new media sources the world has ever seen. Opening up media’s major standards body to a wider range of publishers would be an important contribution to ensuring quality

reporting thrives online.

Conclusion

What was once called “the media” is now a far more diverse range of community information sources. Any response to this change should take into account that information is now able to be created and consumed far more freely than at any previous point in human history. Mechanisms designed in an age where major media dominated discussion now risk being fundamentally unsuited to their roles.

Although government’s role in the new information landscape should be limited, it does have roles to play. And it can – and should– avoid setting up new institutions to make a vain attempt to control reporting and debate. But it can make government discussions of issues, particularly in Parliament and its committees, as accessible as possible. And it can encourage the Australian Press Council as a reputation-monitoring service for publications – and particularly encourage it to open up its membership.

³⁶ See Audit Bureau of Australia, 2011

³⁷ See Lidberg, 2011

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