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8.1 Introduction

State subsidies for the production of newspapers have not been a major issue in the development of the Australian newspaper industry even though the industry has benefited from a variety of direct and indirect forms of government assistance during its 200-year history. Some of the measures sought to assist industry development while others sought to support access to a diversity of news and opinion. While the potential effects of heavy concentration of media ownership on the diversity of news and opinion have been a major preoccupation of Australian policymakers in recent decades, subsidies to the newspaper industry have rarely been an issue of public debate. Nonetheless, a consideration of support to news activities was included in the terms of reference of a federal government-initiated media inquiry in 2011. The inquiry's report, however, stopped short of recommending newspaper subsidies but did acknowledge the difficulties facing the industry as it grapples with structural changes to the business model that has sustained it for many years.

This is not the first time the industry has had to adjust to competitive pressures emanating from technological change. However, pressures from previous technological changes were not as intense. While the introduction of radio broadcasting in the 1920s, and television in the 1950s, eroded the dominance of newspapers in both the news and advertising markets, the consequential structural changes did not pose grave risks to the industry. Despite the current intense pressures, the newspaper industry strongly rejects calls for government support to help it adjust.

In this chapter we review the changing structure and performance of Australian newspapers in response to competitive challenges from other media. We start with a brief historical overview of the changes that have led to the current high level of concentration in the industry. We then discuss the issue of media diversity and

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related policies. This is followed by an analysis of the industry's performance with a focus on the past decade to highlight the impact of the internet. We then discuss the issue of government assistance, before we present a concluding note.

Historically, from its modest beginning in colonial times with the founding of the *Sydney Gazette and New South Wales Advertiser* in 1803, the industry gradually amassed considerable economic strength. Diversity of ownership of newspapers reached its peak in 1923 with 21 independent owners publishing 26 daily newspapers in the capital cities of the six states of Australia (Mayer 1964, p. 31). Daily newspapers were also published in many regional cities. Competition between the owners of major titles in the state capital cities was vibrant.

Broadcast radio, which started in the 1920s, began to develop as a significant source of news during World War II. Until then most radio stations relied on agreements with newspapers to compile their news bulletins which seldom involved more than the reading of local and foreign news items from newspapers (ABC 2011; Griffen-Foley 2005).

Major newspapers sought to use their commercial strength to establish prominent positions in radio, and subsequently also in television, to both diversify their activities and curb the competitive threat posed by the developing broadcasting media. In 1935, acting to avert concerns about the concentration of radio licences held by newspapers, the federal government introduced limits on the number of commercial radio licences that could be held by a single entity (Joint Parliamentary Committee on Wireless Broadcasting 1942). Ownership limits were also imposed for commercial television licences when the medium was introduced in 1956.

Common ownership of daily newspapers in more than one state capital city began to emerge in the wake of the Great Depression when the *Herald and Weekly Times Limited* which owned *The Herald* and *The Sun News-Pictorial* in Melbourne purchased *The Advertiser* in Adelaide.¹ At that time there was also a small decline in the number of daily titles published in state capital cities as a result of some closures and mergers (Kirkpatrick 2012). Goot (1979, p. 2) noted that there were 19 capital city dailies and 14 owners in 1936 and highlights the accelerated pace of concentration of ownership which occurred in the subsequent 40 years. While "the number of papers stayed more or less the same" (declining from 19 to 17), only three independent owners of capital city dailies remained by 1976.

A further significant concentration of ownership occurred in 1987. In 2012, the main metropolitan press is made up of 11 major daily titles (including two with national circulation—*The Australian* and *The Australian Financial Review*²) published in the six state capital cities and in the national capital. Only Sydney and Melbourne (the two biggest cities in Australia) have competing daily newspapers.

¹ The group was managed by Sir Keith Murdoch (father of Rupert).

² *The Australian Financial Review* was first published in 1951 and converted to a daily in 1963. *The Australian* began in 1964 (Kirkpatrick 2012). *The Northern Territory News* published in Darwin, the Territory's capital city, is usually not included as a capital city newspaper.

After the Depression the industry enjoyed a long period of buoyant circulation growth aided by increased interest in news in the War years and by high population growth in the post-war period. However, from the mid-1950s the rate of growth in aggregate daily sales slowed and fell well behind population growth. According to Goot (1979), “in 1933 there were about 30 papers sold for every hundred people aged 15 or more. Between the mid-forties and the mid-fifties this rose to 52, dropped to 46 by 1961 and declined steadily thereafter to be less than 42 in 1976” (p. 8). Subsequently, aggregate circulation of daily newspapers declined steeply in the 1980s with the closure of several newspapers in state capital cities and then entered a period of gradual decline that has continued up to the present day. In terms of copies per hundred people, the decline has been much more dramatic.

Outside the capitals, there is a long-established provincial press made up of 36 daily newspapers of varying size and quality and a substantially larger number (estimated at more than 300)³ of non-daily and weekly local newspapers. Most of these newspapers were established as local independent initiatives. The number of regional dailies has been relatively stable over the past half century notwithstanding a small number of closures and some transformations to non-daily or weekly publications. However, ownership of the regional press has changed dramatically and is now dominated by newspaper conglomerates. Currently only two of the regional dailies and a small proportion of the non-dailies retain their independent status (Guide to Australian Newspapers 2012).

As already noted, ownership of the Australian newspaper industry has progressively become increasingly concentrated. Today it is one of the most concentrated markets in the developed world with only four significant publishers. Rupert Murdoch’s *News Limited* is the dominant player controlling six of the 11 metropolitan/national dailies accounting for 65 % of the related aggregate circulation. Overall, it controls 23 % of all daily newspapers and 58 % of all daily newspaper circulation. The second largest group, *Fairfax Media*, publishes four of the 11 metropolitan/national titles (25 % of circulation). Its overall share of the aggregate daily newspaper circulation is 28.6 %. The third significant player is West Australian Newspapers (part of Seven West Media Limited) which owns *The West Australian*, the only daily newspaper published in Perth, and several regional newspapers in Western Australia. Its share of aggregate daily circulation is 8 %. The remaining significant publisher is APN News and Media, controlled by the Irish interests headed by Tony O’Reilly, which owns several provincial daily newspapers in New South Wales and Queensland with a combined share of aggregate daily circulation of approximately 5 %.

³ A 1999 National Library of Australia (NLA) staff paper reports there were 315 regional non-daily newspapers at the time (NLA 1999). A small number of closures have been reported since.

8.2 Media Concentration and Diversity

Media concentration has been a contentious issue since the early days of radio broadcasting in Australia. After an ill-fated attempt to establish radio as a purely commercial activity governed by a regulatory regime with two types of licences that allowed stations to be funded exclusively by either the selling of advertising or by the collection of subscription fees from listeners, the government took over the subscription licences and established a public broadcasting service funded by the collection of listeners' licence fees. Soon after the *Australian Broadcasting Commission* (ABC)—later corporation—was established as a public broadcaster in competition with commercial (advertiser-funded) radio services. In 1935, acting on concerns about increasing concentration of newspaper ownership of commercial radio licences, policymakers enacted regulations restricting ownership of multiple radio licences at the local, state and national levels. Restrictions limiting commercial television licences to no more than one in a licence area and no more than two nationally were imposed for similar reasons when the dual public–commercial system was extended to television in 1956.

Stricter cross-media controls were enacted in April 1987 in the wake of extensively increased concentration in newspaper ownership. Initially, the controls applied to cross-ownership of commercial radio and television licences in the same area and to cross-ownership of a commercial television licence and a newspaper associated with the television licence area. A year later, the prohibition was extended to cross-ownership of a commercial radio licence and an associated newspaper. In justifying the cross-media restrictions, the then Minister for Communications maintained they were needed to “*curb major expansion in television by existing newspapers and radio interests which already have considerable influence over the formation of public opinion*” (Duffy 1987, p. 2194).

Easing of restrictions on the number of commercial television and radio licences that could be held by a single entity followed the introduction of the cross-media restrictions. For television, while retaining the prohibition of multiple stations in a single licence area, the “two stations” nationally rule was replaced by a “population reach” rule allowing common ownership of any number of stations up to an aggregate reach of 60 % of the national population. The population reach limit was increased to 75 % with the enactment of the *Broadcasting Services Act 1992* (BSA). State and national limits on the ownership of radio stations were relaxed in 1987 and were subsequently abolished by the BSA in 1992, which retained only a single restriction on owning more than two radio stations in the same licence area.

These cross-media restrictions had dramatic effects on the Australian media landscape as existing owners of commercial media moved quickly to secure their positions under the new regulatory regime. Notwithstanding “grandfather” provisions in the legislation which sanctioned pre-existing breaches of the new rules, virtually all cross-ownership of newspapers and television was quickly eliminated—by November 1987, 13 of the then existing 19 metropolitan newspapers and 11 of the 17 metropolitan commercial television stations had

already changed their owners. The ownership changes resulted in a major restructuring of commercial television with the creation of three networks covering the major metropolitan centres, three regional networks and two remote area networks. Although independently operated, much of the programming schedule of regional and remote area networks is a retransmission of programmes supplied under affiliation agreements by the urban networks. Extensive restructuring of commercial radio followed the 1992 legislative changes.

Furthermore the cross-media rules were politically controversial and their retention was imperilled by the election of a conservative government in 1996. After several years of debate, and an earlier attempt in 2003 which failed to secure passage in the Senate where the government then lacked a majority, legislation abolishing the rules was enacted in 2006. The amending legislation introduced the concept of media diversity limits in local media markets designed to prevent concentration of independent media voices to below five in metropolitan areas and below four in regional areas. The new rules provided little effective additional restraint on increased concentration over and above prevailing restrictions on commonly owned radio or television licences in individual local markets (Papandrea 2006). Major cross-media groups that have emerged since the removal of the cross-media rules include *Fairfax Media* (newspapers and radio), *APN News and Media* (newspapers and radio), *Seven West Media* (television and newspapers) and *Southern Cross Austereo* (television and radio).

Because of government-introduced constraints designed to protect commercial broadcast television, development of pay television was a latecomer to Australia. After the beginning of services in 1995, the industry developed slowly and current take-up is around 33 % of households (ASTRA 2012). While there are now no major restrictions on pay television ownership, there are some considerable barriers to entry. Control of the output of several major Hollywood producers has enabled *Foxtel* to establish a dominant position with little significant competition from other providers. Since its takeover of the regional satellite pay TV operator *Austar* in 2012, *Foxtel* has a virtual monopoly of the pay-TV market.⁴ Pay-TV news and information services are supplied by *Sky News Australia* (owned one-third each by BSKyB and the operators of the *Seven and Nine* Australian commercial television networks).

Public broadcasting is a key feature of the Australian media landscape and a crucial element of ensuring diversity of views. It is not as well funded on a per capita basis as the BBC in the UK but is substantially better funded than public broadcasting in the USA (Finkelstein 2012, p. 456). Since its establishment in 1932, the *Australian Broadcasting Corporation* (ABC) has developed a mixture of several national and regional/local radio networks and a comprehensive national television service with state-based news and current affairs programmes. A separate (independent of the ABC) national public service broadcaster, the *Special Broadcasting Service* (SBS), was established in 1978, initially as a multilingual and

⁴ It faces localised competition from a couple of very small cable operators.

multicultural radio service. Gradually it developed into a national radio and television network. SBS radio is devoted to multilingual services in 68 languages including two, 1-hour long, news bulletins in English each day. While its television service broadcasts a variety of foreign language films and television drama with English subtitles and devotes a significant part of the morning schedule to the rebroadcast of foreign news bulletins in several languages, the rest of its schedule is broadcast in English. Its news and current affairs programming, in particular, is aimed at a broad cross section of the community and is a significant contributor to diversity of opinion in Australia. The ABC is not permitted to sell or broadcast advertising. The overwhelming proportion of its funding is in the form of government appropriations (\$996 million in 2012) with the remainder (126 million) coming from revenue generated by its ancillary business activities (ABC 2012). The SBS also receives most of its funding (70 % in 2102) from government appropriations (\$223 million in 2012), but is allowed to supplement its income through the sale of a limited amount of advertising (SBS 2012).

Community broadcasters provide an outlet for special interest programming including local community interest. Community broadcasters receive limited financial support from the federal government via a related grants programme administered by the non-profit *Community Broadcasting Foundation* (CBF). In 2012, the Foundation received over \$15 million in grants for various forms of assistance to some 580 community radio services, including indigenous and ethnic services, over 70 % of which were located in regional and remote areas (CBF 2012). The stations typically have low power transmitters with limited geographic coverage.

Conversion of free-to-air television (public and commercial) from analogue to digital commenced in 2001 and is scheduled to conclude in 2013. Under recent amendments to the conversion plan incumbent operators are required to broadcast two additional digital channels as supplementary services to their main channel. The supplementary channels are subject to less stringent regulatory requirements for local content including news and information programmes. Table 8.1 provides a summary of the diversity of traditional news and information sources available to Australians.

Australian broadcasting policy and the related regulatory regime seek “to promote the availability to audiences throughout Australia of a diverse range of radio and television services offering entertainment, education and information” (*Broadcasting Services Act 1992*). All sectors of broadcasting, Public, Commercial and Community, have specific obligations to contribute to a diverse range of radio and television services responsive to audience needs. The obligations and responsibilities of the ABC and SBS are specified in their respective enabling legislation and include the provision of adequate news and information services. Those of commercial and community broadcasters are in the form of licence conditions enforceable by the regulator (i.e. the Australian Communications and Media Authority). Commercial radio and television licensees are required to provide services “that, when considered together with other broadcasting services

Table 8.1 Diversity of sources of news and information in Australia

Locality	Sources of news and information
Urban areas	Public Television: ABC and SBS services 3 commercial TV services Pay TV service (Sky News) Public radio: several ABC services and one SBS service Commercial radio: number of services is related to population size and ranges from 3 (in Hobart) to 11 (in Sydney and Melbourne) Community radio: several (up to more than 30 in each area) At least one local and two national daily newspapers Free suburban newspapers
Regional areas	Public Television: ABC and SBS services 3 commercial TV services Pay TV service (Sky News) Public radio: 2 or more ABC services and one SBS service Commercial radio: 2 or more depending on areas population Community radio: available in most areas Two national daily newspapers, a local daily or non-daily available in larger population areas Free weekly newspaper available in most areas
Remote areas	Public Television: ABC and SBS services one commercial TV services Pay TV service (Sky News) Public radio: 2 ABC services and one SBS service Commercial radio: 2 in most areas Community radio: available in some areas Two national daily newspapers nominally available Free weekly newspaper available in some areas

Source: Compiled by authors

available in the licence area of the licence (including another service operated by the licensee), contributes to the provision of an adequate and comprehensive range of broadcasting services in that licence area” (clause 7(2)(a) Part 3 and clause 8(2) (a) Part4, Schedule 2 of the *Broadcasting Services Act 1992*). According to the Australian Broadcasting Authority (ABA), the former broadcasting regulator, this requirement includes “*adequate coverage of local news and current affairs*” and justified the imposition of specific obligation in that regard on regional commercial television licensees (ABA 2004). Community broadcasters do not have specific obligations to provide news and information services.

8.3 The Issue of Newspaper Industry Performance

The beginning of a continuing long-term decline in the consumption of daily newspapers in Australia can be traced back to mid-1950s when sales per one hundred persons began to decline after reaching a peak of 52 copies/100 persons (Windschuttle 1985, p. 37). Because of the effect of population growth, it took some years for the declining consumption rate to manifest itself as a drop in total

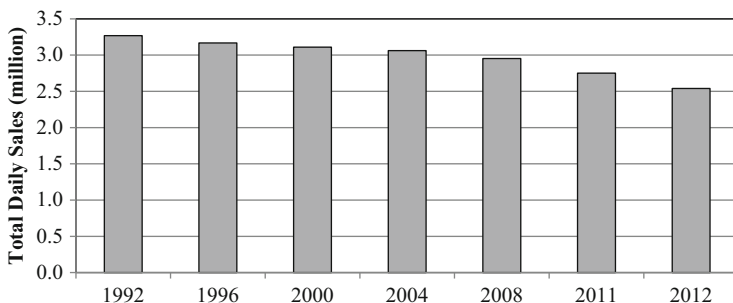


Fig. 8.1 Circulation of Australian daily newspapers, 1992–2012. Source: Audit Bureau of circulation

circulation (annual total sales) of all daily newspapers. The decline in total circulation began in the mid-1970s and suffered a steep drop with the closures of several newspapers in the late 1980s and early 1990s (Kirkpatrick 2000). Since then the decline, although ongoing, has been more subdued. Figure 8.1 provides details of the declining circulation of daily newspapers over the past two decades.

In 2011, total revenue of the Australian newspaper market was \$4.91 billion of which \$3.37 billion (68.6 %) was derived from print advertising, \$1.27 billion (25.9 %) from circulation sales and approximately \$264 million (5.4 %) from digital advertising and subscriptions. After peaking at \$5.70 billion in 2008, total revenue fell sharply (–11.4 %) to just over \$5.0 billion the following year. Although it staged a small recovery in 2010, it fell again in 2011 and is anticipated to decline further in subsequent years (PWC 2012).

Depressed economic conditions appear to have been the main contributor to a substantial decline in revenue in 2009. Although aggregate advertising in main media generally was 9.3 % lower than in 2008, the drop in newspaper advertising was much sharper (15.7 %). In 2010, the overall market reversed the fall and returned to the 2008 level, but the growth of advertising in newspapers recovered only part of the loss suffered the previous year. When the overall market slowed once again the following year, half of the total decline was accounted for by reductions in newspaper advertising which dropped to \$3.4 billion—\$100 million below the 2009 level and \$700 million below the 2008 peak (CEASA 2012). Figure 8.2 provides comparative data on media industry advertising revenues by genre from 2001 to 2011.

The growth of online advertising has intensified competition within the advertising market and is having a major impact on its structure. Of the main media, newspapers have suffered most from the growth of online advertising. Over the past decade the share of advertising revenue attracted by traditional newspaper advertising has shrunk from 36.9 % to 25 %. Printed classified directories and magazines were also significant losers of market share. The winner was online advertising which grew from a very small presence in the market to be the third largest player with almost 20 % of all advertising. Television's market share, albeit with some

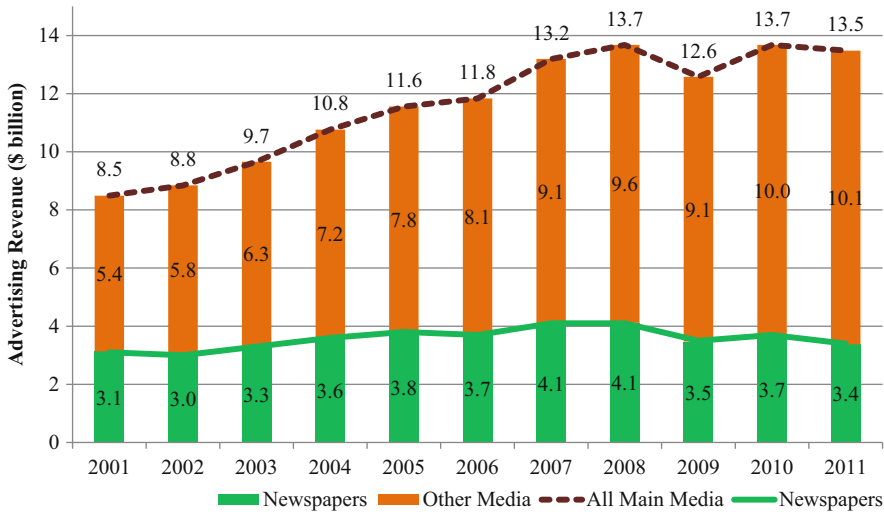


Fig. 8.2 Main media advertising Revenue, 2001–2011. Source: CEASA: “Advertising expenditure in main media” (various years)

variations over the years, finished the period with the same market share it had at the beginning (29.3 %), but within the sector, broadcast television lost some ground to pay television. Radio’s share declined gradually over the period from 8.2 % to 7.5 % (CEASA 2012).

Delving a little more deeply into advertising in traditional print media (Newspapers, Magazines and Directories), which have been bearing the brunt of online competition, provides somewhat clearer picture of the structural changes under way in the industry. Overall (see Fig. 8.3a) the size of the combined print and online advertising pool peaked in 2008 before slumping by almost 9 % in 2009 and with only a minor recovery since. Online advertising has grown every year since 2002 and even managed a small increase in 2009 before resuming its strong growth trend the following 2 years. This was in sharp contrast with the experience of its traditional print media competitors which continued to lose ground.

A similar picture emerges for each of the broad categories of advertising presented in Fig. 8.3b–d. Online display and classified advertising have registered very similar (in terms of both magnitude and rate) growth patterns over the period. The impact on print competitors, however, has been much more evident in classified advertising because of the substantial contraction that set in 2009 and was responsible for most of the slump in the combined print and online advertising pool. In other words, online classified has managed to gain a larger share of a significantly shrunk pool, but nonetheless, print still remains the dominant player controlling almost two-thirds of the category. In Search and Directories, the superiority of online advertising has outshone the print counterparts. By 2011, online commanded over 56 % of the “search and directories” advertising category.

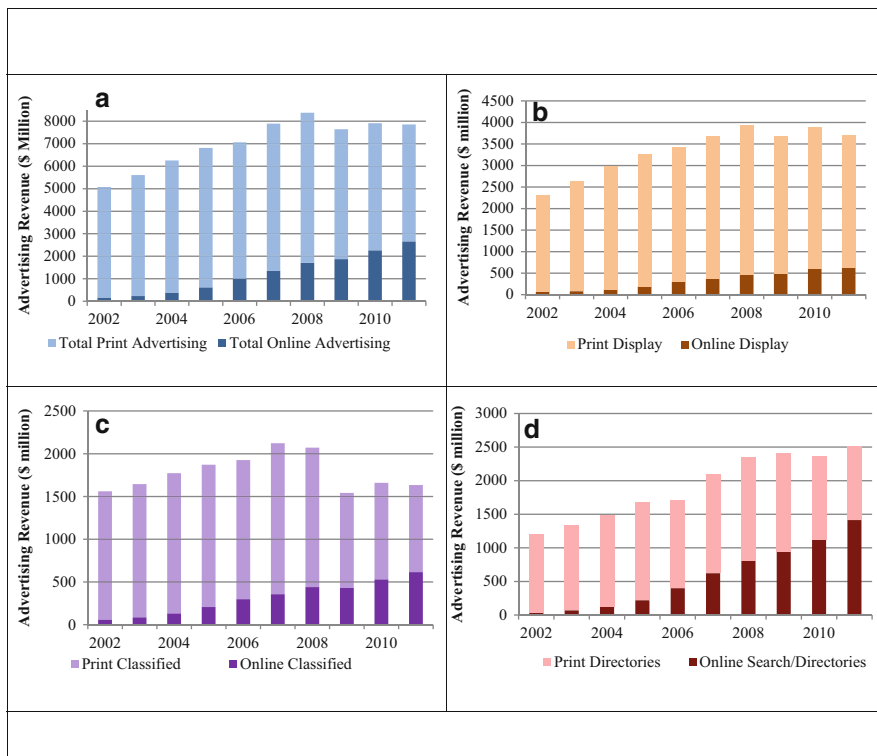


Fig. 8.3 Print and online advertising, 2002–2011. (a) Total print and online advertising. (b) Print and online display advertising. (c) Print and online classified advertising. (d) Print and online “Search and Directories” advertising. Source: CEASA (various years)

While the preceding analysis could be seen as painting a grim picture for traditional print media, in reality, although serious, the situation is unlikely to prove life-threatening in the near future. Like elsewhere in the world, Australian newspapers have had to confront the sustained and continuing threats of a world-wide economic downturn and intense competition from Internet sources of news and information and advertising. Although wounded by the experience, the severity of the damage was dampened by a fortuitous conjunction of several favourable factors. In fact, the effect of the Global Financial Crisis (GFC) was much more moderate in Australia than in most other advanced countries. After falling sharply in the December quarter 2008 economic activity rebounded quickly rising the following quarter and continued to grow solidly thereafter. Both business and consumer confidence also rebounded quickly to long-run average trends (McDonald and Morling 2011). Reflecting economic conditions, advertising in main media dipped significantly in 2009 but recovered to earlier levels the following year. However, as noted above, newspaper advertising only partially recovered from the steep drop in 2009 further losing market share to online advertising.

Circulation continued its long-term gradual decline with little aggravation by weakened economic conditions. In part this is a reflection of the high level of concentration in the industry and the absence of choice of daily newspapers in all but the two largest cities—an outcome of the extensive restructure which cut the daily newspaper sector to the bone in the 1980s. While readership of printed newspapers has declined, combined print and online readership (adjusted to exclude double counting of those that read both versions) of newspapers has generally held up, and in some cases increased, over the 5-year period to 2011 (Roy Morgan Research 2012).

Websites of the main newspaper publishers are among the most popular sources of news and information on the Internet. Included in the top ten most popular news websites are six associated with newspapers and four associated with television broadcasters (three Australian networks, including the ABC and two commercial, and the BBC) (Nielsen Media Research 2011). All the major publishers have been active on the web for several years and have successfully adapted some of their activities to the online environment. Notwithstanding some serious erosion of their classified advertising stream, newspapers continue to perform well in display advertising including being leaders both in print and online in some major areas such as real estate and motor vehicles sales.

The *Roy Morgan* newspaper readership survey data reported in *Australian Communication and Media Authority* (ACMA 2011) show that in 2010–2011, an average 72 % of Australians (aged 14 or more years) had read a newspaper (excluding local and community newspapers) in the 7 days preceding the survey, and 43 % had read a local or community newspaper. The corresponding rates in 2006–2007 were 82 % (i.e. 10 percentage points higher) for newspapers (excluding local and community newspapers) and 43 % (7 percentage points higher) for local and community newspapers. Readership is positively correlated with age. In 2010–2011, the rate was highest for those aged 65 or more years (86 %) and lowest for those aged 14–17 (52 %). Also, older people had recorded the lowest decline in readership rates since 2006–2007. The rate of decline was inversely correlated with age and was highest for the 14–17 age group (–17 percentage points for newspapers other than local and community newspapers and –14 percentage points for local and community newspapers).

Revenues from online activities have not so far been sufficient to make up for the decline in print. Although growing, online revenues contribute less than 10 % of total operating revenues. *Fairfax Media* (2012), which claims to be “in the front of the pack”, reported that its digital revenue grew 20 % and reached \$250 million (some 10.7 % of total revenues) in the financial year ending June 2012. *Fairfax Media* also provides a good example of the structural changes occurring in the industry.

The enormity of the change that has taken place in *Fairfax Media* is reflected in the drop of its market capitalisation from \$4.1 billion in 2008 to \$1.4 billion in 2012. After several years of rising revenues and healthy profits up to and including 2008, the corporation’s fortunes began to wane. Notwithstanding the high growth in its digital revenue in more recent years, the corporation’s operating revenue, which

stood at \$2.9 billion in 2008, declined 10.7 % in 2009 and has continued to decline gradually thereafter reaching \$2.3 billion in 2012 (20.7 % below 2008). The earlier solid profit performance also dissipated. In the 4 years up to 2012, a net profit was registered only in 2010 with significant losses in the other years including a massive loss of \$2.7 billion in 2012 following a write down of almost \$2.9 billion in the intangible value of mastheads and other items. If significant write downs of intangibles and other items are taken into account, however, the corporation reported an operating profit of at least \$205 million in each of the past 4 years. *Fairfax* has embarked on a 3-year strategy of “changes to its business designed to support a sustainable cost base and to move along the journey from print to digital publishing” and ensure that it becomes “a dominant force in what (it expects) will be a predominantly digital future”. The changes include closure of some of its printing facilities and rationalisation of its workforce. Along the way to the digital future, the corporation states that: “We remain committed to print for as long as it remains profitable” (Fairfax 2012). Eventual closure of some of the *Fairfax* mastheads is already been anticipated by Financial some analysts (Goldman Sachs 2013).

8.4 Government Assistance and Proposals for State Aid

The *Independent Media Inquiry*,⁵ established by the Australian Government in September 2011, made a detailed examination of the state of the newspaper industry as it adjusts to threats posed by the rapid growth of online sources of news. From the evidence collected in the course of the inquiry and from its own analysis, the inquiry concluded that “*despite the intense pressures facing it, the Australian press is in no immediate danger of collapsing. The main media companies appear to be reasonably capable of dealing with the pressures facing them at least over the immediate medium term*” (Finkelstein 2012, p. 101). But it also noted that “some potential pressure points” were emerging. Given the uncertainty of developments, the inquiry was of the view that it could reach “*only tentative conclusions about the future health of journalism in Australia. The necessary restructuring to adjust to the digital environment will not be smooth sailing. Both threats and opportunities are present. Much will depend on the ability of established newspapers to develop viable business models that will enable them*

⁵The Hon Raymond Finkelstein QC was appointed by the Australian Government in September 2011 to conduct an independent inquiry into media and media regulation which presented its report to the government at the end of February 2012. Matthew Ricketson, one of the co-authors of this chapter, was appointed by the government to assist Mr. Finkelstein. The other co-author of this chapter, Franco Papandrea, was a consultant to the Inquiry. The inquiry’s terms of reference included the effectiveness of media codes of practice; impact of technological change media on organisations, quality journalism and production of news and ways to support such activities and strengthening of the independence and effectiveness of the Australian Press Council (Finkelstein 2012).

to continue playing a major role in the industry. Their confidence that they will be able to do so is noted. Nonetheless, it might be prudent for policy makers to maintain a watching brief to ensure that future developments do not endanger the effectiveness of the role newspapers play in democratic functioning of society" (Finkelstein 2012, p. 316). Such prudence was advisable as within months of the report's delivery, the nation's two major newspaper media companies, *News Limited* and *Fairfax Media*, announced large-scale redundancy programmes, with an estimated 750 journalists' jobs being shed (Dyer 2013).

Debate and commentary preceding the establishment of the Independent Media Inquiry included concerns about the impact of the Internet on the press which led to some calls for government support to sustain independent quality journalism and diversity of production of news. The inquiry received 12 submissions calling for government assistance, from the journalists' union, several small independent publishers and from a number of journalism academics. None of the established newspapers lent support to any form of financial assistance arguing that restructuring of the news industry should be left to market forces. Nevertheless, the inquiry found that through their history Australian newspapers have received some direct and, more importantly, a significant amount of indirect financial or fiscal assistance from federal or state governments through a variety of measures including government advertising, special postal rates for the distribution of publication, legislated requirements for publication of public notices and orders for public notices issued by courts and regulatory authorities (Finkelstein 2012: Annexure K, pp. 437–439). The following discussion of assistance by means of indirect government-mandated subsidies to newspapers is drawn primarily from the inquiry's report.

Historically, legislation in 1825 that set up a postal office in New South Wales enabled newspapers to be delivered at a heavily discounted rate. Colonial authorities recognised the contribution the press could make to an emerging society by promoting improved literacy and disseminating news and information. Further legislation passed in 1835 was aimed at overcoming newspapers being delivered late, irregularly or "*well fingered by those who had read them en route*"; the act meant newspapers could be posted for free. The subsidy "*greatly aided*" newspaper production, according to one historian quoted in the inquiry report. In 1828, around 35,000 newspapers had been distributed inland from Sydney; two decades later the figure was 1.3 million.

At first, the revenue foregone by the *New South Wales Post Office* was a modest £430 annually, but by 1890 it amounted to £40,000 annually. This aggrieved the Post Office which described the subsidy as "*manifestly unjust*". By 1962 the bulk rate concession for newspapers, periodicals and books was worth £2.5 million annually, and in the mid-1980s (after which Australia had switched to decimal currency), the estimated revenue foregone for subsidising newspapers alone was \$4.2 million.

Subsidised delivery of newspapers extended to the railways in 1874 when by ministerial arrangement the NSW *Post Office* paid the *Railways Commissioners* so that newspapers could be delivered direct to the railways and freighted free of

charge throughout the colony. In 1881 the *Southern Railway* was extended to Albury so that newspapers from Melbourne could reach places such as Junee, in NSW, before those arriving from Sydney if special early morning trains could be scheduled and freight provided free to the newspaper companies. This spurred interstate rivalries as well as arguments about free trade and protection. Estimates of the revenue foregone ranged between £40,000 and £100,000 annually, leading to the abolition of free carriage in 1901. This was replaced by discounted rates the following year when owners of newspapers published in Sydney paid a third of the standard price for deliveries that arrived by rail.

In the nineteenth century development of the telegraph cable rapidly improved the speed of communications within Australia and between Australia and other countries. The cables were funded by governments and, to an extent, by private entrepreneurs. Like post and rail, the newspapers benefited from large discounts on the rates they paid for cable transmissions. Early charges of 10 shillings a word gradually dropped to one shilling a word by 1902. Where in 1872 the newspapers had been able to afford to receive 50 words a day, by 1908 the average newspaper could receive 700 words by telegraph.

By 1909, the newly federated commonwealth government was so concerned about arrangements for cable services, all of which were controlled by a cartel of Australian newspapers in conjunction with the Reuters Telegraph Company, that it set up a Select Committee of Inquiry. It found the arrangements to be “*a complete monopoly*”. In 1910, the newly elected Labor government passed legislation enabling government to subsidise a second “*independent news service over the Pacific cable*” (Putnis 1999, p. 139).

The biggest single cost of production for newspapers has been newsprint. In Australia, the newsprint industry was set up with substantial government assistance in the form of forest concessions in Victoria and Tasmania, capital investments in South Australia and Tasmania and, in Queensland, a subsidy to build a weir to supply water to a mill. Starting in 1976 the federal government introduced a subsidy on the cost of transporting newsprint from Tasmania to the mainland. Under the freight equalisation scheme, the cost to newspaper companies of shipping newsprint from Australian Newsprint Mills in Tasmania or transporting it by land over comparable distances was equalised. According to the Department of Transport the value of the payments for newsprint shipments was \$2.9 million in 1976–1977 and had risen to \$4.3 million in 1982–1983. The assistance continued under the “Tasmanian Freight Equalisation” scheme.

After considering the history of various kinds of support to newspapers and the potential threat to what is termed “*accountability journalism*” and the production of news in the changed media environment, the Independent Media Inquiry (Finkelstein 2012, p. 11) concluded that “*at this stage there is not a case for government support*”. Although acknowledging that rationalisation of resources to traditional news production activities was a part of the industry’s readjustment to the rapidly evolving market environment, it felt that fears about the demise of investigative and public interest journalism were likely to be an overreaction unsupported by the available evidence. The situation, however, was fluid and changing and warranted “careful and continuous

monitoring”. On this basis the inquiry recommended that “*within the next two years or so the Productivity Commission be issued with a reference to conduct an inquiry into the health of the news industry and make recommendations on whether there is a need for government support to sustain that role. It should also consider the policy principles by which any government support should be given to ensure effectiveness, as well as eliminating any chance of political patronage or censorship*” (p. 11).

The report also highlighted several modest potential options for assistance that could be considered by the government and the recommended inquiry by the Productivity Commission in the event adoption of initiatives to support production of news becomes necessary. One of the suggested measures was intended to enhance local news and information in small regional and remote areas that had been previously identified as not being well served by the press and main broadcast media (ABA 2002; Flynn 2008). If adopted, the measure would provide small grants to “*community radio station in local regional communities to establish and maintain a news website dedicated primarily to the reporting of local news as part of their coverage of local affairs . . . in areas where a local newspaper is not published*” (Finkelstein 2012, p. 331).

Other policy initiatives suggested for future consideration in the eventuality of an identified need for support of news activities included (pp. 332–333):

- Strengthening the news capacity of ABC.
- Providing incentives for private/philanthropic investment in news.
- Subsidising investigative and public interest journalism.
- Subsidising the professional development of journalists.

At the time of writing (early 2013) the federal government has yet to respond to the recommendations of the Independent Media Inquiry.

Conclusion

While the future prospects of printed newspapers are not rosy, the industry will continue to play a crucial role in the provision of news and information services but not necessarily in their traditional form. The industry is undergoing extensive restructuring to adapt to the new competitive environment and the newspaper of the future may well be considerably different in both form and content. As noted above, some analysts are already predicting the closure of print editions and publishers do not entirely discount such a possibility as part of their online migration of services.

The two largest publishers, *News Limited* and *Fairfax Media*, are in the process of establishing paywalls to restrict access to popular online content. Given the high level of concentration in the Australian newspaper market and the scarcity of alternative unpaid sources of domestic news content, the strategies might have modest success. Access to the free online news websites of public and commercial free-to-air broadcasters will act as a substitute source of news for a large section of the audience and will consequently constrain the demand for online newspaper subscriptions.

On their own online subscription revenues are unlikely to outweigh revenue losses from declining print circulation and further migration of advertising to online media. Both corporations are also cutting back staff levels and restructuring their production processes to reduce operating costs. Some commentators have expressed concerns that substantial cutbacks in the employment of journalists will reduce the investigative journalism capacity of the news media. In this context, it is worth noting that the Australian Broadcasting Corporation has recently received additional funding from the federal government to enhance its news output (ABC 2013).

Notwithstanding the current difficulties, newspaper publishers have been adamant they will be able to adapt to the new competitive environment and reject calls for government aid to the industry. As noted earlier, the Independent Media Inquiry examined the matter but did not recommend immediate action by the government. Consequently, it is highly unlikely that state aid to newspapers will be a feature of the Australian newspaper industry in the near future. Should gaps develop in the availability of a diverse range of news sources there may be some scope for the introduction of indirect government assistance measures to other media.

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