

# Future foundations for giving: Draft report

Submission to the Productivity Commission

16 February 2024

[Public  
Interest  
Journalism  
Initiative]

## INTRODUCTION

The Public Interest Journalism Initiative (PIJI) welcomes the opportunity to submit a further submission to the Productivity Commission's inquiry into Philanthropy, following the recent publication of the Commission's draft report, *Future foundations for giving*<sup>1</sup>.

The Public Interest Journalism Initiative (PIJI) is a specialist think tank established in 2018, focussed on advancing a sustainable future for diverse and pluralistic public interest journalism in Australia. Since 2020, it has pioneered the establishment of a comprehensive news media sector dataset, providing objective evidence of a clear decline in Australian public interest journalism.

This submission provides the latest data on the state of Australia's news market that serves our citizens, and provides comment on key findings and draft recommendations from the above-mentioned report.

In preparing the following comments, PIJI has been guided by the key principles that inform all our work: to act in the public interest; to ensure plurality of news production and neutrality of support; and to be independent, practical and evidence-based in consideration of any option.

We look forward to elaborating on these comments at our upcoming appearance before the Commission.

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<sup>1</sup> Productivity Commission, *Future foundations for giving*, Draft report, Canberra, November 2023.

## AUSTRALIAN NEWS MARKET

There is ongoing evidence to support the immediate need for public interest journalism to be covered in Australia’s charities and DGR framework.

As of 31 December 2023, PIJI’s [Australian News Index](#) lists 1,211 print, digital, radio and television news outlets of community, local, metropolitan, state/territory or national primary coverage. Drawing from this and other data in [PIJI’s Australian News Data Project](#), the most recent edition of the [Australian News Data Report](#) is a revealing portrait of an industry still resetting from the turmoil of the COVID emergency years and decades of digital disruption. It shows both continued market volatility as well as net decline in news within a consolidated market<sup>2</sup>.

Figure 1 illustrates the quarterly market changes since 2019, with peak volatility - positive and negative - in 2021-22, shouldered by ongoing fluctuation.



Figure 1: Market change types in news production by quarter, five years ending 31 December 2023.

PIJI’s December 2023 report records nearly 500 market changes for the period 2019-2023 (171 expansions and 327 contractions), equating to a net loss of 156 over the past five years. It also shows 150 news outlet closures over that five year period – a rapid acceleration from the Australian Competition and Consumer Commission’s Digital Platforms Inquiry data that recorded 106 news closures over the previous decade (2008 - 2018)<sup>3</sup>.

Regional and remote Australia have experienced the greatest change in news production and availability in recent years. 61 per cent of changes have been recorded in regional and remote Australia, and 39 per cent in Major Cities–

<sup>2</sup> Dickson G. and Costa J., *Australian News Data Report: December 2023*, Public Interest Journalism Initiative <https://piji.com.au/research-and-inquiries/our-research/anmp/>

<sup>3</sup> Australian Competition & Consumer Commission, *Digital Platforms Inquiry Final Report*, July 2019, pages 18, 306, 323.

a ratio disproportionate to their relative populations, where 72 per cent of Australians live in metropolitan areas and 28 per cent outside of them.

Areas experiencing an undersupply of local news are largely characterised by low population densities in rural or remote locations. PIJI's [recent research into socio-economic determinants for local digital and print news markets](#), commissioned from the Monash Business School, found that local government areas with smaller populations were correlated to less news availability (print and digital), as well as 'less healthy news markets' (i.e. fewer than two news outlets available)<sup>4</sup>. Less populated local government areas also have a smaller buyer base and are less attractive to advertisers, making it harder for commercial news entities.

PIJI's 31 December 2023 results identify 29 local government areas without any local print or digital news and 29 per cent of local government areas with fewer outlets now than at the beginning of 2019.



Figure 2: Net change in news production by metro vs. regional: 1 January 2019 - 31 December 2023.

PIJI, through independent research and recent media reports, is also aware of alleged generative artificial intelligence (AI) news sites recently entering local Australian news market, without clear attribution, and which in some cases, appear similar to news articles from other outlets. This demonstrates a new and rapid – and evolving – disruption to public interest journalism, which PIJI believes will be felt more immediately and acutely than previous digital changes. It is likely to further fragment the shared public information space, leaving Australia increasingly vulnerable to the severe and intensifying threats posed by disinformation and misinformation. In the past year, the reporting of and public discourse on, key domestic issues and global events has been polarised to an almost unprecedented degree, with a stark lack of analysis or accountability.

<sup>4</sup> Simon D. Angus, Klaus Ackermann, David H. Kreitmeir, Paul A. Raschky, *Socio-economic determinants of Public Interest Journalism in Australia*, Prepared for the Public Interest Journalism Initiative; December 15, 2023

The speed of disruption to public interest journalism across the country demonstrates the pressing need to strengthen its diversity and sustainability - including the deliberate development of a well-regulated, not-profit news sector.

In 2019, the Australian Competition & Consumer Commission's Digital Platforms Inquiry recommended that "tax settings...be amended to establish new categories of charitable purpose and deductible gift recipient (DGR) status for not-for-profit organisations that create, promote or assist the production of public interest journalism" (Recommendation 11)<sup>5</sup>.

In 2024, there is an increased urgency to grow Australia's NFP news sector to help communities avoid a shortage of the public interest journalism that keeps them informed and resilient, including during natural disasters.

### **CASE STUDY: Press Forward, USA**

US research has found that "residents in more than half of U.S. counties have no, or very limited, access to a reliable local news source — either print, digital or broadcast" and that between 2005-2023 almost 2,900 newspapers closed (~25 per cent), including more than 130 closures or mergers within the past 12 months.<sup>6</sup> These fast appearing gaps in US news markets have coincided with increasingly polarised communities and declining trusts in institutions. However, new data from the Institute for Nonprofit News (INN) has found that the number of nonprofit news outlets grew from under 25 in 2009, to nearly 400 in 2023, looking to fill those areas of news undersupply, and that "as the nonprofit journalism field expands, the resources to sustain this field are expanding, too"<sup>7</sup>.

Press Forward is a major new philanthropic initiative launched in September 2023, to rapidly grow philanthropic funding for NFP news in the USA. Starting as a collective of 22 major foundations and funders, including the MacArthur Foundation, William and Flora Hewlett Foundation and Ford Foundation, it has committed more than a half-billion US dollars (\$A758 million) over the next 5 years to news media with the view to attracting a further \$US half-billion via local chapters.

This initiative focuses on news production, transformation and innovation, advancing public policy and scaling support infrastructure, and most importantly, to do so at pace, in response to the rapid net decline in public interest journalism.

In November, it announced the first six local chapters to encourage localised co-funding, with Press Forward Chicago already close to \$US10 million in commitments from 10 funders. In December 2023, the first round of funding was announced - \$US48 million. Some foundations are also co-funding areas in addition to their Press Forward contributions. For example, the Knight Foundation has contributed \$US150 million to Press Forward, alongside its annual commitments of approximately \$US30-50 million to journalism and journalism-related initiatives<sup>8</sup>.

This case study clearly demonstrates the agile nature of philanthropic funding and how quickly it can be deployed to areas of legitimate need in public interest journalism where appropriate legislative frameworks are in place.

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<sup>5</sup> ACCC *Digital Platforms Inquiry Final Report*, July 2019, p.338

<sup>6</sup> Penelope Muse Abernathy, *The State of Local News 2023 Report*, Medill Local News Initiative at Northwestern University, November 2023: <https://localnewsinitiative.northwestern.edu/projects/state-of-local-news/2023/report/>

<sup>7</sup> Institute for Nonprofit News 2023 Index Snapshot Report, May 23, 2023: <https://inn.org/research/inn-index/inn-index-2023/executive-summary/>

<sup>8</sup> <https://knightfoundation.org/programs/journalism/>; *Knight Foundation 2022 Audited Financial Statement*

## RESPONSES TO REPORT'S DRAFT RECOMMENDATIONS & KEY FINDINGS

### Draft finding 5.1: The deductible gift recipient (DGR) system is poorly designed, overly complex and has no coherent policy rationale

Public interest journalism is essential for democratic health and community resilience. It creates an informed citizenry, a shared information environment, and fosters social cohesion. It is crucial for holding our institutions to account, vital for creating a public journal of record, and becomes critical emergency infrastructure during crises. It has been found by the ACCC to be a public good, wherein journalism provides benefits to the whole of society and not only to those who pay for and consume it<sup>9</sup>.

Currently, there is a lack of clarity for donors looking to give to public interest journalism and significant mechanical barriers for not-for-profit news organisations seeking to both register as a charity with the ACNC and obtain Deductible Gift Recipient (DGR) status from the ATO.

There are 14 subtypes of charities, including 12 charitable purposes described in the Charities Act of 2013 (Cth), public benevolent institutions, and health promotion charities, regulated by the Australian Charities and Not-for-profits Commission (ACNC).

There are 11 DGR categories and 52 sub-categories endorsed by the Australian Taxation Office (ATO), each with different eligibility criteria.

Neither of these regulatory frameworks has a category that specifically captures 'public interest journalism'.

### Draft recommendation 6.1: A simpler, refocused deductible gift recipient (DGR) system that creates fairer and more consistent outcomes for donors, charities and the community

PIJI strongly supports the Commission's Draft Recommendation 6.1: A simpler, refocused deductible gift recipient (DGR) system that creates fairer and more consistent outcomes for donors, charities and the community.

PIJI also supports the proposed base principles to determining tax deductible activity, that include consideration of 'net community-wide benefit' and the avoidance of undersupply.

As a public good, public interest journalism should be available to all Australians regardless of location or economic means, and clearly meets considerations in the report's proposed base principles. Based on its longitudinal market data and [related research](#), PIJI suggests that charitable, donor news models could help markets facing undersupply, such as those defined by geography, linguistics or cultural diversity (eg. First Nations).

PIJI welcomes the Commission's proposed reform to the DGR system to make all registered charities eligible for DGR status, as well as its proposal to specifically include 'public interest journalism' as a subtype within the 'other' charitable purposes category.

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<sup>9</sup> Australian Competition and Consumer Commission 2019. Digital Platforms Inquiry Final Report, p. 283

As PIJI noted in its [previous submission](#), public interest journalism does not easily fit within any existing category of charitable purpose. The charity subtypes applicable to registered news not-for-profits (including PIJI) are varied to date.

Similarly, while approximately 40 per cent of registered charitable news organisations have DGR status, there is no uniform approach to obtaining it; some organisations meet the DGR endorsement criteria through Public Benevolent Institution status, some by specific listing, and others through the Register of Cultural Organisations (ROCO). It should be noted that those news organisations with DGR status were overwhelmingly community radio outlets, most via the ROCO.

The proposed reforms would bring Australia in line with other jurisdictions such as Canada, the US and the UK, which have each seen increases in philanthropic giving to, and demand for, not-for-profit public interest journalism in recent years.

PIJI has observed a growth in appetite in Australian donors for philanthropic funding in this area. The Commission, in its draft report, makes the point that a donor's willingness to give may be linked to an organisation's DGR status, using it as "an indicator of a charity's 'legitimacy', quality or effectiveness"<sup>10</sup>. NFP news organisations with both charity registration and DGR status have reported increased ability to engage and attract philanthropic funding interest over the last couple of years<sup>11</sup>. The Australian Associated Press (AAP), The Conversation and The Guardian are examples of how philanthropic support can provide essential startup and operating capital for news not-for-profit models.

Further insight into how philanthropy could support and grow public interest journalism are examined in PIJI's research<sup>12</sup>. To include specifically name public interest journalism in DGR and charitable categories (that are also interlinked) makes for a consistent, principled assessment framework and a streamlined, regulatory setting.

PIJI also supports the Commission's pursuit of "regulatory arrangements that maintain donor confidence" ie. to maintain the trust and confidence of donors, taxpayers and charitable beneficiaries. PIJI believes there should be appropriate guardrails that limit commercial interests from using charitable purposes to their advantage. The new charitable purpose and DGR categories for public interest journalism should require minimum levels of transparency, impartiality and independence as recommended by the ACCC<sup>13</sup>. Dr Bill Birnbauer of Monash University, whose doctoral research examined the development of the not-for-profit investigative journalism sector in the United States, recommended tax deductibility for independent journalism centres that is conditional on adherence to a code of ethics; undertaking normal journalistic practice and having editorial independence from their funders<sup>14</sup>.

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<sup>10</sup> Productivity Commission, *Future foundations for giving*, Draft report, Canberra, November 2023, p14

<sup>11</sup> G. Dickson, A review of proposals to provide news organisations with access to tax deductible gifts in Australia, Public Interest Journalism Initiative, March 2021, <https://piji.com.au/wp-content/uploads/2021/03/dickson-g-2021.-proposals-to-provide-news-organisations-tax-deductible-gifts.pdf>; R. Hill, Understanding the role that philanthropy can play in supporting public interest journalism and how to enable it, Public Interest Journalism Initiative, September 2021: <https://piji.com.au/wp-content/uploads/2023/06/hill-r-2021.-understanding-the-role-that-philanthropy-can-play-in-public-interest-journalism.pdf>

<sup>12</sup> G. Dickson, A review of proposals to provide news organisations with access to tax deductible gifts in Australia, Public Interest Journalism Initiative, March 2021, <https://piji.com.au/wp-content/uploads/2021/03/dickson-g-2021.-proposals-to-provide-news-organisations-tax-deductible-gifts.pdf>; R. Hill, Understanding the role that philanthropy can play in supporting public interest journalism and how to enable it, Public Interest Journalism Initiative, September 2021: <https://piji.com.au/wp-content/uploads/2023/06/hill-r-2021.-understanding-the-role-that-philanthropy-can-play-in-public-interest-journalism.pdf>

<sup>13</sup> Australian Competition and Consumer Commission 2019. Digital Platforms Inquiry Final Report, p.338

<sup>14</sup> Birnbauer B 2018. The rise of nonprofit investigative journalism in the United States, p.5

In Canada, news media organisations seeking to access tax deductions for donations must first be designated a Qualified Canadian Journalism Organization (QCJO)<sup>15</sup>. Criteria for this designation include original news content production; being owned by Canadians; employing at least two journalists who operate at arm’s length from management and primarily operating in Canada.

These guidelines serve as a useful starting point, alongside the Australia’s regulators’ charitable purposes eligibility requirements. PIJI would be pleased to assist in developing appropriate guidelines to this effect.

#### Information request 6.1: Improving the specific listing mechanism

In the event that charity registration and DGR status are not harmonized, or that ‘public interest journalism’ is not specified within an existing, or as a separate, DGR category, PIJI recommends the specific listing mechanism still be able to accommodate charitable, registered public interest journalism-related organisations seeking DGR status.

Without wholesale DGR reform or specific adjustments to name public interest journalism as a tax deductible, charitable purpose, a specific listing may continue as a key pathway for news NFPs seeking DGR status.

Indeed, there are currently a number of larger, charitable news-focused organisations including AAP, The Conversation, the Alliance for Journalism Freedom and the Judith Neilson Institute for Journalism and Ideas that each obtained DGR status by way of a specific listing. PIJI also notes the time sensitivity facing AAP with their DGR Item 1 status under special listing due to expire in July 2026<sup>16</sup>.

#### Draft recommendation 6.2: Supporting reforms to improve the deductible gift recipient (DGR) system

To enable greater transparency and accountability and to assist with the understanding of editorial independence in the case of public interest journalism outlets, PIJI is supportive of the recommendation to amend the Australian Charities and Not-for-profits Commission Act 2012 (Cth) to require the ACNC to register all new and existing charities with all applicable charitable subtypes.

#### Draft recommendation 9.1: Creating more value from the data held by Australian Government agencies

PIJI also welcomes the Commission’s draft recommendation to “create more value for the public from the data collected about charities by improving the ACNC charity register, and collecting and publishing additional data”<sup>17</sup> in relation to different forms of philanthropic giving.

PIJI has shown through its own work, the value of longitudinal data on developing policy, informing consumers and assisting industry, and believes that additional data on charities and not-for-profits would help support the development of a not-for-profit news sector through:

- increasing the transparency and accountability of the news NFPs to the general public
- raising public awareness of news as a legitimate area for support
- assisting greater understanding and analysis of Australia’s evolving NFP news sector

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<sup>15</sup> Government of Canada 2020. Guidance on the income tax measures to support journalism.

<sup>16</sup> [https://www.pc.gov.au/data/assets/pdf\\_file/0014/360131/sub244-philanthropy.pdf](https://www.pc.gov.au/data/assets/pdf_file/0014/360131/sub244-philanthropy.pdf);

<sup>17</sup> Productivity Commission, *Future foundations for giving*, Draft report, Canberra, November 2023, p2.

- helping to strengthen guardrails on eligible charitable news activity

As an example, the Institute for Nonprofit News (INN) has recently completed its sixth annual survey of nonprofit news organizations across North America, which is providing leading global insight into patterns of philanthropic giving (institutional to grassroots) for public interest journalism.

Furthermore, additional transparency obligations on tax deductible revenue for registered charities would assist in maintaining public interest journalism's key independence elements (eg. editorial policies and codes of practise) and in holding those organisations to account, assist levels of trust in news within the community.

## ABOUT THE PUBLIC INTEREST JOURNALISM INITIATIVE

The Public Interest Journalism Initiative (PIJI) is a specialist think tank focussed on advancing a sustainable future for diverse and pluralistic public interest journalism in Australia. PIJI has pioneered the establishment of comprehensive news media sector data through its Australian News Data Project. This data has highlighted a clear decline in public interest journalism in Australia. PIJI routinely engages with industry, government, community, and digital platforms. Through its expanding body of work, PIJI has established itself as a highly respected, credible, independent convenor and commentator on the role of news as a public good.

PIJI is a registered charity with the ACNC under the charitable category of 'advancing education' (ABN 69 630 740 153). It is a philanthropically funded, non-profit company limited by guarantee governed by a Board of independent directors, advised by an Expert Research Panel and Policy Working Group and regulated by the ACNC, ATO and ASIC.

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## Upcoming Research

PIJI is continuing to investigate the development of a not-for-profit news sector in Australia and has a number of existing and upcoming research focuses:

1. *The Socio-economic Determinants of Public Interest Journalism in Australia*

PIJI recently commissioned Monash Business School's Soda Laboratories (SoDa Labs) to conduct research into factors affecting the viability of local print and digital news outlets. This empirical investigation into the socio-economic factors associated with the presence of print and digital local news outlets in Australia, covered all 540 LGAs across Australia. It found that the size of the local market in terms of both readership and consumer base is critical to the survival of news producers (print and digital). Local news publishers

become unviable when readership numbers are too low, or when the market size is not appealing to advertisers. Further research will be undertaken to help develop a benchmark of 'viability' for local news markets.

2. *Trend analysis of philanthropic and government funding for news media (forthcoming)*

A financial analysis of the levels and directions of philanthropic and governmental support for Australia's news sector over the past five years.

3. *PIJI Future Focus Roundtable: Non-profit News Markets (forthcoming)*

PIJI is delivering a series of roundtables to investigate and tackle some of the challenges – and opportunities – facing public interest journalism in Australia, and assist development of its future directions. Each roundtable has a specific focus and brings together key decision-makers from news media, broader business, government, academia and civil society.

Following its [first roundtable](#) held in December 2023 focused on local news, PIJI will host a non-profit news roundtable in late 2024, bringing together policymakers, news media, philanthropy and civil society peaks for the release and discussion of the above research and policy design.

# [Public Interest Journalism Initiative]

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