

## Productivity Commission

### Response to the *Future Foundations for Giving* draft report

February, 2024

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The Local and Independent News Association (LINA) welcomes the opportunity to submit comments on the *Future Foundations for Giving* draft report. The Commonwealth, LINA and its members are strongly aligned in the ambition to increase the sustainability of news services to communities across Australia, and therefore the diversity of local news services available to audiences. LINA notes Government priorities to meet the information needs of geographically and culturally diverse audiences, address news deserts and increase media diversity. Amendments to charity registration and DGR processes would integrate with other policy interventions in development (specifically, the News Media Assistance Program) to strengthen public interest journalism in Australia.

LINA made a submission to the Productivity Commission's Philanthropy Inquiry in May 2023 highlighting opportunities to increase giving and to strengthen public interest journalism and media diversity in Australia through enabling a not-for-profit news media sector with a clear pathway to a deductible gift recipient (DGR) category. Without reiterating the issues raised in our previous submission to the Commission, this paper summarises LINA's response to the draft report published in November 2023.

#### System change

- LINA agrees that reform is needed to simplify the DGR system.
- LINA supports the proposed standardisation of eligibility criteria for DGR endorsement by the ATO. Inconsistencies in the assessment of DGR eligibility have been problematic and make the system more complex to navigate for charities.
- LINA supports the expansion of DGR status scope to include public interest journalism and a direct connection between charity registration and the DGR system. LINA is pleased to note public interest journalism as a proposed reform inclusion. However, LINA recommends a defined charity subtype be established for public interest journalism, **instead of 'shoehorning' journalism activities into the broad 'other' category of DGR endorsements. This would prevent members from seeking an inconsistently applied special listing and navigating an opaque and time-consuming process, as is the status quo.** LINA encourages the Commonwealth to consult with industry on the parameters of a public interest journalism sub-category and any associated definitions.
- LINA supports a principles-based approach to reforming the DGR system and agrees with the proposed assessment criteria for determining the scope of the DGR system (ie. rationale, benefits, minimal risk of private benefits for donors). We suggest there is rationale for taxpayer support of community-based news services due to the social cohesion, community-building, democracy-strengthening and public safety benefits generated by accurate, timely and locally relevant news services. These services are particularly valuable in areas of potential market failure, where there is a population size large enough to warrant a dedicated news service, but a low socioeconomic profile and/or not enough population (eg. greater than 300,000 people) to sustain a viable news service. DGR status would encourage a not-for-profit model that ensures all Australian communities have the opportunity to benefit from a local news

service. Further, while grants are likely to be required in the short to medium term to support the news media industry through a period of technical transition, subsidising philanthropy using a tax deduction for giving would provide a long-term means of boosting newsroom sustainability. News media is a space in which government and philanthropic collaboration could be appropriate to support the industry through a period of transition.

- Given the news industry *is* in transition, responding to audience migration from ‘legacy’ media platforms (TV, radio, print) to online platforms and digital news delivery. The internet has changed the way Australians source information and has disrupted the business models that had supported traditional media distribution for the previous century. News publishers must be innovative and experimental as they evolve to meet audience preferences. In this context, untied funds drawn from donations are particularly useful to trial and learn from new technologies, expediting the industry’s capacity to address misinformation and retain engagement in news.
- LINA encourages the Productivity Commission to look at the two-step process introduced by the Canadian Government in 2019 outlining [eligibility criteria](#) and registration requirements for newsrooms becoming a registered charity. The Register of Cultural Organisations (ROCO) already includes a range of principles relevant to the promotion of history, literature, arts and media formats that contribute to community building and celebrating diversity. A similar register of charitable public interest journalism organisations could be established with appropriate caveats focused on local journalism production, diversity of news content, editorial policies and masthead limitations. Administered through the ATO in line with the proposed amendments, this would provide a pathway for charitable registration and DGR application for newsrooms providing a public service in their communities.

### Personnel and skillset growth

- LINA agrees that government grants would help increase volunteering. LINA member publishers currently engage an average eight volunteers per news outlet in the production of local news services. There is potential to increase this resource pool with support for the oversight, training, equipment, insurances and compliance requirements involved in the management and facilitation of volunteers. There is also potential for volunteerism to become a pathway for skills development to address recruitment barriers faced by news publishers, particularly in regional areas.

### Income implications

- LINA recognises the tax revenue implications implicit in any deduction the Government decides to make. Public interest journalism offsets this by contributing to social cohesion, emergency preparedness and resilience, increased community health outcomes and a stronger democracy, just to name a few public good outcomes. But beyond these tangible benefits to the community, it’s worth noting that the potential impact on tax revenue that would result in a pathway to DGR status for not-for-profit newsrooms is likely to be minimal. Firstly, most individual donations will be less than \$200 per year, meaning the tax implications on those donations are minimal. Secondly, larger donations or bequests of more than \$1,000 (for example) are most likely to come from organisational donors who would otherwise have donated to an alternate not-for-profit, so while decisions on donations will be made on perceived value to the community, the impact on tax revenue for the government is null. Thirdly, Australian philanthropic foundations already require grant applicants to hold DGR status, therefore extending DGR

eligibility to public interest journalism merely provides opportunity for consideration on funds that are already being expended, also having zero impact on tax revenue. Fourthly, international donors are increasing supporting media outlets in countries such as the UK, the U.S. and Canada and require the equivalent DGR status to their domestic equivalent (ie. section 501c in the U.S.) in order to donate. Australian newsrooms would be well positioned to increase giving from international donors should they have access to DGR status, generating tax-positive outcomes for Australia. And finally, the tax system is not neutral toward media outlets. Advertisers claim the cost of marketing expenses against tax even for money expended with large, for-profit media outlets who rely heavily on this income for their sustainability. The current tax arrangements favour large for-profit media companies (tax deductibility of advertising) or non-profit projects affiliated with universities (tax-deductible donations, bequests etc). Smaller outlets wanting to operate as non-profits are forced to rely on a narrower range of income streams, such as non-deductible donations and advertising. The narrower the revenue base, the greater the risk of failure, especially when serving small regional communities.

- LINA notes that charities with revenue under \$250,000 receive 40% of their total revenue from donations on average. Given the average income of LINA members in 2023-24 was \$350,521, many emerging local news publishers are reliant on self-generated income that falls below the \$250k level. This suggests an opportunity to attract an average 40% increase in revenue to businesses that bring significant public value to their communities should tax-deductible donations be available to them.
- LINA notes the significant component of giving in Australia undertaken by individuals and agrees that personal income tax deductions are likely to encourage people to donate more. Through reaching engaged audiences with high levels of trust in local news, there is opportunity to increase donations from individuals as supporters of local news services. An increasing number of people in Australia are making donations to support a digital news service, up by +1 to 4% in 2022 (Digital News Report, 2022). Similarly, LINA has received feedback from the philanthropic community indicating a willingness to support newsrooms with donations should DGR status be applicable. There is also scope to increase support for local news production through ancillary funds.

### Trust

- LINA notes the limitations described in the report on public disclosure, data accessibility and reporting surrounding charitable donations. In order to maintain audience trust and transparency, news publishers would need to publicly identify donors, or at least ancillary fund sources, contributing to public accountability in philanthropic giving. LINA does not see the reporting of information on donation activities as problematic in this context.

LINA would be happy to contribute further information to policy development relating to DGR reforms and thanks the Government for its consideration of this matter.

Sincerely,

Claire Stuchbery  
Executive Director

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## About LINA

LINA represents 61 digital news publishers, producing 99 mastheads in all States and Territories across Australia. LINA members are locally owned and operated news publishers, creating high-quality public interest news content that meets professional Editorial Standards, by and for a defined community. LINA membership is open to all digital news publishers who meet our membership requirements, however, most member services are tailored to capacity building for small publishers, with most LINA members having an annual income of less than \$350k and operating with fewer than five staff.

LINA sees these news businesses as the 'green shoots' of the news industry, observing the expansion of digital newsrooms in the wake of newsroom contractions/closures. This change reflects an audience shift to digital news consumption over decades and the weakening of business models sustained by advertising and user-fees on a global scale. LINA's role is to support hyperlocal and independent digital news publishers, including the development of complementary revenue streams to ensure the sustainability of essential local news services.