



REPORT

Update on tax concessions for Public Interest Journalism

Using updated consumer survey data

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Public Interest Journalism Initiative
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CANBERRA

Centre for International Economics
Ground Floor, 11 Lancaster Place
Canberra Airport ACT 2609

Telephone +61 2 6245 7800
Facsimile +61 2 6245 7888
Email cie@TheCIE.com.au
Website www.TheCIE.com.au

SYDNEY

Centre for International Economics
Level 7, 8 Spring Street
Sydney NSW 2000

Telephone +61 2 9250 0800
Email ciesyd@TheCIE.com.au
Website www.TheCIE.com.au

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Summary

- **A February 2024 update of an Essential Media survey first conducted in November 2019 seems to indicate that both support of public interest journalism in general, and willingness to pay for an increase in public journalism has declined.**
 - Whereas willingness to pay in 2019 (framed as a 50 per cent increase in public increase journalism funded through a tax rebate) ranged from \$1.51 to \$2.94 per person per month, the 2024 estimates range from \$0.41 to \$1.99.
- **This reduced willingness to pay reduces the potential benefits from a tax concession scheme.**
 - Our 2019 estimates suggested potential benefit cost ratios of between 0.97 and 2.84.
 - The 2024 estimates suggest potential benefit cost ratios of between 0.26 and 1.93.
- **There are a number of possibilities for explaining the decline in willingness to pay. However, the Essential Media survey does not provide a direct indication of this.**
 - Further consumer research is warranted to fully understand the factors that combine to determine overall willingness to pay for public interest journalism.

1 Introduction

Background

In November 2019 the CIE prepared a report for the Public Interest Journalism Initiative looking at the idea of a tax concession for public interest journalism. This idea is similar to a policy adopted in Canada, whereby eligible journalism providers receive a tax concession (potentially in the form of a cash refund) for a proportion (25 per cent in the case of Canada) of eligible expenditure on public interest journalism (in the Canadian case, this is expenditure on wages and salaries for journalists).

A policy such as this is justified if the value to the community (the community 'willingness to pay') for increased public interest journalism exceeds the cost of providing the tax concession (where this cost also includes administrative and compliance costs).

Our previous report went through the general arguments for a tax concession and then undertook an indicative benefit cost analysis of a tax concession scheme. Tax concessions have some policy advantages in that they can specifically target the cost of providing public interest journalism, and once in place can be flexibly adjusted to respond to emerging circumstances (as has been the case in Canada, for example).

The benefit side of the calculation (the community willingness to pay for the potential increase in public interest journalism funded through the tax concession) was based on willingness to pay estimates derived from a November 2019 survey undertaken by Essential Media. That survey asked a series of questions which allow us to estimate a range of values for willingness to pay for increased public interest journalism.

In February 2024, Essential Media repeated the original survey which we have used to provide updated estimates of willingness to pay, as well as updated estimates of the benefits and costs of a tax concession scheme.

This report

This report sets out our findings using the most recent Essential Media survey.

- Chapter 2 considers new estimates of willingness to pay, which appear to have fallen since 2019. The chapter considers some possible reasons for this, noting that further research would be required to fully resolve the reasons.
- Chapter 3 reports the updated benefit cost findings, noting that the lower willingness to pay estimates makes it harder for the overall policy to achieve a benefit-cost ratio greater than 1. Our revised upper estimates are for a benefit-cost ration of between 1.28:1 and 1.93:1.
- Chapter 4 provides some suggestions for next steps in further exploring the policy.

2 *Willingness to pay appears to have fallen*

Support for public interest journalism

Essential Media undertook a series of surveys between 2019 and 2024 to assess attitudes to public interest journalism. Between November 2019 and April 2020 support for public interest journalism remained largely constant. In the November 2020 survey overall support for public interest journalism appeared to increase.

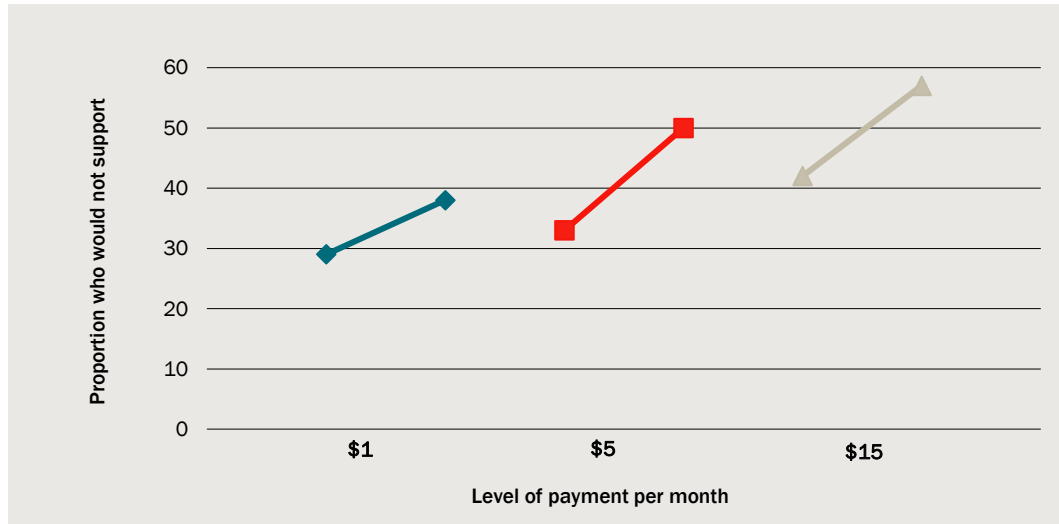
However, in the February 2024 survey (and compared with the original survey in November 2019), public interest journalism seems to have lost ‘top end’ support. For example, between the November 2019 and February 2024 surveys, the proportion of respondents that considered public interest journalism to be ‘very important’ to society fell from 43 per cent to 37 per cent. At the same time, the proportion that considered public interest journalism to be ‘somewhat important’ remained the same (35 per cent). The proportion that considered it to be ‘a little important’ increased from 18 per cent to 21 per cent.

Willingness to pay

This same pattern can also be seen in the responses to the questions used to derive community willingness to pay for public interest journalism. These questions ask participants whether they would support a tax increase in order to help fund public interest journalism, where a range of different dollar amounts were used in the questions.

Chart 2.1 indicates that the proportion of people who ‘definitely would *not* support’ a payment at each level increased sharply between the 2019 and 2024 surveys. The increase is between 9 and 17 percentage points.

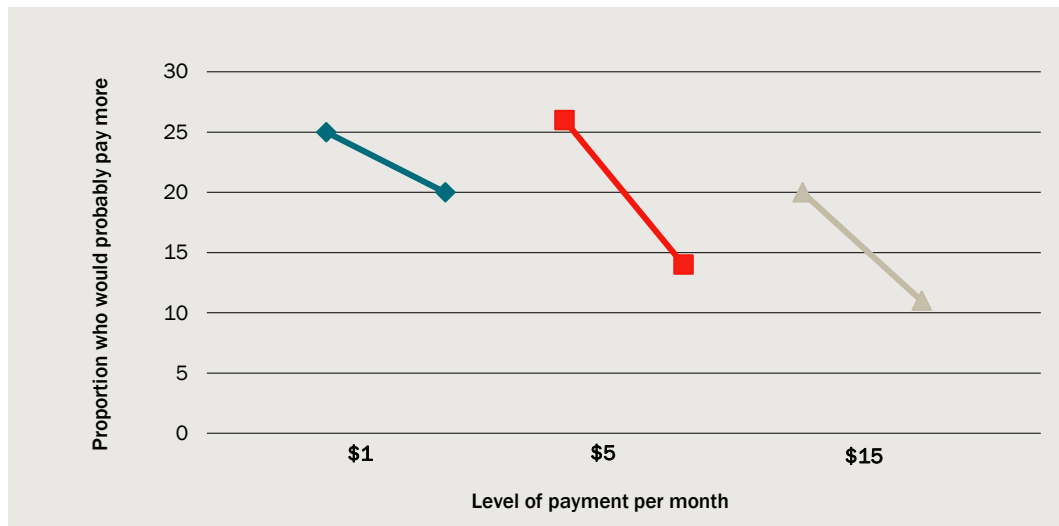
2.1 Proportion who 'definitely would not support' by payment level: comparing 2019 and 2024



Data source: CIE estimates based on Essential Media survey results.

At the same time (chart 2.2) the proportion who would 'probably pay more' declined sharply between the 2019 and 2024 surveys. The decline is between 5 and 12 percentage points.

2.2 Proportion who 'probably pay more' by payment level: comparing 2019 and 2024

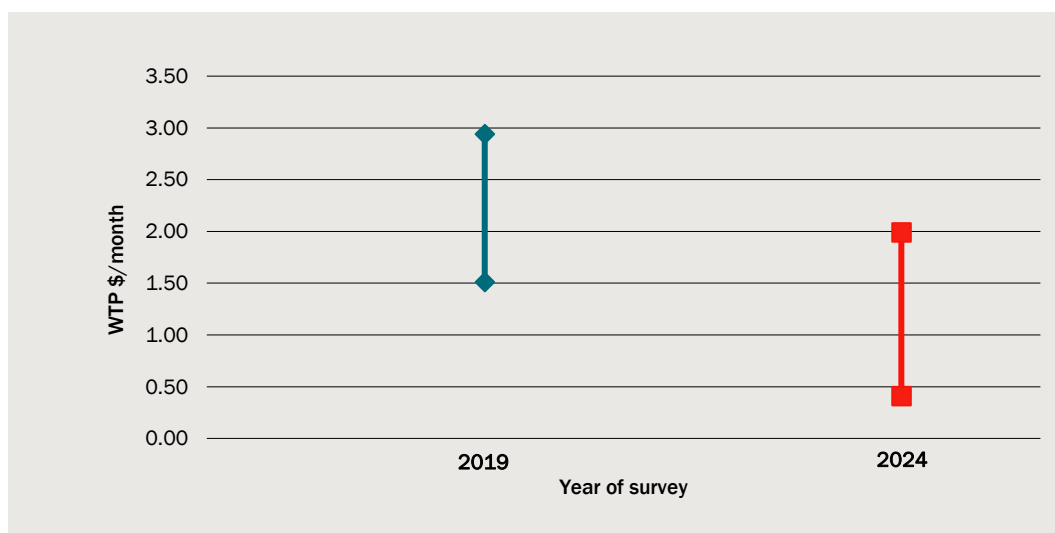


Data source: CIE estimates based Essential Media survey results.

As in the previous study, we use full Essential Media results derive a range for a monthly willingness to pay for a 50 per cent increase in public interest journalism. We estimate this range to be from \$0.41 to \$1.99 per month (per person).

Chart 2.3 compares the 2019 willingness to pay range (\$1.51 to \$2.94) with the range that emerges from the 2024 survey (\$0.41 to \$1.99). Consistent with each of the survey responses summarised above, this range has fallen (by between 70 and 30 per cent).

2.3 Overall WTP levels



Note: willingness to pay in dollars per month for a 50 per cent increase in public interest journalism.

Data source: CIE estimates based on Essential Media survey results.

Why the decline?

The Essential Media survey does not directly indicate why willingness to pay has fallen (or why the overall support for public interest journalism has fallen). Recent international literature provides some broad pointers as to the sorts of forces that may be in play.

For example:

- A report published by the Reuters Institute¹ noted that cost of living pressures has led to a general decrease in media subscriptions, which may also be applicable to public interest journalism values. The same study also noted a wide and expanding range of alternatives (many of them free) to media subscriptions, which would be expected to decrease valuations.
- A Korean² study indicated that willingness to pay for public journalism depends on perceptions of the performance of public broadcasters, and where this perception declines so too does willingness to pay. This study similarly noted that the availability of substitutes (to traditional media) also decreases willingness to pay.
- A German study³ noted that the willingness to pay for digital media subscriptions is relatively low, partly because of the many alternatives to traditional media and partly

1 'Paying for news: Price-conscious consumers look for value amid cost-of-living crisis' available at <https://reutersinstitute.politics.ox.ac.uk/paying-news-price-conscious-consumers-look-value-amid-cost-living-crisis>

2 'Willingness to Pay for the Subscription Fee of Public Broadcasting System', available at https://www.scirp.org/pdf/AJC_2014032814170827.pdf

3 'Money for nothing and content for free: willingness to pay for digital journalism' available at https://www.medienanstalt-nrw.de/fileadmin/user_upload/lfm-nrw/Foerderung/Forschung/Zahlungsbereitschaft/Money_For_Nothing_And_Content_For_Free_Willingness_To_Pay_For_Digital_Journalism.pdf

because of a perception that things on the internet should be free. In a world in which consumption of news is increasingly digital, this may lead to a decline in willingness to pay for public interest journalism in general.

- A report published by the International Institute for Communications⁴ notes that people are generally prepared to pay less for news than for entertainment subscriptions (such as Netflix, for example). This could be used to put an upper bound on willingness to pay for public interest journalism. For example, a base level Netflix subscription (with adds) is \$6.99 per month. This may be viewed as a household number, so on a per person basis this would be around \$2.80 per month. (average household size is 2.5). This is consistent with the upper bound of the 2019 willingness to pay estimates. This provides an indirect indication that willingness to pay might not be expected to increase from the 2019 values.

While none of these studies provides definitive evidence as to why willingness to pay for public interest journalism in Australia has declined over the past 5 years, the various factors identified are highly suggestive and provide avenues for further investigation.

⁴ 'Willingness to pay: news media' available at <https://ses.library.usyd.edu.au/bitstream/handle/2123/26408/IM-Sept-2021-Vol-49-Issue-3-Willingness-to-pay-for-media.pdf?sequence=1>

3 Revised benefit cost calculations

Core assumptions

Using the same core assumptions as previously, we can use the updated willingness to pay assumptions to estimate the potential benefits and costs of a tax concession to public interest journalism.

The core assumptions underlying this analysis are as follows.

- **Representative annual analysis.** While it would be expected that the benefits of PIJ emerge over time, we have constructed the analysis here on a representative annual basis. That is, we assume that the relevant benefits and costs occur at the same time. This is consistent with the WTP estimation of an annual value.
- **Incentive rates.** For illustration, we assume incentive rates of 25 per cent and 50 per cent. Because other assumptions are assumed to be proportional to the dollar value of the incentive, the choice of incentive rate affects overall magnitudes but not the benefit cost ratio.
- **Cost base for journalism expenditure.** Following estimates provided by the ACCC in their *Digital Platforms* report, we assume this is \$600 million.
- **Deadweight loss from taxation.** This item recognises that the tax foregone as a result of the incentive must be made up elsewhere. All tax raising is associated with a deadweight cost that is essentially the result of disincentives within the tax system. Consistent with the CIE review of the R&D Tax Incentive, we assume this is 20 per cent of the amount of the tax incentive.
- **Compliance and administration costs.** The review of the R&D Tax Incentives found compliance and administration costs to be 9 per cent and 1 per cent respectively of total tax expenditure on the program. Given that the R&D Tax Incentive is a very large program (around \$2 billion) and that any PIJ program would be incremental to it, we have assumed half the total compliance and administrative costs, with compliance costs set at 4 per cent and administration costs at 1 per cent.
- **Additionality.** For the base calculation, additionality is assumed to be 1. We provide a sensitivity analysis with additionality at 1.5. Note that the additionality rate is applied to the tax subsidy net of compliance costs which are assumed to be borne by the firm. Compliance costs thus lower the effective amount of the tax subsidy.
- **Willingness to pay (for a 50 per cent increase in PIJ).** Following the results reported above, this is assumed to have a lower value of \$103 million per year and an upper value of \$501 million per year.

Table 3.1 summarises the calculations using these assumptions. Labelled columns (1) and (2) are concerned with notional incentive rates of 25 and 50 per cent while assuming

additionality of 1. Labelled columns (3) and (4) are concerned with notional incentive rates of 25 and 50 per cent, but this time assuming additionality of 1.5.

3.1 Summary of benefit cost results

Item	Units	(1)	(2)	(3)	(4)
Core assumptions					
Incentive rate	%	25%	50%	25%	50%
Journalism cost base (\$m)	\$ million	600	600	600	600
Benefit of 50% increase in PIJ: lower	\$ million	103	103	103	103
Benefit of 50% increase in PIJ: upper	\$ million	501	501	501	501
Additionality	Rate	1	1	1.5	1.5
Cost elements					
Gross value of incentive (\$m)	\$ million	150	300	150	300
Compliance cost (4% of incentive)	\$ million	6	12	6	12
Administration cost (1% of incentive)	\$ million	2	3	2	3
Deadweight loss (20% of incentive)	\$ million	30	60	30	60
Total costs	\$ million	188	375	188	375
Benefit elements					
Funds available for PIJ	\$ million	144	288	144	288
Increment to PIJ	%	24	48	36	72
Benefits lower	\$ million	50	99	74	149
Benefits upper	\$ million	241	481	361	722
Net benefits					
Lower	\$ million	-138	-276	-113	-226
Upper	\$ million	53	106	174	347
Benefit cost ratio					
Lower	Ratio	0.26	0.26	0.40	0.40
Upper	Ratio	1.28	1.28	1.93	1.93

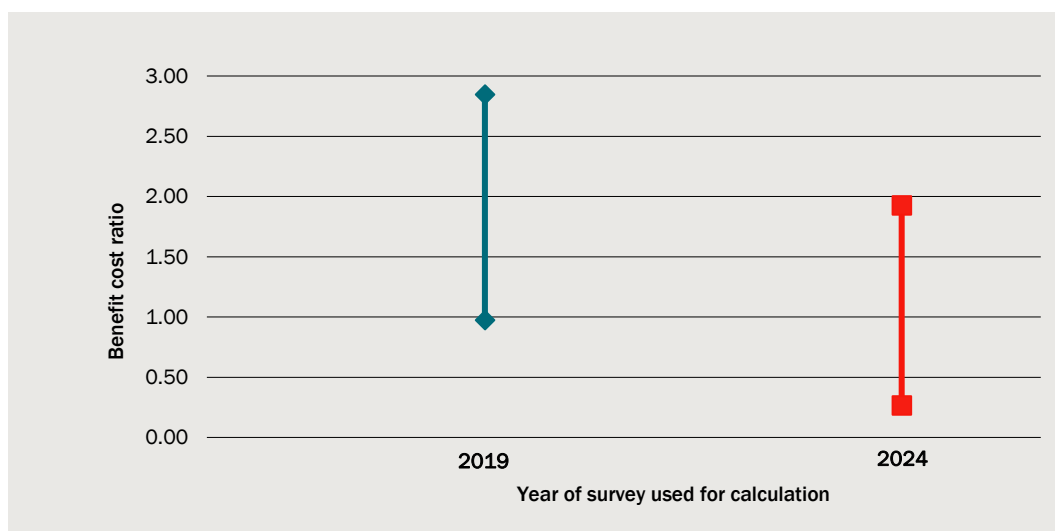
Source: CIE estimates

With additionality of 1, the incentive scheme yields net benefits of between –\$138 million and \$106 million a year, with an associated benefit cost ratio of between 0.26 and 1.28.

With additionality of 1.5, the incentive scheme yields net benefits of between –\$113 million and \$347 million a year, with an associated benefit cost ratio of between 0.4 and 1.93.

Chart 3.2 illustrates the benefit-cost ratios between the two sets of estimates.

3.2 Comparison of benefit cost ratios



Data source: CIE estimates incorporating WTP calculations based on Essential Media survey.

The lower willingness to pay estimate clearly makes it more difficult for the scheme to achieve net benefits.

At the lower estimates of willingness to pay, achieving a benefit ratio of 2:1 requires that the tax incentive leads to a 180 per cent increase in the level of public interest journalism. At the higher estimates of willingness to pay, achieving a BCR of 2:1 requires a 37 per cent increase in the level of public interest journalism.

4 *Next steps*

Willingness to pay for public interest journalism

The apparent decline in willingness to pay for public journalism creates a clear challenge for interpretation at the same time as offering an opportunity to better understand the underlying basis of the numbers.

While the current structure of the survey does not provide direct indications of the reasons for the decline, the Essential Media approach could easily be extended to provide further information about the factors that drive willingness to pay, particularly in the recent Australian context. This could, for example, involve extending the survey (or have some post survey follow up) to understand the thinking that lies behind the response.

Important areas for further examination include:

- How respondents interpret the term ‘public interest journalism’, and whether, and how, they distinguish between it and other broad ‘news’ and information options.
- How the availability of substitutes (digital in particular) to ‘traditional’ media affects willingness to pay for public interest journalism.
- How willingness to pay is influenced by the presence of a public broadcaster which is in some sense ‘already paid for’ through taxes.
- Related to this, how respondents interpret increments to public interest journalism above what is taking place currently.

One way to approach understanding each of this is to undertake focus group analysis prior to any new willingness to pay surveys. Focus groups allow much more detailed discussion than is typically possible in a survey.

Following the focus groups, it would then be appropriate to make adjustments to the original survey instrument (that is, the set of questions used for the willingness to pay section of the Essential Media survey) to reflect information obtained from the focus groups. It would also be appropriate to have some opportunity for post survey follow up with selected respondents to further explore the reasons behind their responses.

Finally, approaching the research in this way will allow the exploration of new topics that have not arisen in the surveys to date. In particular, the rapid emergence of generative AI across all media creates both opportunities and challenges for public interest journalism. The perception of consumers around AI and the media is likely to be an important component of future willingness to pay for journalism and so initial research with consumers in this area will be valuable.

Media company response to tax concessions

A second stream for research is to gain a better understanding of the relationship between the tax concession and the amount of the increase in public interest journalism.

Recent analysis of the Canadian scheme⁵ suggests it has led to cost saving to companies of 10 per cent (from a 25 per cent tax concession applied to labour costs only). What is the magnitude of increase (or avoided decline) in public interest journalism that this has led to?

It would be useful to explore the Canadian experience in more detail to understand the benefits and costs of the Canadian scheme — while noting, of course, that there are important differences between the Australian and Canadian media markets.

⁵ 'Rescuing local news through tax credits: a review of policy in the US and Canada'. Available at https://techpolicy.unc.edu/wp-content/uploads/2023/06/UNC_Tech_Policy_Future_Report.pdf.