

# PAYDAY FOR MEDIA GIANTS

Regulation Moves to ensure digital companies pay for media content have raised hopes of a level playing field, writes Aaron Patrick.

**B**y joining forces, Nine and News Corp have achieved a remarkable feat for the digital age: the two old rivals of Australian news have bested their young usurpers, Google and Facebook.

Treasurer Josh Frydenberg, a strong supporter of journalism, on Monday said he had cancelled year-long industry negotiations and will introduce a mandatory code of conduct governing relations between media outlets and digital platforms.

The code will allow the government to regulate the financial relationships between the two industries.

Media publishers envisage that Google and Facebook will be required to share a set proportion of revenue with them, in a similar way that royalties are paid to music rights organisations for the use of songs in ads and television shows.

The decision, which the government didn't need to make until December, demonstrates the effectiveness of media companies as political lobbyists, the hit to advertising from the coronavirus downturn, and the effectiveness of the arguments they made to competition regulators that Google and Facebook exploit them.

"We must use these platforms to reach audiences for all of our content," says Nine chief executive Hugh Marks, whose company owns *The Australian Financial Review*. "If we don't then we are likely missing out on the way people consume things in this modern environment."

Call it opportunism, market exploitation, or clever business, but Facebook and Google found out how to make money out of news without hiring journalists.

When newspapers and magazines post articles on Facebook, in the hope readers will sign up for subscriptions, the social media site doesn't allow them to embed advertising. They're virtually donating expensive and interesting information to Mark Zuckerberg.

Every time someone searches for an article on Google, the digital giant gets a shot to show them an ad.

Without news, Google would be a lesser service. While newspapers get traffic from the giant Google referral service, Google makes money out of their news even when people don't read it. The very existence of news is enough for the tech giant.

News.com.au or Google News? The initial source of news doesn't matter much to many readers. To publishers, if print sales continue to decline, the choice could become a matter of survival.

"It's far broader than specific news content," says Michael Miller, the executive chairman of News Corp Australasia, when asked how to fix the problem. "What they [Facebook and Google] have built is a reputation that you can find answers to questions and the latest news on their sites. Not only have they taken the content of others, they have taken our reputation and monetised that."

The intellectual basis for the unusual intervention - newspapers have usually been a brutally free market - came from an unusual source: super-rational economist Rod Sims.

The chairman of the Australian Competition and Consumer Commission concluded - in the process of a 623-page review of the industry - that the media faced an existential crisis that threatened democracy. "Journalism is a classic public good," he said



Top: News Corp Australasia executive chairman Michael Miller and Nine Entertainment CEO Hugh Marks, and above: federal Treasurer Josh Frydenberg. PHOTO: AAP

last August. "People benefit from it without paying or even reading or seeing it. This means that, left to market forces alone, it would be under-provided."

For newspapers, the bad news has only become worse since Sims spoke.

In the decade to 2018, 106 local and regional newspapers closed, according to an ACCC tally, leaving 21 council areas without a single local newspaper, in print or online, which had one before.

Backbenchers, who rely on local news to campaign, have sent messages of alarm up through the government.

"As well as a competition issue it's also important in a democracy that we have vigorous local journalism," says Communications minister Paul Fletcher. "There's a big difference here between media businesses that put resources into genuine original content ... and digital platforms, which don't generate their own content."

Fletcher says the government decided to intervene when the ACCC told them negotiations over a voluntary code were not progressing, and a financial agreement didn't look likely before the November deadline.

Facebook and Google denied media companies' allegations they slow-balled talks, and said they negotiated in good faith.

The government will leave the new system to the ACCC to devise.

"Our expectation is that it needs to address the commercial arrangements," Fletcher says. "How news is ranked and displayed and how the revenue is monetised and shared."

The media companies also want their exclusive articles given prominence in Google search results - a response to the *Daily Mail* and other outlets that copy news.

Not everyone is convinced that newspapers should join telecommunications, electricity and toll roads in the regulated price world. Altissian co-founder Mike Cannon-Brooks - who lives in a Sydney harbourside mansion once home to members of the Fairfax newspaper family - pushed back on the argument that Google appropriates publishers' articles, which he said was a trope.

"Google doesn't take content" he tweeted on Monday. "They certainly don't make big \$ off it. Old media model is dead. Google et al didn't kill it. Why would they pay?"

## Provide incentives for tracing app take-up

### Opinion

Joshua Gans and Richard Holden

Australia's containment and social distancing measures have, along with a relatively low base rate and comparatively high testing rate, allowed us to get the spread of COVID-19 under control. For now.

The unanimous view of public health experts, epidemiologists and economists is that before relaxing any of those containment measures, we need to get the infection rate closer to zero, dramatically expand testing, and have highly effective and comprehensive contact tracing in place.

Only then can we avoid the kind of second-wave outbreaks witnessed in Singapore and South Korea, and a return to possibly even more stringent lockdowns.

Prime Minister Scott Morrison has said publicly that the government is working on standing up a contact-tracing app for mobile phones similar to the one used in Singapore, TraceTogether.

That app uses the Bluetooth capability of a phone to measure the proximity and

duration of a contact between two people. That is stored on the person's own device for 21 days, on a rolling basis.

Even on one's own device, contacts beyond 21 days are automatically deleted. If somebody in Australia is found to have COVID-19 the app on their phone will have crucial data about who they have been in contact with in the previous 14 to 21 days.

Granting access to that data to the Department of Health means other people who are at risk of infection can be contacted and then be quickly tested.

Morrison has said the use of the app will be voluntary, and Australia's chief medical officer has suggested we would need a take-up rate of at least 40 per cent for the app to be effective.

But it's easy to see why a bigger take-up rate would be better. If most Australians have the app, most new infections will be found, and then the bulk of people in contact with that infection will be notified.

We certainly hope that most Australians will do the right thing. The community spirit that has seen us largely comply with social-distancing measures will lead many Australians to install the app.

But we need to do more. And when you

*No app with at least a week's worth of data, no beer for you.*

want people to do more of something, economists of every stripe will tell you to provide incentives. This case is no exception.

These incentives could come in two forms: financial payments for having the app installed, and making access to various public places conditional on having the app on one's phone when in those places.

The former could involve the government giving people a rebate on their phone bill, say \$10 a month, for having the app installed.

It is not technologically challenging to verify that the app is installed and that it stays installed by checking the Bluetooth signal randomly in public places such as shopping centres.

Even if 20 million people took this up, it would cost the government only \$2.4 billion a year.

And that's fiscal support that we need to deliver anyway.

Given the counterfactual, it's basically free for the government.

The latter would involve making entry into shopping centres or parks conditional on the app being installed and your phone being with you at the time. When pubs eventually open, the same thing could apply - no app with at least a week's worth of data, no beer for you.

All this can be done through the app, without complicated manual checks.

If you think this sounds like bribing people to do the right thing, you're right. But there are carrots and sticks. The \$10 per month payment is the carrot, restrictions on access the public places for non-compliers are the stick. If you don't want to play it safe,

then you can't go everywhere you want.

If one doesn't understand the technology and how it works, then one might have concerns about privacy.

IPA boss John Roskam - who apparently sees a Down Under version of the Stasi lurking around every corner - is predictably apocalyptic about the contact-tracing app, calling it "very bad and very dangerous".

And even some backbench politicians looking for attention have said they won't install the app (we're talking to you, Barnaby Joyce). Apparently, they are more happy with people forced to stay at home with no contacts to be traced.

Large-scale testing and contact tracing are, in the language of economists, "complements". Doing more of one increases the value of doing more of the other.

The better our contact tracing, the more effective the outcome of our testing regime. For anyone sceptical of contact tracing, ask yourself why you want to make testing for COVID-19 less effective.

Widespread adoption of an effective contact-tracing app is a prerequisite for relaxing our containment measures.

There are strong privacy safeguards built in. Everyone should install the app when it becomes available. But the government should provide incentives for us to do so, too.

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