Making Google and Facebook pay for news content: What will it deliver?

December 9 2022, by Peter Thompson

Credit: Pixabay/CC0 Public Domain

Broadcasting Minister Willie Jackson's announcement of planned legislation requiring big online platforms such as Google and Meta/Facebook to "pay a fair price" to New Zealand news media for their content was welcomed by many as much-needed support for local journalism.

But there are good reasons to be cautious. Such deals can lack transparency, provide few guarantees of where revenues go, and may offer little protection of the public interest.

The government's move follows Australia's 2021 News Media Mandatory Bargaining Code and Canada's proposed Online News Act. Both require the online giants to reach compensation agreements with news providers or be subject to mediation or arbitration by state regulators.

The Australian model initially provoked Facebook into temporarily refusing to link to Australian news content. But it quickly capitulated, and the model has been hailed as a success in a Treasury review that cites over 30 commercial agreements. Some reports suggest the platforms will pay over A$200 million a year to the news sector.

There's no question traditional media business models—particularly newspapers—have been eroded by advertising shifting online. According to New Zealand industry figures, newspapers enjoyed a 40.7% share of the total domestic advertising spend (NZ$606 million) in 2001. By 2011 this had declined to 26.7% ($582 million), and by 2021 it was just 10.4% ($331 million, including newspaper websites).

Digital advertising wasn't even measured in 2001. By 2011, it represented 15.1% of New Zealand's advertising turnover ($328 million) and by 2021 "digital only" accounted for 50.2% ($1.62 billion).

Where does the money go?

As governments have shown increasing resolve to intervene and ensure some of the digital platforms' huge revenues are reinvested in content, the platforms have acted to limit the scale and scope of regulatory measures.

Google News Showcase, for example, now pays monthly fees to seven New Zealand news providers. Meta/Facebook, on the other hand, appears to be reducing its commitments to such deals.

But these bilateral arrangements would seem to have superseded the Commerce Commission's recent decision to authorize the News Publishers' Association application to permit collective bargaining between local news media and the platforms.

In the U.S., similar bargaining provisions in the Journalism Competition and Preservation legislation appear to have been withdrawn following opposition from Facebook.

Given New Zealand's proposed legislation is intended to incentivize such agreements, do these developments mean it's too little, too late?

There are several limitations to "voluntary" payment arrangements, even with the prospect of a statutory shotgun wedding in the background. Although the Australian mandatory bargaining code appears to have driven payment agreements without resort to mediation, no minimum level of subsidy is specified. It only requires the platforms to negotiate in "good faith."

There is also little transparency in bilateral commercial agreements, and the outcomes depend largely on what the platforms themselves deem acceptable. Although larger news organizations might carry some weight in negotiations, smaller operators (if they're covered at all) will likely be forced to accept whatever crumbs fall from the rich platforms' table.

Perhaps most importantly, there is no guarantee any platform payments to news media will actually be invested back into public interest news content. There is nothing to prevent corporate shareholders pocketing the proceeds. Even if it is directed into news, it could merely subsidize partisan or populist reporting.

Where's the public interest?

The policy principles underpinning mandatory bargaining need examining. Yes, the notion that the news sector deserves to be compensated is superficially appealing—commercial sustainability of the fourth estate is the policy rationale.

But determining the right level of compensation is complicated because the costs and benefits on both sides are so ambiguous.

News media provide content that generates audience traffic, but the platforms make that content discoverable and direct users to the source websites. Moreover, the decline in news revenues began before the ascendency of the platforms, and different platforms benefit differently from hosting and sharing news content.

The dominance of the platforms in monetizing online traffic isn't really based on their "poaching" of news; it's their ability to harvest user data and their control of the algorithms governing online content discovery. Crucially, such considerations fall outside mandatory bargaining frameworks.

In this respect, commercial remedies focused solely on the news sector risk overlooking the wider issue. The public as a whole might merit compensation for the market failures and social harms inflicted by the way social media and content discovery portals operate.

The Australian Treasury review of the mandatory bargaining code acknowledged several public interest criticisms, but these were quarantined as issues that fell outside the scope of the policy.

Who gets the bargain?

But there's another key reason to be cautious about mandatory bargaining legislation. Even if it did offer a modest benefit to local news producers, it would come with a significant political opportunity cost. In short, it would inhibit any move toward a more substantial regulatory framework—such as a digital services tax.

Such a model would arguably have a greater public benefit. That's because an independent agency like NZ On Air could collect and disburse the revenue—ensuring the money supported public interest content.

If a digital levy was introduced on top of mandatory bargaining legislation, however, the platforms would claim—with some justification—they are being taxed twice.

At the same time, news media may well prefer a guaranteed direct subsidy from a platform funding agreement when the alternative is taking their chances with a larger but contestable revenue source like the Public Interest Journalism Fund.

The wrong legislation will make it more difficult to introduce wider regulatory measures to support the news media and protect the public interest. We should be careful we don't get less than we bargain for.

Provided by The Conversation

Citation: Making Google and Facebook pay for news content: What will it deliver? (2022, December 9) retrieved 27 April 2024 from https://techxplore.com/news/2022-12-google-facebook-pay-news-content.html