

Submission to the Consultation on the News Bargaining Incentive Revenue Distribution - Statutory Payment Scheme

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Dear Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts,

We submit this response to the consultation on revenue distribution under the *News Bargaining Incentive* as academics specialising in innovation policy, technology regulation, and digital platform economics at RMIT University. We have been engaged in this policy process for years, including through our:

- recent academic paper, 'Rent seeking as a response to multi-sided market collapse: the case of Australia's news media bargaining regime'²
- previous submission to the Treasury's *News Bargaining Incentive* Consultation Paper³
- contributions in the media such as *Crikey*, *The Spectator* and *Reason*.⁴

The bills implement a debatable policy and give legislative form to a mechanism that is economically misconceived, structurally unstable, and likely to generate consequences well

¹ The authors are with RMIT University. They provide this submission in their personal capacity.

² See Darcy Allen and Chris Berg (2026). 'Rent seeking as a response to multi-sided market collapse: the case of Australia's news media bargaining regime'. Available at <https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=6671258>

³ See Darcy Allen and Chris Berg (2026). Submission to the Australian Treasury News Bargaining Incentive Consultation Paper. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6037894

⁴ See, for instance, Darcy Allen (2026) 'Why Australia's News Bargaining Incentive isn't about news or bargaining', *The Spectator* Australia, 22 January <https://www.spectator.com.au/2026/01/why-australias-news-bargaining-incentive-isnt-about-news-or-bargaining/>; Chris Berg (2020) 'Australia's Confused Tech Regulators Are Cracking Down on Google for Using Links', *Reason*, 10 September, <https://reason.com/2020/09/10/australias-confused-tech-regulators-are-cracking-down-on-google-for-using-links/>; Chris Berg (2024), 'No — taxpayers should not bail out journalism. They do so already!', *Crikey*, 23 August <https://www.crikey.com.au/2024/08/23/friday-fight-chris-berg-no-subsidies-journalism-abcsbs/>

beyond its stated purpose. As we have argued elsewhere, it reflects a public choice response to multi-sided market collapse: incumbent news firms translating a structural business model failure into a political claim on adjacent firms. No distribution mechanism can remedy that foundational defect. Nevertheless, given that the policy appears likely to proceed, we wish to contribute to the design of the distribution mechanism, and our two substantive concerns are developed below.

1. The FTE formula prevents adaptation and locks in decline

The proposed payment allocation formula distributes revenue in proportion to the number of full-time equivalent (FTE) journalists employed by each eligible organisation. Question 5 of the consultation asks if FTE journalists are “an appropriate basis for determining payments to the sector?”⁵

The consultation paper’s claim that “FTE journalists provide a reasonable approximation for actual investment in news and journalism” conflates FTE journalists (an *input*) with journalism (an *output*). If the Government’s policy objective is to support journalism as a public good consumed by Australian audiences, the relevant measure is what journalism is produced, not how many people were employed in producing it. Funding FTE counts props up a particular input structure rather than the output it is intended to generate.

The deeper problem is that the formula treats labour inputs as a reliable proxy for journalistic outputs - an assumption that may have had some plausibility in a stable newspaper era, but does not hold in a sector undergoing rapid technological transformation. More journalists does not necessarily mean more or better journalism, and fewer journalists does not mean less. A newsroom that invests in more productive ways of working, including through new technologies, may be able to produce better products. The formula penalises exactly that kind of adaptation.

The practical consequence of the formula is to incentivise news organisations to maximise headcount rather than to maximise journalistic output. An organisation that produces excellent journalism with a smaller, more efficient team will receive less than one that retains a larger workforce producing less. The structural crisis facing legacy news media arose in large part from an inability to adapt existing business models to the digital environment. The appropriate policy response should support that adaptation, not reward organisations for freezing their workforce at current levels.

The scheme actively penalises the kind of productivity-enhancing adaptation that could genuinely sustain journalism in the long run. This problem is particularly acute in the context of emerging technologies. AI is already materially changing how news is researched, written, verified, and distributed. A news organisation that invests in new tools and produces superior journalism with fewer journalists would, under this scheme, receive a reduced payment. One that resists investment in new forms of journalism and maintains higher FTE counts would receive more. It is telling that the consultation paper acknowledges the need for “a rigorous assessment process to stop the possibility of organisations inflating the number of journalists

⁵ p 10

they employ.”⁶ If the Department already anticipates that the formula will be gamed in this way, that is a strong signal that the formula itself is misconceived.

The proposed retention obligation — that recipients be required to “maintain, at a minimum, the number of eligible FTE journalists that was used to determine the payment” during the reporting period — compounds this problem. The perverse incentive to employ journalists through the broader formula becomes a binding constraint through the retention obligations. Organisations cannot reduce headcount to invest in more productive alternatives without reducing their Incentive distributions. The scheme does not merely discourage adaptation; there are direct prohibitions on it. This is inconsistent with any genuine commitment to the long-run sustainability of Australian journalism.

Any allocation mechanism will be distortive to some degree - this is an unavoidable consequence of replacing market signals with administrative distribution. The Department should therefore focus on identifying the simplest possible allocation that avoids active distortion of workforce decisions. The FTE formula as proposed does not achieve that aim because it directly shapes how organisations hire, retain, and deploy staff in ways that will make the news sector less capable of sustaining itself over time.

2. The weightings are arbitrary, distortionary, and will generate ongoing rent-seeking

The consultation proposes weighting factors intended, in the paper’s own words, to “improve the equitability of support” and advance “diversity and representation objectives”.⁷ The proposed categories include a weighting for journalists in regional and remote areas, a weighting for small organisations (below a \$10 million revenue threshold), and a weighting for news organisations serving marginalised communities.

In a functioning market, the value and direction of journalism is determined by the interaction of producers, readers, advertisers, and other participants. That market signal, however imperfect, provides information about what kinds of journalism are valued and where resources should be directed. The proposed distribution scheme has already severed that link through administrative allocation. One interpretation of the weightings is that they are an attempt to reconstruct editorial priorities — regional coverage, community representation, scale diversity — or broader policy objectives through bureaucratic categories. But there is no principled basis for determining which categories to include, what values to assign them, or how to adjust them over time. These are fundamentally political judgements dressed in technical language.

A complex weighting system actively creates incentives for lobbying and gaming that will continuously expand and distort the scheme. Each weighting category will be a target for lobbying. Organisations will seek to have their particular characteristics recognised, their weighting values increased, and their competitors’ weightings reduced or eliminated. This is the predictable behaviour of rational actors facing an administratively determined transfer scheme, and it is exactly what our broader theoretical work on rent-seeking responses to

⁶ p 10.

⁷ p 11.

multi-sided market collapse would predict. We expect that these weightings, if adopted, will attract continuous pressures to expand, refine, and complicate them.

The effects on what news is actually produced in Australia will be distortive and difficult to reverse. A weighting for regional journalists creates an incentive to relocate staff or establish nominal regional presences regardless of genuine editorial commitment to regional coverage. A marginalised communities weighting creates definitional contests about which communities qualify and who speaks for them.

We recommend abandoning the weightings. If revenue is to be distributed at all, it should be distributed as simply as possible. In this context, administrative complexity both fails to improve outcomes while also creating new distortions and generating an ongoing political economy of rent-seeking around the scheme's design. The Government should resist the temptation to use the distribution mechanism to pursue subsidiary editorial policy objectives that would be better addressed, if at all, through direct and transparent spending decisions.

Conclusion

The proposed distribution scheme of the *News Bargaining Incentive* reflects the difficulty of administering a policy that lacks a coherent economic foundation. Once the market mechanism linking payment to journalistic output is removed, every design choice (e.g. the journalist FTE formula, the weightings, the retention obligation) must substitute bureaucratic judgement for price signals. Each substitution introduces new distortions, new compliance costs, and new incentives for gaming. The result is a scheme that is likely to impede the very adaptation the news sector needs, rather than support it.

If the government proceeds, we urge a simple distribution mechanism that does not tie payments to headcount, does not impose workforce retention obligations, and does not attempt to reconstruct market signals through administrative weightings. This will not resolve the underlying policy error, but it will at least avoid actively worsening the structural problems it claims to address.

We thank the Department for the opportunity to contribute to this consultation and are willing to discuss any of the matters raised in this submission further.

Regards,

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