

THE FUTURE OF JOURNALISM

HEARING

BEFORE THE

SUBCOMMITTEE ON COMMUNICATIONS,
TECHNOLOGY, AND THE INTERNET

OF THE

COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

MAY 6, 2009

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ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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THE FUTURE OF JOURNALISM

WEDNESDAY, MAY 6, 2009

U.S. SENATE,
SUBCOMMITTEE ON COMMUNICATIONS, TECHNOLOGY, AND
THE INTERNET,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 3:15 p.m. in room SR-253, Russell Senate Office Building, Hon. John F. Kerry, Chairman of the Subcommittee, presiding.

OPENING STATEMENT OF HON. JOHN F. KERRY, U.S. SENATOR FROM MASSACHUSETTS

Senator KERRY. This hearing will come to order. I apologize to all for the fact that we are running a little bit behind schedule. But, hopefully the fact that the Senate got four votes out of the way will give us a little bit of a breather here so that we can have some uninterrupted moments, here, which we want to try to have.

Welcome, all, to a brave new world. This hearing is genuinely geared to examine, to understand what we don't know, to try to figure out, from various people in these fields of expertise of new media and the existing media, of where we're going.

Some people might ask, sort of, Why the Committee—why is the government interested in this, and what are we looking at? Well, the fact is that we do have a responsibility for the licensing of broadcasts, we have a responsibility for the regulatory oversight of ownership of cable, satellite, other issues with respect to communications. And needless to say, how the American people get their information, what the structure of ownership is, is of enormous interest to all of us, because it is the foundation of our democracy.

A brass plaque on a wall at Columbia University's School of Journalism bears the words of the legendary newspaper publisher Joseph Pulitzer, "Our republic and its press rise or fall together." If we take seriously this notion that the press is the fourth estate or the fourth branch of government, then we need to examine the future of journalism in the digital information age, what it means to our republic and to our democracy.

Americans once counted on newspapers to be the rock on which journalism, the best sense of the word "journalism," was based. As Princeton University communications professor Paul Starr notes in the most recent issue of *Columbia Journalism Review*, "More than any other medium, newspapers have been our eyes on the state, our check on private abuses, our civic alarm systems."

Most of us in this room probably begin our day, still, with a newspaper, maybe two or three. Newspapers have been a part of our daily lives since we were old enough to read, and we learned our neighborhoods, about our country, our world, from newspapers. They entertained us, sometimes they enraged us, but always they informed us.

But, today it is fair to say that newspapers look like an endangered species, and many people in the industry and outside of it are so writing. The latest circulation figures released just last week show that the largest metro newspapers are continuing to lose daily and Sunday readers, a long-time trend. I might add, a trend that began before the economic downturn in the country. But, it is a trend that is accelerating to record rates.

In the 6-month period ending March 31, major metro dailies in great cities, like Boston, San Francisco, Houston, Miami, and Atlanta, all saw double-digit-percentage decreases in daily circulation. The 150-year-old *Rocky Mountain News* ceased publishing altogether this year. The 146-year-old *Seattle Post Intelligencer* and the 100-year-old *Christian Science Monitor* shifted completely to the Web. And the *Detroit Free Press* cut home delivery to only 3 days.

It took a week of negotiations before a tentative deal between the New York Times Company and the Boston Newspaper Guild could be reached to prevent *The Boston Globe* from shutting its doors. Let me emphasize that this hearing is not, and never was intended to be, a hearing about the Boston newspaper, it's about our Nation's newspapers, and the concept and timing of this hearing was set well before we even knew about the issues with respect to Boston.

If you look at the stock market, the fortunes of the newspaper industry are tough. Earlier this year, a share of *The New York Times* sold for less than the \$4 it cost for a Sunday edition of the *Times*, though I've seen that those prices now probably go up. In 2008, newspaper stock prices fell an astounding 83 percent. *The New York Times* bought *The Boston Globe* for \$1.1 billion in 1993, but the value of all of the *Times* stock today is less than \$800 million now. And this past weekend the oracle of Omaha himself, Warren Buffett, gave newspapers a vote of no confidence when he said that he wouldn't invest in newspapers at any price. These are stark numbers that the newspapers face. The numbers for broadcast journalism are not much better.

So, we're here today to talk, not only about the conditions that have led to these jolting statistics, but about what they mean to us, what they may mean to a country that appears to be reading less or that finds information in snippets rather than whole pieces. We need to understand what it means about news delivery during a time of great creative turmoil and transition within the market for news delivery, and how we might preserve the core societal function that is served by an independent and diverse news media.

We saw a sign of the times just this morning, when Amazon introduced a new larger version of its e-book reader, Kindle, as an alternative to the newspaper in an effort to salvage the challenged print media. As a means of conveying news in a timely way, paper and ink are less in vogue, eclipsed by the power, efficiency, and technological elegance of the Internet.

But, just looking at the erosion of newspapers is not the full picture. It's just one casualty of a completely shifting and churning information landscape. Most experts believe that what we are seeing happen in newspapers is just the beginning. Soon, perhaps in a matter of a few years, some predict that television and radio will experience what newspapers are experiencing now.

One of the reasons I think we find this important is, I can remember sitting right here in this room in 1996, when, under the stewardship of Senator Inouye and Senator Hollings and others, we rewrote the Telecommunications Act of the country, and we had long debates all through 1996 about telephony. Little did we know that almost within 5 months or 6 months of the signing of the bill and the passage of the reordering of telephony in America, telephony was almost obsolete, eclipsed by data. And we had barely had a discussion of data during that time.

It's really based partly on that lesson that we're having this hearing today so that we try to figure out ahead of time what may be occurring and think rationally, carefully, and obviously with some sensitivity to all of the issues, which we'll get into today, about what the future will look like.

The rise of newspapers and broadcast news was made possible by the fact that they served as market intermediaries. That is, they connected buyers and sellers through advertising. But, the Internet makes it possible for buyers and sellers to connect at virtually no cost and with no need to attract either to that effort with a general-interest news presentation. It's no surprise, then, that with advertising dollars going elsewhere, these are hard times for what is now being called the legacy media.

But, these are times of great innovation as journalists both inside and outside of the mainstream media are collectively searching for an economic support system for good, solid reporting. Journalists laid off or bought out by the old media are fast becoming entrepreneurs, building up Web-only news sites in cities throughout the country to make up for the shrinking newsrooms of local newspapers or to reach specialized audiences. Obviously, one of the questions is, Is this just a natural transformation, where that is going to be replaced in a natural way? As the economic model continues to shift, important questions require answers. As advertising revenues continue to vanish, will there be room in the budget for the great investigative journalism that marked the last half of the 20th century? Will the emerging news media be more fragmented by interests, financial interests, other interests, political partisanship?

There also is the important question of whether online journalism will sustain the values of professional journalism the way the newspaper industry has. The new digital environment certainly is more open to citizen journalism, bloggers, and the free expression of opinions.

In the last 8 years, we've gone from zero bloggers to more than 70 million, and news is broken over Twitter feeds and cell phones instead of on local broadcast networks. Just look at the way that Janis Krumms, a New York City ferry passenger, broke the news that Flight 1549 out of LaGuardia had landed in the Hudson River.

He took a picture of himself and Tweeted the feed to an audience of thousands.

Consider this. Google topped \$21.7 billion in advertising revenue in 2008, but the news it provides is an aggregate from free news services. Craigslist, which provides free classified list online, gets about 1 billion visits a month, costing newspapers billions of dollars a year. YouTube has more than 100 million viewers each day and about 65,000 new items, videos, uploaded daily. Its ad revenue reportedly totals somewhere between \$120 million and \$500 million a year. Facebook, the free access social networking website, now has 200 million users and is adding 700,000 new users a day. It reportedly had \$300 million in ad revenue last year. Ironically, *The New York Times* has a paid circulation of 1.45 million, but on Facebook the newspaper has 447,926 friends. Mobile subscribers total some 250 million in the United States and send more than a billion text messages each day. This two-way interactive media is getting more and more attention from advertisers. It's estimated that the mobile advertising industry already exceeds 2 billion annually.

The words of Joseph Pulitzer are still true, I believe, "Our republic and its press will rise or fall together," certainly the quality of the dialogue in the republic will. We are just talking about a new kind of press, a new media, one that Pulitzer and all the other newspaper barons of this country never envisioned. This new kind of press, this new media, is going to require a new economic model, and that is something that everyone is still trying to figure out. That's why I wanted us all to sit down and talk about it and try to figure it out together. Is there even any government role at all? I don't know the answer to that. But, we want to try to understand it. Is this simply a normal transition in the marketplace? And will everything turn out just fine?

We're going to hear from some very, very interesting people who are on the vanguard in the middle of this transformation in various ways. Let me just mention one quick thing before we begin. While we're searching for answers to these questions, one thing we can do today is recognize this transition somewhat in our own lives, and that is to understand the contributions of online journalists who shoulder the responsibility that comes with covering Congress. And we ought to make sure that the rules for credentializing congressional reporters are modernized. I intend to work with the Senate Rules Committee Chairman, Chuck Schumer, and the Standing Committee of Correspondents to make sure that we do that. The Standing Committee of Correspondents was created in 1877 as a way to organize and regulate media access to the Halls of Congress. It was created to rid the press galleries of lobbyists—I guess things haven't changed—

[Laughter.]

Senator KERRY.—or claims agents, as they were once called. And it was created to replace a system of questionable journalism practices. Before the Committee was created, in fact, Mark Twain worked as a secretary to Senator William Stewart of Nevada at the same time he was also a letterwriter to two newspapers, the *Alta California* of San Francisco and the *Chicago Republican*. The Congressional credentializing system has actually worked well for more

than 130 years, so we want to be careful how we change it, but the rules have undergone some changes over the years, and, in the last 3 years, the Committee has struggled with how to address the Digital Information Age. Now is the time to make sure we treat online reporters fairly, and we're going to work to try to do that.

Senator Inouye?

**STATEMENT OF HON. DANIEL K. INOUE,
U.S. SENATOR FROM HAWAII**

Senator INOUE. Mr. Chairman, I wanted to be here personally to commend you for scheduling this hearing. Without question, it's a very important matter before us. The Constitution guarantees it. Our democracy cries for it. Your statement has covered the landscape.

I have a statement, but I don't wish to be redundant, so——

Senator KERRY. I'll put in the record, without any objection.

[The prepared statement of Senator Inouye follows:]

PREPARED STATEMENT OF HON. DANIEL K. INOUE, U.S. SENATOR FROM HAWAII

The Constitution of the United States guarantees us all a free press. Capitalism, however, does not. For the past century or so, this has not been a problem. A combination of classified advertising and subscriber revenues provided sufficient cash-flow and profitability to allow our Nation's newspapers to disseminate the news in an efficient and low-cost manner.

Today, subscriber revenue is falling and websites such as Craig's List are contributing to a dramatic reduction in classified advertising dollars. The current recession only serves to magnify the economic challenges facing the industry.

Nearly 40 years ago, the Congress passed the Newspaper Preservation Act of 1970 to help struggling newspapers. In fact, the ability to enter into Joint Operating Agreements, as authorized in the Act, helped bolster the two major newspapers in Hawaii, the *Honolulu Advertiser* and the *Star Bulletin*.

The agreement allowed both papers to share publishing, advertising and circulation departments, but at the same time to maintain editorial independence. This creative solution enabled Hawaii's major dailies, as well as those in 27 other cities and states, to survive the temporary crisis and continue to serve their communities. But our past successes, sadly, do not translate directly to today's environment of falling revenues and increasing competition from new technologies.

I remain committed to the proposition that our communities need multiple newspapers providing healthy competition and a good home for the reporters who are out there every day, doing the basic investigative reporting that is at the heart of quality journalism. I look forward to the testimony of our witnesses today as we explore the current state of journalism and of the newspaper industry.

As American culture continues to evolve, as technology continues to advance, we must ensure that the promise of a free press enshrined in our Constitution remains an everyday reality in the lives of our citizens.

Senator INOUE. But, congratulations, sir, and thank you very much for what you're doing.

Senator KERRY. Well, thank you, Senator Inouye, for your leadership over so many years in this role.

And I failed to comment, this is the first meeting, actually, of the Subcommittee on Communications, Technology, and the Internet. And we're going to—we have a lot of work to do, actually, in terms of privacy, Internet neutrality, and other issues. And we look forward to doing it.

Senator Thune? I'm sorry, I think Senator Udall was here. Let me come back.

Senator Udall?

**STATEMENT OF HON. TOM UDALL,
U.S. SENATOR FROM NEW MEXICO**

Senator UDALL. Thank you, Mr. Chairman. And thank you for that excellent statement. I—like Senator Inouye, I would put my opening statement in the record and just say that the crisis, Mr. Chairman, that you talked about is hitting New Mexico. We've had a large newspaper in Albuquerque—*The Albuquerque Tribune*, has folded in the last couple of years. The largest newspaper in our second largest city has had to lay people off. And so, what Senator Cardin is trying to do, look at solutions—I think all of us feel that we are being pressed to the limits, in terms of what we're doing on good, strong investigative journalism. And so, I would like to see some progress.

And I know my friend Ben Cardin is here to testify. And he has one proposal, and I hope our witnesses will come up with many more, and we can proceed down the road on this.

So, I'd put my statement in the record, with your consent, Mr. Chairman, and proceed to the witnesses as quickly as possible.

[The prepared statement of Senator Udall follows:]

PREPARED STATEMENT OF HON. TOM UDALL, U.S. SENATOR FROM NEW MEXICO

Picking up the local paper at a newsstand or off the front doorstep used to be a daily ritual which sparked conversations—at kitchen tables, around office water coolers, or inside barber shops—about the important events of the day.

After the historic election and inauguration of President Obama, I saw lines of people waiting to buy newspapers, which is strong evidence of the medium's enduring popularity.

Yet good journalism is much more than simply recording events. Investigative journalism plays an essential role in American democracy by exposing those who violate the public trust.

Today, the rise of the Internet should only improve journalists' ability to be public watchdogs and inform us about important events. Unfortunately, our newspapers have had difficulty adapting to the rise of the Internet, and the current economic climate has only made matters worse.

In New Mexico, the *Albuquerque Tribune* was forced to shut down, and the *Las Cruces Sun-News*, which serves our second largest city, has laid off reporters. These are just a few examples of a nationwide crisis that also hits close to home for me.

I am also concerned that the move from print to online media will leave behind many citizens, especially in rural areas, who do not have computers and Internet access. We should not forget about those Americans who face a growing "digital divide" as we consider the future of journalism in an online era and examine what that future means for preserving our democracy.

I want to extend my thanks to our witnesses today for sharing their views and insights with this Committee today.

Senator KERRY. Thank you very much, Senator Udall.
Senator Thune?

**STATEMENT OF HON. JOHN THUNE,
U.S. SENATOR FROM SOUTH DAKOTA**

Senator THUNE. Thank you, Mr. Chairman.

I, too, want to thank our witnesses and our colleague from Maryland for presenting his legislation today. We all know the important role that newspapers and the press have played in the development of our Nation and our democracy. And I think wherever you live in the country, whether you read *The Washington Post* or my hometown newspaper, the *Murdo Coyote*, all of those newspapers make an invaluable contribution to their communities. But,

I think what we're seeing today is that they're looking at dramatically different forms of delivering news than they ever have before, and I think that's something that is with us, and with us permanently.

I have two teenaged daughters, both of—I shouldn't say—one's not a teenager—both are in college, neither of whom reads the newspaper, but they all live on the Web. And between Internet and blogs and mobile handheld devices, 24-hour cable news coverage, satellite news programs, and there are so many other ways that people are getting, now, their information, and fewer and fewer even adults, I think, are reading newspapers these days, so it does present some very distressing challenges for newspapers in the form of decreasing subscribership and falling revenue from advertisements and classifieds. So, as you see more and more of the larger newspapers that are having to go out of business and declare bankruptcy or look for buyers, it's a great concern, I think, to all of us. And I'm not sure I have any—I know what the answers are, either, but I'm anxious to hear from some of our panels today about what their views are on the state of the industry and what might be done to preserve this important part of our heritage and our democracy.

So, with that, Mr. Chairman, I would yield back.

Senator KERRY. Thank you very much, Senator Thune.

Senator Cantwell, did you have anything you wanted to say before we start?

**STATEMENT OF HON. MARIA CANTWELL,
U.S. SENATOR FROM WASHINGTON**

Senator CANTWELL. Mr. Chairman, I will enter my statement for the record, because I'm anxious to hear the witnesses, as well. And I'd like to, if I could, enter some testimony from the *Seattle Times*.

Senator KERRY. Absolutely, we will—

Senator CANTWELL. Thank you.

Senator KERRY.—we'll receive that in full, as if read in full.

[The prepared statement of Senator Cantwell follows:]

PREPARED STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM WASHINGTON

Mr. Chairman, thank you for holding this important hearing.

In 1997, a group sponsored by the Pew Project for Excellence in Journalism held 2 years of public forums to identify and clarify the principles that underlie journalism. They concluded "the central purpose of journalism is to provide citizens with accurate and reliable information they need to function in a free society." Unfortunately, newspapers' current business model won't sustain the industry so that they can provide us with accurate and reliable information.

I know the way I prefer to obtain my news has changed over the years. Now I see it as being similar to how I obtain digital entertainment. It is what I want, when I want it, where I want it, and the format I want it in.

I see the challenges facing the newspaper industry as partly structural, partly a reflection of our current economy, and in some instances, self-inflicted. And as with all industries, successful companies can develop viable business models that evolve over time to profitably meet customer needs.

Most of us on the Committee have newspapers in our states that are in trouble. In Washington state, the *Seattle P.I.* ceased print operations after 150 years and is now only available on-line; the *Vancouver Columbian* has declared bankruptcy; and the *Seattle Times* has had to make significant cuts.

Clearly, newspapers need to adapt their business model. And I look forward to hearing the views of the panel.

Government can buy the industry a little more time by passing legislation on some temporary tax relief.

But I want to make it clear that the fix to the newspaper industry's financial difficulties is not to further relax the media cross ownership ban.

I would like to include a statement by Mr. Frank Blethen, the owner of the *Seattle Times* for the record.

Thank you.

PREPARED STATEMENT OF FRANK A. BLETHEN, PUBLISHER, THE SEATTLE TIMES

Reclaiming America's Independent Press

About 60 years ago journalist Walter Lippman said he was secure in his belief that American democracy would endure precisely because

" . . . there is, I believe, a fundamental reason why the American press is strong enough to remain free. That reason is that American newspapers, large and small, and without exception, belong to a town, a city, at the most to a region."

The secret of a truly free press, he then said, is

"that it should consist of many newspapers decentralized in their ownership and their management, and dependent for their support upon the communities where they are written, where they are edited and where they are read."

Lippman concluded by saying

"There is safety in numbers, and in diversity, and in being spread out, and in having deep roots in many places. Only in variety is there freedom." Only in variety is there freedom.

America is in crisis. Our economy is in crisis. Our quality of life is at risk. Our free press is in freefall. Our self-government is closer to failing than any time since the late 1700s. Our local communities have had their economic vitality drained from them and we have become disconnected from our neighbors and from our community. Few democracies have lasted 200 years. Most often they implode from within, just as America is beginning to implode. Our way of life and our self-government is living on borrowed time.

But there is hope. We do have the power to stop the implosion and renew the American Dream. The question is: *do we have the will*, the *information* and the *knowledge* to do so?

The power of individual citizens is based on knowledge and understanding, and on the willingness to speak up at both the local and national level. Our power as a society is based on our collective will to insist our elected leaders focus on good public policy—good for citizens and good for their communities. And, that our leaders also begin to ignore the lobbyists, the corporations, the labor unions, and the special interest groups who have all actively participated in the demise of our free press, the erosion of our local economies and the destruction of our national economic system.

Fundamental to restoring the health of our local communities is *Reclaiming our Independent Free Press*. Our collective goal must be to return to Walter Lippman's belief from six decades ago that American democracy would survive because of a truly free press, with variety and diversity, spread across the Nation.

What qualifies me to address these issues? My family represents one of the very last independent, metro newspapers that Lippman so appropriately identified as the foundation for a secure democracy. I have 35 years experience as an "independent" newspaper publisher whose family passionately embraces our public service obligations. I have studied/spoke on these issues from a local community and public policy perspective for three and a-half decades. My family's stewardship has become one of the last canaries in the coal mine. If the few remaining independents like us fail, it will be one of the final nails in the coffin of America's bold experiment in democracy.

Our future depends on public policy which enables the replication of the independent newspaper ownership/stewardship model like ours.

How bad is it? Today, there are fewer than six metropolitan newspapers left in America that have local stewardship and are private. Which means they are still connected with community, care about public service and not dancing to the tune of short term financially focused conglomerates and leveraged buyout opportunists.

In newspapers and for the survival of a free press, *ownership does matter*. Both where ownership resides—locally vs. absentee—and what motivates ownership—public service, community and long-term investment vs. maximum short-term profit. During my career, our Nation transformed from Walter Lippman's view with about

1,700 daily newspapers, almost all locally and privately owned, to a nation where absentee giant, often-faceless corporations control 70 percent of American newspaper circulation and most of our leading news websites.

These absentee corporations now control most of what we know and what stories we are told. However, the bigger danger than controlling what we know, is *they control what we don't know*. The greatest danger to democracy is, and has always been, the "*untold stories*" whether due to disinvestment in journalism or corporate office intimidation.

When I began my career, the press, led by newspaper journalism, was our Nation's watchdog, locally and nationally. Today, my fear is that it shows signs of being a *toothless lapdog* of powerful corporate and Wall Street interests.

None other than Founding Father Thomas Jefferson warned us about the "*ravenous capitalists*." He believed that a free press, combined with an elegant constitution, was necessary to protect us against the natural inclination of the powerful and the elite to increase their *power and control* at the expense of the people and against the interests of good self-government and democracy. Jefferson saw the twin evils of potential abuse being the capitalists and the government.

Our free press and Constitution were crafted as the bulwark against abuses of these two groups, but with the flexibility to adapt, to monitor, and, keep under control other powerful special interest groups who would evolve. Our free press and Constitution were essential to creating the most free and economically vibrant society the world has yet seen.

Our path out of today's darkness and back into the light of good public policy and government of, for, and, by the people—and to a renewal of localism and community, is to reclaim our free press and vigorously enforce the checks and balances in our Constitution. There is an old saying that "power corrupts." The Founding Fathers understood this and addressed it through the Constitution and by creating an elegantly simple foundation for a free press which could shine a bright light on abuses and simultaneously unite a nation and create vibrant local communities.

Three Critical Questions

With this background, it is worth considering three critical questions.

- Is the daily American newspaper worth saving?
- Does it have a future?
- Does its business model work in regard to sustaining the local business enterprise and adequately funding journalism?

The answer to all three is an emphatic "YES." I will share high-level answers to these questions followed by a brief overview of our Founding Fathers' amazing insights in creating the foundation for the most free and diverse press in the world's history. I'll conclude with some thoughts on newspaper-based public policy solutions.

I. *Is the American Newspaper Worth Saving?* Absolutely. More than that, it is *essential* to our survival as a nation and for the renewal of our local communities. There are two primary reasons it must be saved.

First, most of our credible and professionally vetted news still comes from the newsrooms of our newspapers. And it will for a long time. Yes, there is a proliferation of new communications and information-sharing and social devices and systems, but the vast preponderance of professional reporting comes from newspapers' newsrooms. To the degree professional fact-based reporting can be found on the Internet, TV or radio, it invariably originates in a newspaper newsroom. Unfortunately, usually with context and background edited out. Without the journalism from our Nation's newspaper newsrooms we lack the breadth and depth of news and journalism required for self-government and community.

The second reason we must save our newspapers is localism and community. Community is an essential part of a healthy society and of a healthy economy. Across the country, in communities large and small, the loss of local newspaper stewardship and the massive content and staff disinvestment of the absentee owners has left most Americans with a failing sense of community and a lost connection with their neighbors.

II. *Does The American Newspaper Have A Future?* Of course it does. The original reporting, local storytelling, watchdog journalism and professionalism, which only newspapers provide, are essential to our society and our communities. Without this we fail as a democracy and as a capitalist economy. To be sure, newspapers are transforming the ways we distribute and share our journalism as we embrace the Internet.

A major misperception is that nobody reads newspapers; that we are losing our readers to the Internet. To the contrary—newspaper readership is very strong and our industry's embrace of the Internet has added readers and given us the largest audiences ever.

Consider *The Seattle Times'* experience. From 2000 to 2007 we *grew* paid circulation. It was only by 1 percent, but that contrasts with 15 percent losses industry-wide and deep audience losses in other media, especially TV and radio. Why did we gain? The answer is simple but expensive. A commitment to *quality local content* and the *best home delivery service* in the country—5:30 a.m. on your doorstep.

And consider this: each day of the week *The Seattle Times* reaches from 46 percent to 21 percent of every adult in the four zones of our core market. Over a week, this reach jumps to 63 percent to 34 percent. This penetration will increase substantially now that our metro competitor has closed down. Or consider this: our online sites, led by *Seattletimes.com*, add to our print readership an audience of 578,000 or 29 percent of our primary market.

Indeed, our total print and online audience reach is 70 percent of our prime market or 1.4 million every month. Each month we engage 5 million unique visitors and 50 million page views. Our readership and audience penetration is both the largest, and has the best demographics in Seattle and Washington State.

People who regularly vote are also regular readers and paid subscribers. Our highest penetration is 75 percent of people 65 and older and, 77 percent of household income of \$150,000 or more. This may cause some to jump to the common misperception that younger people aren't reading newspapers and that we don't reach the less affluent. Well in Seattle, we reach *67 percent of 18 to 24 year-olds* and *61 percent of people of household incomes below \$25,000*.

The size, breadth and depth of our print and online audiences are a testament to the value of what we provide and to the foundation of our long-term future as both a business and as our State's essential provider of professional journalism.

III. *Does the Business Model Work?* Yes, it does. What doesn't work is what has become the dominant ownership model through the last two decades—absentee corporate control by short-term financial players—corporate owners who have abused their First Amendment responsibilities and abused good business stewardship principles.

First, these corporate owners milked their newspapers—which they refer to as “properties”, for obscene cash-flow margins and profits, and then they undertook egregious disinvestment in journalism, content and service. Finally, they larded newspapers up with unmanageable debt and turned many into pure financial plays and leveraged buyouts.

The newspaper bankruptcies you see today are not the result of a broken business model, but the inevitable consequence of a failed ownership model and failed stewardship. To be sure, the newspaper business model has gone through significant transformation the past decade but is now poised for success when this terrible recession ends.

A newspaper is fundamentally a local business. Our financial success is based on local advertising attracted by our large and engaged local audiences, in print and online.

Four Transformations

There have been, or are in process, four major structural transformations in metro newspapers.

I. Classifieds

One has been the structural change driven by the rise and fall of newspaper classified advertising. Prior to the early to mid '80s, metro newspapers were solid local businesses, generating consistent mid-to-lower double digit cash-flow margins with classified about 20 percent of our ad revenue base. Then, driven by urban and suburban growth, we experienced a classified bubble which grew classified revenue to about 50 percent of our ad base by 2000. Today, it has plummeted back to its normal level of about 20 percent.

II. Ownership Model

Another major transformation which was driven by and parallels the classified bubble was the change in our dominant ownership model. The loss of

diverse, local, independent owners in favor of the absentee corporate consolidations. With the classified revenue bubble the financial consolidators found that they could milk newspapers during this period for obscene cash margins of 20–35 percent.

Unfortunately, in an example of bad public policy which yields significant unintended negative consequences—the corporate welfare gift, the Federal Death Tax, virtually forced local stewards to sell out to the corporate raiders who were enticed by the classified revenue bubble.

III. Internet

The Internet has been another major transformation for metro newspapers. Metro newspapers have embraced and capitalized on the Internet better than most. We dominate the Nation's traffic for news and information sites. In terms of audience and content, newspaper websites are doing a superb job.

Just in this decade our online revenue has grown from zero to 10 percent of our ad revenue stream, and in most markets about 30 percent additional audience has been added. Like everyone else, we are still learning about where the evolving consumer and advertising behavior will take us. Short-term, we do know online revenue will be a major growth area for us coming out of the recession.

IV. Cost Structure

The fourth major transformation we are going through is adjusting our cost structure to the future; a painful but necessary process.

The return of metro newspapers to historical normal classified levels has been a massive structural change for the business model to digest. But it has been digested. And, we are on top of the online evolution, rationalizing the cost structure, and the broken dominant ownership model is fast fading.

In the midst of these profound transformations, the business model still works. The remaining publicly traded newspaper/website companies were reporting 15–25 percent cash-flow margins going into the recession and through 2008. Even in the middle of this recession with massive revenue cyclical drops, most medium and small newspapers are still profitable and most metros are still cash-flow positive on an operating basis. (And incidentally, there are plenty of good business models in every industry which are losing money due to this unprecedented economy.)

When consumer spending recovers we will see newspaper revenues and profits recover. Local retail and local online will be the drivers. Margins will be back to normal, high single to low double digit pre-classified bubble levels.

What is needed is the assistance of good public policy so that we can return to Lippman's world of a secure democracy supported by a wide variety of ownership connected to their local communities and regions. To be sure, we need to find public policy solutions to nurture newspaper journalism through the recession and into the future. This will take new laws, new regulations and new government subsidies to replicate the concept of the Post Office subsidy 250 years ago.

The Creation of our Free, Independent Press

One of the most elegant acts of our Founding Fathers was the foundation they created for what became the freest, most independent press the world has ever seen. A free press, which united the Colonies and enabled the establishment of the best democracy the world has yet seen.

To create this foundation, they had to address two problems.

- First, that only the elite and powerful will pay for news and information.
- Second, that unless they found a way to unite the 13 Colonies, there would be no democracy.

Their two-prong solution was elegant and included both the First Amendment and the U.S. Post Office.

First Amendment

We think of the First Amendment as protecting free speech, and it does. But its true elegance rests in the fact that the government not only sought to protect free speech but to *protect all voices*. They did not make choices about party affiliation or ideology. The opening quote from Walter Lippman speaks to this notion—“*In variety, there is freedom.*”

The U.S. Post Office

Protecting voices and free speech was essential. But dissemination of news and information from these many voices to the masses who were not going to pay for it and creation of an information network to unite the 13 colonies was a significant challenge.

At its inception, the U.S. Post Office's primary duty was the free, ubiquitous distribution of newspapers and periodicals. And the government supplemented this subsidy with lucrative government printing contracts. It is instructive to think about what this means. The success of our free press rests on *good public policy*, where the government *both protects free speech and multiple voices and subsidizes the distribution and production of journalism and content*. In other words, the government chooses to subsidize journalism without having a say over what content would be. This is profound and as essential today as it was 200-plus years ago.

Advertising Subsidy

Through time, local advertising came to pretty much replace the government subsidy for the funding and distribution of journalism. This proved to be a good funding mechanism to support newspapers and adequately fund journalism throughout the 20th century—at least until this decade.

The end of the classified bubble, corporate disinvestment, and the unprecedented recession reduced the funding for newspaper journalism to dangerous levels. To survive this recession and several years of recovery, we need to revisit the idea of public policy similar to the thinking of the Founding Fathers' subsidy principles to ensure newspaper journalism survives at adequate levels to serve our democratic needs.

Post-recovery, we will see the growth of local newspaper print and online revenue and the profitability of newspapers practicing good journalism and local community-building. At regular intervals it is appropriate to revisit subsidies to ensure they are needed and to mitigate any unintended consequences. But right now a critical part of our imperative is to reclaim the media and assure public policy provides a framework encouraging and supporting independent journalism.

Solutions for Consideration

Up until recently, most of the ideas for funding journalism on a large scale national basis have not been realistic; they frequently demonstrate little appreciation of how our free press was created and how to sustain the independent journalism necessary for our local communities to thrive and our national democracy to survive.

There are three areas of public policy that should be addressed:

- Newspapers and newspaper journalism in print and online
- Broadcast and the FCC
- The Internet

As my focus is the newspapers business, I will speak to a few solutions that are specific to this arena.

In priority order, I believe the following public policy agenda should be implemented.

- *Tax Incentives.*

Embrace and quickly implement incentives which will help fund journalism and enhance distribution and access.

The two such ideas that are currently being discussed should be done immediately.

—a 50 percent tax credit for the pay of every daily newspaper journalist.

—a \$200 annual tax credit for daily newspaper subscribers.

These proposals have been advanced by two of the country's most respected students of free press: University of Pennsylvania Professor Ed Baker and University of Illinois Professor Bob McChesney.

- *SBA or other government loans and government guaranteed bank loans.*

Long-term, low interest loans to existing daily newspapers that are private and locally or regionally owned. Such loans would also be made available to private local buyers who are willing to step up to acquiring papers which are being spun off by the financial investors. Not as LBOs, but at realistic prices based on the sustainable business model.

- *Return the Post Office to its original mission.*

1We need to return the Post Office to its original mandate to help subsidize the creation and distribution of newspaper journalism. Today the Post Office does just the opposite. Through a relationship between its unions, management and the direct mailers lobby, the Post Office has created rates which are actually below their costs. These rates are a gift to the direct mail industry and take millions of dollars in advertising revenue out of newspapers every year. The Post Office has no business aligning itself with one sector of advertisers at the expense of another—especially as it relates to newspapers, given the important role newspaper journalism plays in building civic engagement and community and in sustaining our democracy.

- *Restrict newspaper control.*
Stop the harmful excessive control of recent years by severely limiting the number of newspapers and/or amount of circulation any one person or corporation can own.
- *Provide a 50-cent subsidy for each dollar a privately owned newspaper spends on journalists.*

In the midst of our , radio and the Internet. These are powerful mediums appropriate for the origination and dissemination of independent robust news and information. Currently, public policy as it relates to these media is failing to support diverse news and information in the public interest.

Time is running short. I urge the Commerce Committee to act quickly to begin implementing these reforms and to examine other sound ideas that sustain robust coverage of our government and institutions. Our democracy cannot afford to see journalistic coverage erode any further.

Reclaiming the media is our collective responsibility and must happen quickly.

Senator KERRY. Senator McCaskill, I'm sorry I passed you by. Did you have anything you wanted to add?

Senator MCCASKILL. No, I—

Senator KERRY. All right, thanks.

Senator MCCASKILL.—just—I want to wait and ask questions. Thank you.

Senator KERRY. Thanks, I appreciate it. We look forward to that.

Senator Cardin, thanks very much for taking time to be here with us today. You've had some interesting thoughts on this, and we really look forward to hearing your testimony.

**STATEMENT OF HON. BENJAMIN L. CARDIN,
U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Well, Chairman Kerry, thank you very much.

Senator KERRY. Is that working?

Senator CARDIN. The light is on.

Senator KERRY. There you go, pull that a little closer. Thanks.

Senator CARDIN. Thank you very much for conducting this hearing. I do have a statement that I'll make available for the record.

I share your concern about the future of journalism. Our metropolitan newspapers are our prime source of journalism, of investigative reporting, of news sources for radio, TV, and the Internet, and they're going out of business, they're closing their operations, they're slashing their staffs. You gave a list of those newspapers that are—either have terminated their traditional operations or are in bankruptcy. If I could just add one more to that list, and that's *The Baltimore Sun*, my hometown paper, that's in bankruptcy and is in danger of whether it can stay in business or not.

It's clear to me that our newspapers are a check on, not just local government and the Federal Government, but on corporations, on businesses, on community activities. It's a prime part of our democratic system. And yes, I do think that Google and Yahoo! and

blogs are important. I do. But, when it comes to in-depth reporting and the source for much of our news that we see echoed in blogs and in—and on the Internet, we rely upon the news bureaus of our newspapers. It's important to have timely video, as you pointed out, of a particular news event, and analytical journalism is important, but investigative journalism, where we get most of our breaking news, comes from our local newspaper bureaus, and we're in danger of losing that.

Newspaper reporters forge relationships with people, they build a network, which creates avenues to information. It's essential to a free and democratic society.

A 2003 study published by Law, Economics, and Organization found a direct relationship between the free circulation of a daily newspaper per person and corruption. The lower the circulation, the higher the corruption.

Princeton University reported on the closure of the *Cincinnati Post*, the local elections were less competitive. And I quote from that report, "If voter turnout, a broad choice of candidates, and accountability for incumbents are important to democracy, we side with those who lament newspapers' decline."

Simply put, the current model doesn't work. Advertising, as you pointed out, Mr. Chairman, is not the type of financial support that papers traditionally could rely upon. Subscriptions are significantly reduced, because people are getting their news off of the Internet or from the radio or TV.

By early 2008—this is before the current recession really started—59 percent of our newspapers had reduced their staffs, 61 percent had less space devoted to news, and over half of our states did not have a news coverage of what was happening directly in Congress, they had to rely on third-party sources.

So, I introduced the Newspaper Revitalization Act to find a different way. As you point out, we need to explore different economic models. It was filed in an effort to create a national debate as to how we can preserve our local news operations. I—my legislation uses the 501(c)(3) model, similar to what a church would use or what an educational institution would use, or public broadcasting and other nonprofits.

Now, this may be an advantage for some papers to be able to continue. Why? Because it gives an avenue for local supporters, whether they be individuals, whether they be foundations, whether they be educational institutions, to be able to come together under a 501(c)(3) model and preserve the tradition of their local newspaper.

Let me say what it doesn't do. What it does do is allow the communities to come together to save a local newspaper. What it doesn't do, and what I do not support, is government interference with the free press. Government does not interfere with our churches. They are nonprofits. I do not want to see us do anything that could compromise the independence of the newspaper. That's critically important.

I also would oppose any government direct bailout to our newspapers. I don't think that's an appropriate way for us to move forward. This bill—my recommendation would not do that. There are no Federal funds.

And I might say most newspapers aren't paying any Federal taxes, so by making them a nonprofit, we're not going to be giving up any government revenues. The only restriction would be that they could not endorse specific candidates. They still could editorialize, as I think they should. It gives a choice to a community to preserve their local paper, and I do encourage the other suggestions that have been made.

Thomas Jefferson, a man who was vilified by newspapers daily, once said, "If I had a choice between government without newspapers and newspapers without government, I wouldn't hesitate to choose the latter." Like Jefferson, I believe that a well-informed public is essential to our democratic society. We need to save our community newspapers and the investigative journalism that they provide. And I believe this hearing is an important step forward in exploring how to do that.

Thank you very much, Mr. Chairman.

[The prepared statement of Senator Cardin follows:]

PREPARED STATEMENT OF HON. BENJAMIN L. CARDIN,
U.S. SENATOR FROM MARYLAND

Chairman Kerry, Ranking Member Ensign, and Members of this Subcommittee, thank you for the opportunity to appear before you today.

Today, newspapers across the country are closing their doors, slashing their staff, and shuttering bureaus in the United States and around the world. The Philadelphia Inquirer, The Seattle Post-Intelligencer, the Rocky Mountain News, the Philadelphia Daily News, the San Francisco Chronicle, The Boston Globe and my own Baltimore Sun are either in bankruptcy, or facing bankruptcy and closure. Newspapers and the investigative journalism they provide play a critical role in our society. Water-gate. AIDS. Tobacco. ENRON. AIG. These are all news stories, uncovered by journalists, which brought the most important stories of our Nation's history to the front page and into public debate. Newspapers provide a form of accountability. They provide a "check" on local governments, state governments, the Federal Government, elected officials, corporations, school districts, businesses, individuals and more.

Despite the 24/7 availability of news from print, broadcast and digital sources, there remains one clear fact: when it comes to original in-depth reporting that records and exposes actions, issues, and opportunities in our communities, nothing has replaced a newspaper. Google, Yahoo!, blogs and even most local and national broadcasters, pull their original news from the laborious and expensive work of experienced newspaper reporters diligently working their beats over the course of years, not hours. Newspaper reporters forge relationships with people; they build a network, which creates avenues to information.

These relationships and the information that follows are essential in a free, democratic society. Without it, accountability is lost. In a 2003 study published in the Journal of Law, Economics, and Organization, the relationship between corruption and "free circulation of daily newspapers per person" was examined. The study found that the lower the circulation of newspapers in a country, the higher it stands on the corruption index. Just recently, Princeton University released a report, entitled "Do Newspapers Matter? Evidence from the Closure of the Cincinnati Post" This report found that while "The Cincinnati Post was a relatively small newspaper, with circulation of only 27,000 when it closed . . . its absence appears to have made local elections less competitive along several dimensions: incumbent advantage, voter turnout and the number of candidates for office." The Princeton University study concluded that "if voter turnout, a broad choice of candidates and accountability for incumbents are important to democracy, we side with those who lament newspapers' decline."

The economy has caused an immediate problem for newspapers, but their business model, based on circulation and advertising revenue, has been weakening for years. At the end of 2008, advertising revenue was down by about 25 percent and according to a December forecast by Barclays Capital, advertising revenue will drop another 17 percent in 2009. According to the Pew Project for Excellence, during 2008, U.S. newspapers eliminated 5,000 newsroom jobs, approximately 10 percent of total newsroom jobs in the industry. Circulation is down 13.5 percent daily and

17.3 percent on Sunday since 2001. The Project for Excellence in Journalism surveyed 259 newspapers in early 2008 and found that 59 percent reported reductions in staff, but even more disturbing was that 61 percent said that less space was being devoted to news. The impact has had an especially severe effect on overseas bureaus, in state capitals, and in Washington. Half the states no longer have a newspaper covering the U.S. Congress.

While the newspaper industry is in the midst of major transition, we need to protect and nurture the information gathering abilities that currently reside with newspapers. The Newspaper Revitalization Act could help some in the news industry continue their vital role of newsgathering and investigative reporting. My bill would allow newspapers who choose to operate as non-profit organizations under 501(c)(3) status for educational purposes. It would create a new category under the Internal Revenue Code for a “qualified newspaper corporation.” This would be the same IRS status that is utilized by churches, hospitals, educational institutions, public broadcasting and other non-profit entities. Advertising and subscription revenue would be tax exempt and contributions to support coverage or operations could be tax deductible.

A change to non-profit status would not mean government control of the media. It would not bring about the end of the First Amendment and free speech. Religious and educational groups operate as non-profits without government interference. A newspaper operating as a non-profit would continue to freely report on all issues, including political campaigns, it just would refrain from making political endorsements. Whether conservative, liberal, or middle-of-the-road, each newspaper would maintain its editorial voice and be able to clearly state its position on issues affecting their community—local and national.

I also want to make this point very clear—this is not another government bailout of a failing industry. Taxpayer funds will not be used to buy shares or an interest in any media corporation. This legislation should cause minimal revenue loss to the Federal Government as most newspaper profits have been falling for years.

While this may not be an optimal choice for some major newspapers or corporate media chains interested in profit, it should be an option for many smaller, local newspapers fast disappearing in our states, cities and towns. In this economic climate, and with the real possibility of losing community newspapers, this would be a voluntary option for owners to save their paper. It is also a model that could enable local citizens or foundations to step in and preserve their local papers. However, this is only an option that would be made available, not a requirement. The decision would be made by the paper and the members of the community who are interested in preserving the paper as a non-profit entity.

Thomas Jefferson, a man who was vilified by newspapers daily, once said, “If I had to choose between government without newspapers, and newspapers without government, I wouldn’t hesitate to choose the latter.” *Like Jefferson, I believe that a well-informed public is essential in our democratic society. We need to save our community newspapers and the investigative journalism they provide.*

Senator KERRY. Well, thank you, Senator, for a clear, concise, and brief summary of both your position and of the predicament. We appreciate that input very much. It’s a thoughtful, obviously provocative concept, and it’s one that we’ll think about and talk about, and obviously engage with our panel on. So, we’re very grateful to you for coming today. Thank you.

Senator CARDIN. Thank you.

Senator KERRY. If I could invite the members of the second panel to come up; let me introduce them, as they do.

We have Ms. Marissa Mayer, the Vice President, Search Products and User Experience, Google, who’s come here today from California to testify; Mr. Steve Coll, former Managing Editor of *The Washington Post*; Mr. David Simon, Author, Television Producer, and former Newspaperman, from Baltimore, Maryland; Mr. Alberto Ibargüen, the President and Chief Executive Officer of John S. and James L. Knight Foundation, from Florida; Mr. James Moroney, Publisher/CEO of *The Dallas Morning News*; and Ms. Arianna Huffington, Co-Founder and Editor-in-Chief of *The Huffington Post*, from California.

Thank you, each and every one of you, for taking time to come here. We're really delighted to see you here.

Ms. Mayer, can I ask you to lead off, and we'll just run right down the line? And if you want to turn the mike on and pull it up very close to you so everybody can hear, that would be helpful.

**STATEMENT OF MARISSA MAYER, VICE PRESIDENT,
SEARCH PRODUCTS AND USER EXPERIENCE, GOOGLE**

Ms. MAYER. Chairman Kerry, Members of the Committee, thank you for inviting me to contribute to this discussion. As Vice President of Search & User Experience at Google and Co-Chair of the——

Senator KERRY. Do me a favor, just pull the mike a little closer, if you can. I think everybody——

Ms. MAYER.—and as Chairman—Co-Chairman of the Knight Commission on the Information Needs of the Communities in a Democracy, I'd like to speak to the intersection of democracy and technology.

In my testimony today, I would like to cover three main points. First, how Web Search acts as a conduit for journalism by connecting individuals to the news stories they are seeking. Second, how Google creates economic opportunity for publishers and provides tools to create more engaging online experiences. And finally, I'll talk about the very structure of the Web and how it represents some of the challenges and opportunities for the future of journalism.

Let's first look at Search as a conduit for journalism. Every day, millions of people search the Web for relevant answers to their questions. Those answers can come in a variety of forms, such as Web pages, an image, a video, or a news story. Search engines like Google play the role of connecting users with high-quality content, ultimately sending traffic to the publisher's website. In addition to Web Search, Google News is our service that's designed for users who are looking for news articles.

Together, Google News and Google Search provide a valuable free service to online newspapers specifically by sending interested readers to their sites at a rate of more than 1 billion clicks per month. Newspapers use that Web traffic to increase their readership and generate additional revenue. Just as importantly, Google's policy is to respect the rights of content owners. Publications have the right and ability to control whether or not their content appears in Google Web Search or Google News.

Now let's turn to the economic opportunities that Google creates for publishers. Because our mission is to organize the world's information and make it universally accessible and useful, high-quality content is incredibly important to Google and to our users. From an economic perspective, the Google AdSense platform helps publishers generate revenue from their content. By providing relevant ads on the publisher's site, Google AdSense creates billions of dollars in annual revenue for publishers. In fact, in 2008 that figure exceeded \$5 billion in revenue for publishers using AdSense. Users get more useful ads, and these more relevant ads generate higher returns for advertisers and publishers.

Google also offers many tools for sharing information that are being used by newspapers. For example, the *Los Angeles Times* website last year followed the path of the Southern California wildfires through Google Maps. Our Web technologies are powerful information tools, and we hope to continue to empower content creation through them.

Finally, I'd like to offer some observations on how the presentation of news online should be fundamentally different than it is in print. Let's start with a look at the basic unit of consumption, the atom, of sorts. The atom for existing media is often disrupted by emerging media. For example, digital music caused consumers to think about their purchases as individual songs rather than full albums. Similarly, the structure of the Web has caused the basic unit, the atom of consumption for news, to migrate from the full newspaper to the individual article. With online news, a reader is much more likely to arrive at a specific article rather than, say, the home page.

That means the publisher must assume that a reader may be viewing an article on its own, independent of the rest of the publication. To make a standalone article effective requires providing sufficient context for first-time readers while clearly calling out the latest information for those following a story over time. It also requires a different approach to monetization. Each individual article must be self-sustaining. These types of changes will require innovation and experimentation in how news is delivered online and how advertising can support it.

Because of the Web's ability to operate in realtime, it offers an opportunity for journalists to publish and update changing and evolving stories as they happen, to create living stories. Today in online news, journalists frequently publish several static articles on the same topic, sometimes with identical or closely related content. The result is parallel Web pages that compete against each other in terms of authority and in terms of placement in links and search results. Consider, instead, the authoritativeness of a news article and how it might grow if the evolving story were published as a single living, changing, updating entity. We see this practice today in Wikipedia's entries and in the topic pages of *The New York Times*. The result is a single authoritative page with a consistent reference point that gains clout and a following of users over time.

Chairman Kerry and Members of the Committee, let me conclude by thanking you for having me here to participate in this important discussion today. Preserving robust and independent journalism at the national and local levels is an important goal for the United States. Google is doing our part by driving significant traffic to online publishers, by helping them generate revenue through advertising, and by providing tools and platforms enabling them to reach millions of people. There certainly are many challenges in adapting the long tradition of journalism to the online world. I am hopeful, though, that innovation and experimentation will preserve journalism.

Thank you.

[The prepared statement of Ms. Mayer follows:]

PREPARED STATEMENT OF MARISSA MAYER, VICE PRESIDENT,
SEARCH PRODUCTS AND USER EXPERIENCE, GOOGLE

Chairman Kerry, Ranking Member Ensign, and Members of the Subcommittee.

Thank you for inviting me to contribute to this discussion. My name is Marissa Mayer, and I work as Vice President of Search and User Experience at Google. I manage Google's efforts in search—including Web search and Google News—and I also guide user interaction design across Google's products. In addition, I co-chair the Knight Commission on the Information Needs of Communities in a Democracy. In both roles, I've reflected on the intersections of journalism and technology and I will speak to that this afternoon.

In my testimony today, I would like to cover three main points:

First, I'd like to discuss how Web search acts as a conduit for journalism by connecting individuals to the news stories they are seeking.

Second, I'll address our commitment to create economic opportunity for publishers and to provide tools to create more engaging presentations of their content.

And finally, I'll talk about how the very structure of the Web itself represents some challenges to, but also opportunities for, the future of journalism.

Search: a Conduit for Online Publishing

Every day, millions of people search the Web for relevant answers to their questions. In response, search engines strive to connect each user with the right results, and those results can come in any number of different forms: a Web page, an image, a video, a map, or a news story—something of particular relevance to today's hearing. In each of those cases, search engines play the role of connecting users with high-quality content—often journalistic—ultimately sending traffic to the publisher's website. Google is one such search engine that people use to find answers online.

Another service we offer is Google News, our specialized service that's designed specifically for users who are looking for news articles. Stories on Google News are selected and ranked by computers based on the freshness, location, relevance, and diversity of their content. As a result, these stories are sorted without regard to political viewpoint or ideology, and users can choose from a wide variety of perspectives on any given story. We offer links to several articles covering a topic so that users can choose to read the story from the publishers and sources they prefer.

Both Google search and Google News connect users to answers and information as quickly as possible. We show people just enough information to invite them to read more—the headline, a line or two of text, and a link to the news publisher's website. A user clicks on the headline of interest and is taken directly to the site that published the story.

Together, Google News and Google search provide a valuable free service to online newspapers specifically by sending interested readers to their sites at a rate of more than 1 billion clicks per month. Newspapers use that Web traffic to increase their readership and generate additional revenue.

In terms of publications appearing in search indexes, we believe they have the right to control their content. That's why we allow site owners to choose whether or not Google can index their sites. Using what's called a "robots.txt" file, which has been an industry standard for many years, a publisher can block its Web content from any search engine's crawl. As a result, that site will not show up in Web search results.

Effective use of "robots.txt" and other metatags gives publishers control over how their content is searched at a number of levels by allowing publishers to restrict: search across the entire site, individual directories, pages of a specific type, or individual pages only. So, while we think inclusion in a search engine can drive a lot of beneficial traffic, our policy first and foremost is to respect the wishes of content owners.

Creating Economic Opportunity for Publishers

Because our mission is to organize the world's information and make it universally accessible and useful, high-quality content is incredibly important to Google. Our most basic goal is to connect users with high-quality and reliable information. Credible, factual, trustworthy content—that is, journalism—is critical to the millions of users who search for news stories on Google.

Google connects Internet users to journalists' work while at the same time helping journalists generate income to support their work, and providing tools to make news more compelling to readers and viewers.

Most importantly from an economic perspective, once readers arrive at publication sites, our Google AdSense advertising platform helps publishers generate revenue from their content. By providing relevant ads and improving the connection between advertisers and our users, Google AdSense creates billions of dollars in annual rev-

enue for publishers. In fact, in 2008, that figure exceeded \$5 billion in revenue for AdSense publishers. Users get more useful ads, and these more relevant ads generate higher returns for advertisers and publishers. We recently launched interest-based advertising, which we believe will be particularly helpful to publishers as it takes into account each individual user's interests in the hopes of making advertisements even more relevant.

In addition to providing revenue opportunities, Google also offers many tools for sharing information that are being used by newspapers. For example, the *Los Angeles Times* website last year followed the path of Southern California wildfires using Google Maps at the site. Google Image Search brings the *Life Magazine* photo archive to light for a whole new generation of readers. *National Geographic* and The Holocaust Memorial Museum have created interactive educational content layers in Google Earth. And NASA has partnered with us to allow anyone to virtually travel the stars in Google Sky. Our Web technologies are powerful information tools, and we hope to continue to empower content creation through them.

The Structure of the Web and its Impact on Publishers

The structure of the Web itself requires the presentation of news in a way that's fundamentally different from its offline predecessor. The Web has caused some parts of the news to be presented more easily and effectively. For example, Web pages can link to voluminous supporting materials without worrying about column inches. In addition, the always-on, always-updating nature of the Web means that real-time news updates can appear throughout the day without being tied to print production deadlines. However, other aspects are more challenging, particularly in regard to how users arrive at a news story, and how authority on a particular topic is established. I'd like to offer a few observations on what I call the "atomic unit of consumption" for online news, the prospect of creating living stories online, as well as a few simple steps online publishers can take to keep readers engaged.

The Atomic Unit of Consumption

The atomic unit of consumption for existing media is almost always disrupted by emerging media. For example, digital music caused consumers to think about their purchases as individual songs rather than as full albums. Digital and on-demand video has caused people to view variable-length clips when it is convenient for them, rather than fixed-length programs on a fixed broadcast schedule. Similarly, the structure of the Web has caused the atomic unit of consumption for news to migrate from the full newspaper to the individual article. As with music and video, many people still consume physical newspapers in their original full-length format. But with online news, a reader is much more likely to arrive at a single article. While these individual articles could be accessed from a newspaper's homepage, readers often click directly to a particular article via a search engine or another website.

Changing the basic unit of content consumption is a challenge, but also an opportunity. Treating the article as the atomic unit of consumption online has several powerful consequences. When producing an article for online news, the publisher must assume that a reader may be viewing this article on its own, independent of the rest of the publication. To make an article effective in a standalone setting requires providing sufficient context for first-time readers, while clearly calling out the latest information for those following a story over time. It also requires a different approach to monetization: each individual article should be self-sustaining. These types of changes will require innovation and experimentation in how news is delivered online, and how advertising can support it.

The Living Story

The Web by definition changes and updates constantly throughout the day. Because of its ability to operate in real-time, it offers an opportunity for news publishers to publish on changing and evolving stories as they happen. Web addresses (known as URLs—uniform resource locators such as <http://www.google.com>) were designed to refer to unique pieces of content, and those URLs were intended to persist over time. Today, in online news, publishers frequently publish several articles on the same topic, sometimes with identical or closely related content, each at their own URL. The result is parallel Web pages that compete against each other in terms of authority, and in terms of placement in links and search results.

Consider instead how the authoritativeness of news articles might grow if an evolving story were published under a permanent, single URL as a living, changing, updating entity. We see this practice today in Wikipedia's entries and in the topic pages at NYTimes.com. The result is a single authoritative page with a consistent reference point that gains clout and a following of users over time.

Keeping Users Engaged

A much smaller but important factor for online newspapers to consider in today's digital age is the fundamental design and presentation of their content. Publishers should not discount the simple and effective navigational elements the Web can offer. When a reader finishes an article online, it is the publication's responsibility to answer the reader who asks, "What should I do next?" Click on a related article or advertisement? Post a comment? Read earlier stories on the topic? Much like *Amazon.com* suggests related products and YouTube makes it easy to play another video, publications should provide obvious and engaging next steps for users. Today, there are still many publications that don't fully take advantage of the numerous tools that keep their readers engaged and on their site.

Conclusion

Chairman Kerry, Ranking Member Ensign, and Members of the Subcommittee, thank you for having me here today to participate in this important discussion.

Preserving robust and independent journalism at the national and local levels is an important goal for the United States. Google is doing its part by driving significant traffic to online news publishers, by helping them generate revenue through advertising, and by providing tools and platforms enabling them to reach millions of people.

There are certainly many challenges to face in adapting the long tradition of journalism to the online world. I am hopeful, though, that innovation will help preserve journalism and its vital function in our society.

Thank you.

Senator KERRY. Thank you very much, Ms. Mayer.

Let me just say that I mistakenly gave the order earlier. What we'd like to do is—we began with online and we're going to end with online—I'd like to go to Mr. Coll, then Mr. Simon, Mr. Ibargüen, Moroney, and we'll end with you, Arianna Huffington. Is that OK? Thanks.

So, Mr. Coll, you're next.

STATEMENT OF STEVE COLL, PRESIDENT AND CEO, NEW AMERICA FOUNDATION AND FORMER MANAGING EDITOR, THE WASHINGTON POST

Mr. COLL. Thank you, Chairman Kerry, for the opportunity to testify.

I've prepared a written statement, which I'll offer for the record, and in that I've tried to assess what I think is at stake in the crisis facing American newspapers, and where the public interest is located in that crisis, and I'll try to summarize that here and offer a few policy suggestions.

American journalism has entered a phase of what the economist Joseph Schumpeter called "creative destruction," and it's an apt framework in this case, because both creative and destructive forces are at work on American journalism simultaneously and at a stunning pace.

On the creative side, there's much to celebrate. The World Wide Web has collapsed the barriers to entry in publishing and broadcasting, and, by doing so, opened American public discourse to countless new voices. In journalism since the late 1990s, we've witnessed the advent of skilled new public-minded Web publishers and entrepreneurial journalists across the United States, some working in for-profit settings and others in nonprofit settings. No doubt, these and other new iterations of journalism and its consumption ushered in by the Digital Revolution will continue to expand and will make many important contributions to our public culture and constitutional system.

Unfortunately, at present, the rate of destruction of professional journalism, by which I refer to the independent reporting on government corporations and international affairs produced mainly by newspapers during the last four decades, is far outpacing the ability of new institutions to reproduce what is being lost.

This independent reporting—complex investigations using public records, the identification and vetting of whistleblowers, the tracking of legislative debates, and lobbying at the local, State, and national level, and independent, transparent witness reports of important events here and overseas—has played a very important role in shaping American governance and foreign policy since the 1960s, at least. Its sudden diminishment seems to me an urgent matter of public interest.

In time, perhaps new journalistic institutions and practices will make up the current losses of independent reporting, but even the most optimistic practitioners of the new models tend to accept that the world in which—a world in which Web-based publishers or aggregators could afford, for example, to simultaneously fund and operate professional journalism bureaus in Baghdad, Kabul, Islamabad, Europe, and Asia is simply not foreseeable, at present. These new practitioners do hope to fill some of the gap at the local and State levels, but even there it is clear that their replacement reporting, as it were, will be, at best, a small fraction of what is now being destroyed for the foreseeable future.

So, where do solutions lie? It's uncomfortable and even counter-intuitive for a journalist to suggest, even loosely, that Congress might consider a crisis in journalism as a venue for legislative action. The independence of journalism from government is an obvious strength of our constitutional system, and one in which I believe deeply.

But, nonetheless, Chairman Kerry, as you said at the outset, in limited but important and appropriate ways, Congress already shapes the environment in which American journalism is practiced. For example, in the authorizing—in authorizing the licensing of scarce broadcasting spectrum, Congress has correctly insisted that the public interest be considered in those processes alongside private interests. Also, for four decades, year in and year out, through the Corporation for Public Broadcasting and through the National Endowment for the Humanities, Congress has overseen arms-length systems of Federal funding that touch upon journalistic institutions and activity, albeit with mixed results.

And in the tax code governing public charitable activity, Congress and the Internal Revenue Service have appropriately designated as charitable the activities of some educational and non-profit journalistic institutions, although they have done so without an adequate degree of clarity. And I think Senator Cardin's bill is an excellent step to clarify those rules.

So, an old order is dying in journalism, and a new one is rising, and I think the question is, Are there ways to reinforce a stronger bridge between these eras, a bridge that's constructed in the public interest?

So, what are some specific suggestions? I would offer these really just as a framework. I haven't thought about all of the possible

ideas that might be responsive in this way, but I think I can offer a few to complement Senator Cardin's legislation.

First, I do believe in his legislation. Clarifying section 501(c)(3) of the Internal Revenue Code so as to ease the potential conversion of for-profit newspapers and newspaper divisions of corporations to charitable status is a very constructive step. It's not a panacea, but if even a handful of newspapers find the vision and community support of the kind Senator Cardin described to adapt their newsrooms in this manner, their survival and more gradual evolution into the new media world could preserve important independent reporting, especially at the local level.

I think there's room to reform and strengthen the Corporation for Public Broadcasting so that its investments in public broadcasting stations more fully and successfully address the losses in independent reporting on public institutions and even international affairs experienced by for-profit newspapers and broadcasters, particularly by promoting investments in reporting distributed through new media.

A third idea is to reform and strengthen the National Endowment of the Humanities so that its arms' length competitive peer-reviewed grantmaking helps to incubate the skills, careers, and new media forums necessary to fill the reporting gaps created by retreating old media. The Knight Foundation's News Challenge Grants is an example of what I consider a successful program of this kind that a reformed and expanded NEH might try to support or replicate.

And finally, I would suggest considering instructing the Federal Communications Commission to strengthen the public-service requirement for broadcasters operating with licensed spectrum, perhaps allowing this requirement to be satisfied by contributions to a fund that would be used to finance reporting on public institutions and public issues, perhaps through the CPB or by other means.

In conclusion, you know, obviously the Federal Government cannot and should not try to solve the crisis in newspapers or the transition in journalism that I've tried to summarize, but—and ultimately the next era of journalism, like the last one, will be shaped, first and foremost, by private investment; second, by philanthropic and educational institutions; and only in a tertiary way by Federal policy. Nonetheless, the public interest that is located in the current crisis should move Congress to creatively reconsider the role that it already plays. I think this can make a significant difference.

Thank you.

[The prepared statement of Mr. Coll follows:]

PREPARED STATEMENT OF STEVE COLL, PRESIDENT AND CEO, NEW AMERICA
FOUNDATION AND FORMER MANAGING EDITOR, THE WASHINGTON POST

Thank you for the opportunity to testify before the Committee about the rapid changes unfolding in American journalism and what steps Congress might consider in response.

American journalism has entered a phase of what the economist, Joseph Schumpeter, called "creative destruction." It is an apt framework in this case because both creative and destructive forces are at work on American journalism simultaneously—and at a stunning pace.

On the creative side, there is much to celebrate. The World Wide Web has collapsed the barriers to entry in publishing and broadcasting, and by doing so opened

American public discourse to countless new voices. In journalism, since the late 1990s, we have witnessed the advent of skilled new public-minded Web publishers and entrepreneurial journalists across the United States, some working in for-profit settings, and others in nonprofit settings; the spread of new technologies that aid investigative reporting; the development of low-cost documentary and video journalism of excellent quality; and a new era in which American readers can directly access reporting by courageous journalists working in their own national systems, from Pakistan to Indonesia to South Africa. No doubt these and other new iterations of journalism and its consumption ushered in by the digital revolution will expand innovatively, and will make many important contributions to our culture and constitutional system in the years ahead.

Unfortunately, at present, the rate of destruction of professional journalism—and its output of independent reporting on American public institutions and on international affairs—is far outpacing the ability of new institutions to reproduce what is being lost, particularly in its civic functions. Secular and cyclical economic forces have suddenly combined to dismantle the business models that have for decades supported independent, public-minded reporting for large general audiences about local and state government, Congress, the executive branch, and international affairs. According to one organization that tracks newspaper job losses, the industry shed an estimated 15,970 jobs in 2008 and 8,484 through April of this year. The rapid and large-scale loss of independent reporting by many of these professionals, without any prospect of its replacement by new institutions in the foreseeable future, is an urgent matter of public interest.

It is uncomfortable, even counterintuitive, for a journalist to suggest that Congress might consider a crisis in journalism as a venue for legislation. The independence of journalism from government is an obvious strength of our constitutional system. For a free press to remain free and to carry out its constitutionally sanctioned role of informing the public and holding private and public power to account on behalf of citizens, journalists and the institutions that house them must retain and protect this independence.

Nonetheless, in limited but important and appropriate ways, Congress already shapes the environment in which American journalism is practiced. For example, in authorizing the licensing of scarce broadcasting spectrum, Congress has correctly insisted that the public interest be considered in those licensing processes, alongside private interests. Also, for four decades, year in and year out, through the Corporation for Public Broadcasting, and through the National Endowment for the Humanities, Congress has overseen arms-length systems of Federal funding that touch upon journalistic institutions and practice, albeit with mixed results. And in the tax code governing public charitable activity, Congress and the Internal Revenue Service have appropriately designated as charitable the activities of some educational and nonprofit journalistic institutions, although they have done so without an adequate degree of clarity.

The essential question is whether the current crisis in journalism has brought forward matters of public interest sufficient to warrant review and adjustment of those journalism-shaping policies that Congress already oversees—and whether those reforms can be undertaken without reducing the distance between government and journalism.

There are opportunities of this character. The principles for congressional action and the specific suggestions I would like to make all involve areas of policy where Federal law and appropriations already touch upon journalism. The standard against which these and other comparable suggestions for reform should be judged is whether, in a period of upheaval in a sector of our economy that is part of our constitutional design, the reformed policies will advance and protect the public interest better than current policies do.

Where Does the Public Interest Lie in Crisis of Newspapers and Journalism?

Uniquely in the history of journalism, the United States witnessed the rise of large, independently owned, constitutionally protected, civil service-imitating newsrooms, particularly after the 1960s. These newsrooms and the culture of independent-minded but professional reporting within them were in many respects an accident of history.

At newspapers, demographic, economic and technological factors created an era of quasi-monopolistic business models; to preserve their quasi-monopolies, owners of these properties had incentives to create journalism that would be seen as credible and attractive by the greatest numbers of readers. Thus the owners invested in “objective,” politically neutral reporting. They also enjoyed high profit margins that allowed the more public minded among them to invest in expensive foreign bureaus,

national bureaus, and investigative teams. Then, too, newspapers' unassailable profit margins encouraged owners to support journalism that reported without fear or favor on powerful interests, public and private.

In broadcasting, something similar evolved during the pre-cable, pre-digital period of licensed spectrum. Here the culture of large, professional newsrooms was more explicitly influenced by Congress, which insisted that recipients of scarce spectrum incorporate notions of fairness, objectivity and the public interest in their news and public affairs operations.

At the same time, more broadly, the United States witnessed during the postwar period a rise in self-conscious "professions" and the codification of professional standards, such as in law, accounting, teaching, medicine, and so on. This civil service-influenced culture and aspiration of professionalism leached into journalism, and strengthened its practices. Similarly, there was an increased emphasis on scientific method in all areas of the social sciences—this trend, too, migrated into journalism and generally strengthened its practices by fostering an emphasis on peer review, editing, and evidence-based reporting.

As in law, accounting, and medicine, the results have been far from perfect, and yet, in the aggregate, journalism during the postwar period achieved higher standards of professional performance, and produced more independent and constitutionally relevant reporting on public institutions and public issues, than ever before. We tend to memorialize the role of journalism through examples involving national episodes such as the civil rights movement, Vietnam, Watergate, and the Global War on Terror, but arguably, it was through the less visible role of independent reporting at the local and state levels—the constant and increasingly sophisticated watch-dogging of local school boards, zoning boards, mayors and state legislatures—that the postwar era of professional journalism made its greatest contributions.

The institutions that have nurtured this accidental era of large-scale, well-resourced professional journalism at every level of American governance are now contracting at a remarkable rate of speed. For example, according to a recent report by the Pew Center's Project for Excellence in Journalism, the number of newspapers accredited to cover Congress has fallen by two-thirds since the 1980s. Newspaper chains and television networks have closed or drastically reduced staff in their Washington bureaus. There have been similar reductions in overseas bureaus and in the numbers of professional foreign correspondents reporting independently on the countries where the United States is making or considering large, risky investments of blood and treasure. At the state and local level, the picture is, if anything, even worse; newspapers have dramatically reduced their coverage of state capitals, school boards, utility regulators, medical licensing boards, city councils and other institutions whose decisions shape the lives and welfare of every citizen.

The loss such reporting cannot be rationalized as merely the result of the free market's role in arbitrating economic winners and losers. The current crisis in journalism has many causes, and failures by newspaper owners and journalists alike are certainly factors—but in reference to the sudden loss of so much independent reporting, these failures are only minor factors. It is important to be clear: Technological change and its impact on advertising markets, compounded by a steep recession, are much greater factors than reader preferences in the crisis that has produced these losses of independent reporting. The current crisis in journalism is not fundamentally a crisis in readership—it is a crisis of profitable readership.

In time, perhaps new journalistic institutions and practices will make up these sudden, yawning deficits of independent reporting on public institutions. But even the most optimistic practitioners of the new journalistic models tend to accept that a world in which Web-based publishers or aggregators could afford, for example, to simultaneously fund and operate professional journalism bureaus in Baghdad, Kabul, Islamabad, Europe and Asia is simply not foreseeable at present. These new practitioners do hope to fill some of the gap at the local and state levels, but even there it is clear that their replacement reporting, as it were, will be at best a small fraction of what is now being destroyed.

By far the most important reason that new institutions have not yet been able to replace the independent reporting of the old institutions is cost. A single foreign bureau operating to the highest professional standards may cost \$500,000 per year; in a war zone, many multiples of that amount. A veteran Statehouse reporter trained in public records research and experienced enough to sift through the complexity of public policy formation would typically be qualified for government jobs at the level of a GS-12 to GS-15 level; private sector pay scales in newspaper journalism have generally been similar, with regional variations. The new business models of Web-based publishing and content aggregation, with rare exceptions, simply cannot yet afford such costs, even if they might see value in such reporting and investigation. We can posit that new media publishers will commission such report-

ing when their business models permit it, since American news consumers demonstrate an undiminished—arguably, a growing—appetite for professional journalism.

How long it may take for such business models to emerge is simply unknown. It could be 5 years; it could be 15; it is unlikely to be 25. In the meantime, we face the prospect of a lost generation of American journalism and the collapse of its civic function—and at a time when the country is facing a grave economic crisis; inflective changes in government activity, in response to that crisis; and a complex international scene where American power, lives and treasure are at risk.

What Should Congress Do?

In this narrative of the crisis of journalism lies a definition of the public interest that should frame and galvanize Congressional attention. At issue here is a sudden, disruptive, shock-producing transition from journalism's old, dying order to a rising, new one. Congress should consider how it might review and reshape the policies it already oversees to reinforce a stronger bridge from the old order to the new one—a bridge constructed to serve the public interest.

Some of these bridging policies involve shaping technology to ensure that public access and the public interest are protected in the emerging new media order. For example, in the stimulus legislation, Congress has shaped investments that may, if well implemented, insure that disadvantaged and rural communities can compete to win greater access to broadband technology, and through that access, develop new roles as publishers, broadcasters and enfranchised citizens. More generally, to shape the digital revolution in the public interest, and to ensure that monopolizing private interests do not capture the revolution, Congress should enact policies that promote open access to both the public airwaves and to non-discriminatory broadband networks, open source technology, and inclusion of underserved populations to the greatest possible degree.

Other bridging policies, however, can more directly address the sudden loss of independent, professional reporting on public institutions and international events, at least for a temporary period. The policy suggestions I have to offer should be seen only as a framework for further investigation and development. In addition to this list, there are undoubtedly other ideas of a similar character that I have failed to think about, but which members and expert advisers could develop.

Congress should consider impaneling a commission or review body to consider its options for constructive action in greater depth. Such policy refinement should be guided by two questions: (1) Without reducing the distance between government and journalism, how can Congress support independent reporting in the public interest during the temporary but disruptive transition in journalism now underway? (2) What policies does Congress already oversee that could be reviewed and reformed to address this goal?

In the meantime, here are some specific suggestions:

- Clarify section 501(c)3 of the Internal Revenue code so as to ease the potential conversion of for-profit newspapers and newspaper divisions of corporations to charitable status.

The question of whether existing for-profit newspapers could be converted successfully to nonprofit status, and to enjoy the tax benefits accorded to public charities, is in some respects untested. Senator Benjamin Cardin has already introduced the Newspaper Revitalization Act which is intended to fully clarify this question, and by doing so, make it easier for individuals or foundations to convert newspapers or newspaper divisions to 501(c)3 status, so that they could operate as many nonprofit magazines and publishers do today. Congress might also consider whether there are mechanisms in the tax code or otherwise that could temporarily provide incentives to encourage such conversions and the establishment of supporting endowments.

There has been much public discourse about whether newspapers might rescue themselves by converting to nonprofit status and developing endowments or other charitable funding, similar to the strategies of many public broadcasters or nonprofit publishers. This approach certainly is no panacea. There are dozens of newspapers with large circulations threatened by changing technology and the bad economy; even in the best case, very few of them can be expected to make this transition to nonprofit strategies. Also, in the end, only the owners of these newspapers are in a position to decide whether to pursue this avenue, and only philanthropists can decide whether to support them; in this sense, a marketplace function, rather than government policy, will ultimately determine the outcomes, as is appropriate.

However, Congress can at least reduce the barriers in the tax code that may be sources of hesitation for these independent decision-makers. In the end, if even a handful of newspapers find the vision and support necessary to attempt to protect and adapt their newsrooms in this manner, their survival and more gradual evolution into the new order will preserve some independent reporting; help to preserve professional reporting standards during journalism's period of transition; and by doing so, serve the public interest.

- Reform and strengthen the Corporation for Public Broadcasting so that its investments in public broadcasting stations more fully and successfully address the losses in independent reporting on public institutions and international affairs experienced by for-profit newspapers and broadcasters.

Created by the Public Broadcasting Act of 1967, the Corporation for Public Broadcasting is an independent entity that has been the principal vehicle for Federal investments in American public broadcasting and journalism. Since its formation, CPB's investments have been miniscule compared to those made by the governments of many other industrialized democracies. Still, the corporation offers a significant and tested vehicle for congressional action. Although debates about the CPB's activities have sometimes become politicized, there has long been a bipartisan commitment to the corporation's independence, evident in special funding mechanisms that allocate its budgetary resources 2 years in advance. Today, CPB describes its mission as the promotion of "an educated and informed civil society through significant, high-quality content and services." However, neither CPB's funding levels nor Congress's support for its mission are today adequate to address the losses of independent reporting at newspapers and elsewhere.

In its next round of appropriations to CPB, Congress should increase its investments in the corporation substantially, and in tandem, it should order the Corporation's leadership to undertake a strategic review designed to direct those increased investments to support independent reporting about public institutions and issues at the local, state, national and international levels, consistent with CPB's statutory mission. This strategic review should consider, among other things, how to direct CPB's investments so that they more purposefully support innovative Web-based strategies that emphasize independent reporting on public matters, based at local public stations. Unburdened by the legacy costs of newspapers, local public broadcasters could develop cost effective strategies for Web-distributed, multi-media, networked independent reporting on local and state government that could at least partially replace the loss of such reporting for general audiences by newspapers. Congress should also consider new measures to further insulate CPB from political interference.

- Reform and strengthen the National Endowment of the Humanities so that its arms-length, competitive, peer-reviewed grant making helps to incubate the skills, careers and new media forms necessary to fill the reporting gaps created by retreating old media.

NEH was created as an independent agency in 1965 to fund social sciences, humanities and public culture that served the public interest but which did not find adequate support from private institutions. At the time, there was no need to consider journalism or journalists as part of its mission. That has changed. Congressional appropriations to NEH's grant making are small, currently in the range of \$85 million annually. Congress should consider substantial increases in that amount, and in tandem, it should order NEH or an independent, bipartisan advisory body to consider how these increased investments could best be managed to provide competitive, peer-reviewed grants to enhance independent, nonpartisan, evidence-based reporting about public institutions, public issues, and international affairs. The Knight Foundation's News Challenge Grants, a \$5 million competitive grant making program designed to "improve local online news, deepen community engagement [and] bring Web 2.0 tools to local neighborhoods" is one example of what a redirected and expanded NEH might support.

- Instruct the Federal Communications Commission to strengthen the public service requirement for broadcasters operating with licensed spectrum, perhaps allowing this requirement to be satisfied by contributions to a fund that would be used to finance reporting on public institutions and public issues.

With this suggestion I am relying on policy work that has been developed by a group of journalism school deans, as described by Alex Jones, director of the

Joan Shorenstein Center on the Press, Politics and Public Policy at Harvard University. I understand that the deans' particular idea involves using the contemplated fund to support reporting by journalism school graduates in state capitals, initially in North Carolina, Texas, and California.

Obviously, there are potential variations on a theme here. The particular forms of independent, nonpartisan reporting supported by this mechanism could come in many flavors, and the financing mechanism could also be integrated with reform and reinvestment at the CPB, in particular. Most appealing about this formulation is that it essentially creates a user's fee on self-selecting licensees of public spectrum and directs that revenue to support independent reporting in the public interest. The user's fee model is potentially attractive both as public policy and as a mechanism to further insulate the financing of independent reporting from political influence.

Some of these ideas are ripe for immediate consideration in the current session. Others might be developed by a more deliberately, perhaps by commissioning the nonpartisan, expert review referred to above. Obviously, the Federal Government cannot and should not by itself "solve" the crisis in newspapers and the loss of independent reporting this crisis is creating. Even the most expansive portfolio of reforms of the sort outlined here would only make a partial contribution to the loss of independent reporting that has shaped American politics, governance and foreign policy since the Second World War.

Ultimately, the next era of journalism—like the last one—will be shaped first and foremost by private investment; second by philanthropic and educational institutions; and only in a tertiary way by Federal policy and a handful of relatively modest direct investments. Nonetheless, the public interest that is located in the current crisis should move Congress to creatively reconsider the role it already plays. It can make a significant difference.

Senator KERRY. Thank you very much, Mr. Coll. That's very helpful.

Mr. Simon?

**STATEMENT OF DAVID SIMON
FORMER REPORTER, THE BALTIMORE SUN (1982-95)
AND BLOWN DEADLINE PRODUCTIONS, (1995-2009)**

Mr. SIMON. Thank you, Senator.

I'd also like to say I'm proud to be following Mr. Coll, whose work with the *Post* and *The New Yorker*, and in his books, represents the highest standards of craft. I endorse the last 7 minutes of testimony.

My name's David Simon, and I used to be a newspaperman in Baltimore. What I say will likely conflict with what representatives of the newspaper industry will claim, and I can imagine little agreement with those who speak for new media.

From the captains of the newspaper industry, you may hear a certain martyrology, a claim that they were heroically serving democracy, only to be undone by a cataclysmic shift in technology. From those speaking on behalf of new media, Web blogs, and that which goes Twitter, you will be treated to assurances that American journalism has a perfectly fine future online and that a great democratization is taking place.

Well, a plague on both their houses. High-end journalism is dying in America. And unless a new economic model is achieved, it will not be reborn on the Web or anywhere else. The Internet is a marvelous tool, and clearly it is the information delivery system of our future. But, thus far, it does not deliver much first-generation reporting. Instead, it leaches that reporting from mainstream news publications, whereupon aggregating websites and bloggers contribute little more than repetition, commentary, and froth.

Meanwhile, readers acquire news from aggregators and abandon its point of origin; namely, the newspapers themselves. In short, the parasite is slowly killing the host.

It's nice to get stuff for free, of course, and it's nice that more people can have their say in new media. And, while some our Internet community is rampantly ideological, ridiculously inaccurate, and occasionally juvenile, some of it's also quite good, even original.

Understand, I'm not making a Luddite argument against the Internet and all that it offers, but you do not, in my city, run into bloggers or so-called citizen journalists at city hall or in the courthouse hallways or at the bars where police officers gather. You don't see them consistently nurturing and then pressing others—pressing sources. You don't see them holding institutions accountable on a daily basis. Why? Because high-end journalism is a profession. It requires daily full-time commitment by trained men and women who return to the same beats, day in and day out. Reporting was the hardest and, in some ways, most gratifying job I ever had. I'm offended to think that anyone anywhere believes American monoliths as insulated, self-preserving, and self-justifying as police departments, school systems, legislatures, and chief executives, can be held to gathered facts by amateurs, presenting the task—pursuing the task without compensation, training, or, for that matter, sufficient standing to make public officials even care who it is they're lying to or who they're withholding information from.

Indeed, the very phrase “citizen journalist” strikes my ears Orwellian. A good—a neighbor who is a good listener and cares about people is a good neighbor. He is not in any sense a citizen social worker. Just as a neighbor with a garden hose and good intentions is not a citizen firefighter. To say so is a heedless insult to trained social workers and firefighters.

Well, so much for new media, but what about hold media? While anyone listening carefully may have noted that—I'm sorry. Cut that part. While anyone listening carefully may have noted that I was brought out of my reporting in 1995, that's well before the Internet began to threaten the industry, before Craigslist and department store consolidation gutted the ad base, before any of the current economic conditions applied. In fact, when newspaper chains began cutting personnel and content, the industry was one of the most profitable yet discovered by Wall Street.

We know now, because bankruptcy has opened the books, that *The Baltimore Sun* was eliminating its afternoon edition and trimming nearly 100 reporters and editors in an era when the paper was achieving 37-percent profits. Such shortsighted arrogance rivals that of Detroit in the 1970s, when automakers offered up Chevy Vegas, Pacers and Gremlins without the slightest worry that mediocrity would be challenged by better-made cars from Germany or Japan. In short, my industry butchered itself, and we do so at the behest of Wall Street, in the same unfettered, free-market logic that has proven so disastrous for so many American industries. Indeed, the original sin of American newspapering lies in going to Wall Street in the first place.

When locally based family owned newspapers like the *Sun* were consolidated into publicly owned newspaper chains, an essential

dynamic, an essential trust, between journalism and the community served by that journalism was betrayed.

Economically, the disconnect is now obvious. What did newspaper executives in Los Angeles or Chicago care whether readers in Baltimore have a better newspaper, especially when you can make more money putting out a mediocre paper than a worthy one? Where family ownership might have been content with 10 or 15 percent profit, the chains demanded double that and more, and the cutting began long before the threat of new technology was ever sensed.

Editorially, the newspaper chains also brought an ugly disconnect into the newsroom and, by extension, to the community. A few years after the A.S. Abell family sold the *Sun* to *Times Mirror*, fresh editors arrived from out of town to take over the reins of the paper. They looked upon Baltimore, not as a essential terrain to be covered with consistency, to be explained in all its complexity, year in and year out, for readers who had and would live their whole lives in Baltimore. Why would they? They had arrived from somewhere else, and they—if they won a prize or two, they would be moving on to bigger and better opportunities within the chain.

So, well before the arrival of the Internet, as veteran reporters and homegrown editors took buyouts, news beats were dropped, and less and less was covered with rigor or complexity. In a city in which half the adult black males are without consistent work, the poverty and social services beat was abandoned. In a region where unions are imploding and the working class eviscerated, where the bankruptcy of a huge steel manufacturer meant thousands lost medical benefits and pensions, there was no longer a labor reporter. And though it's one of the most violent cities in America, the Baltimore criminal courts went uncovered for more than a year.

Meanwhile, the out-of-town editors used manpower to pursue a handful of special projects, Pulitzer-sniffing as one does. The self-gratification of my profession does not come, you see, from covering a city, and covering it well, from explaining an increasingly complex and interconnected world to citizens, from holding basic institutions accountable; it comes from someone handing you a plaque and taking your picture.

And so, buyout after buyout, from the first staff reduction in 1992 to the latest round last week in which nearly a third of the remaining newsroom was fired, the newspaper that might have mattered enough to charge online for content simply disappeared. Where 500 men and women once covered central Maryland, there are now 140.

I don't know if it's too late already for American newspapering, but if there's to be a renewal of the industry, a few things are certain and obvious. First, the industry is going to have to find a way to charge for online content. Yes, I've heard the postmodern rallying cry that information wants to be free. But, information isn't. It costs money to send reporters to London, to Fallujah, to Capitol Hill, and to send photographers with them, to keep them there day after day. It costs money to hire the best investigators and writers, and then back them up with the best editors. And how anyone can believe that the industry can fund this kind of expense by giving

its product away online to aggregators and bloggers is a source of endless fascination to me. A freshman marketing major in any community college can tell you that if you don't have a product for which you can charge people, you don't actually have a product.

Second, Wall Street and free-market lodging, having been a destructive force in journalism over the last few decades, is now not suddenly the answer. Raw, unencumbered capitalism is never the answer when a public trust or public mission is at issue.

Similarly, there can be no serious consideration of public funding for newspapers. High-end journalism can and should bite any hand that tries to feed it, and it should bite a governing hand most viciously.

Moreover, it's the right of every American to despise his local newspaper for being too liberal or too conservative, for covering X and not covering Y, for spelling your name wrong when you do something notable, and for spelling it correctly when you do something dishonorable. As love-hate relationships go, it's a pretty intricate one, and an exchange of public money would prove unacceptable to all.

But, a nonprofit model intrigues, especially if that model allows for locally based ownership and control of news organizations. Anything the government can do in the way of creating nonprofit status for newspapers should be seriously pursued. And further, anything that can be done to create financial or tax-based incentives for bankrupt or near-bankrupt newspaper chains to transfer or donate unprofitable publications to locally based nonprofits should also be considered.

Last, I would urge Congress to consider relaxing certain anti-trust prohibitions so that *The Washington Post*, *The New York Times*, and various other newspapers can openly discuss protecting copyright from aggregators and plan an industrywide transition to a paid online subscriber base. Whatever money comes will prove essential to the task of hiring back some of the talent, commitment, and institutional memory that has been squandered.

Absent this basic and belated acknowledgment that content matters—in fact, content is all—I don't think anything can be done to save high-end professional journalism.

Thanks for your time and your kind invitation.

[The prepared statement of Mr. Simon follows:]

PREPARED STATEMENT OF DAVID SIMON, FORMER REPORTER, THE BALTIMORE SUN (1982–95) AND BLOWN DEADLINE PRODUCTIONS, (1995–2009)

Thank you all for the invitation and opportunity to speak on this issue today, but I start by confessing reluctance.

My name is David Simon and I used to be a newspaperman in Baltimore. Head and heart, I was a newspaperman from the day I signed up at my high school paper until the day, eighteen years later, when I took a buyout from *The Baltimore Sun* and left for the fleshpots of Hollywood.

To those colleagues who remain at newspapers, I am therefore an apostate, and my direct connection to newspapering—having ended in 1995—means that as a witness today, my experiences are attenuated.

Ideally, rather than listening to me, you should be hearing from any number of voices of those still laboring in American journalism. I am concerned that the collective voice of the newsroom itself—the wisdom of veteran desk editors, rewrite men and veteran reporters is poorly represented in this process. But of course newspapers are obliged to cover Congress and its works, and therefore the participation of most working journalists in today's hearing would compromise some careful eth-

ics. I know your staff tried to invite working journalists but were rebuffed on these grounds. And so, tellingly, today's witness list is heavy with newspaper executives on the one hand, and representatives of the new, Internet-based media on the other.

And so, I've accepted the invitation, though to be honest, I'm tired of hearing myself on this subject; I've had my say in essays that accompany this testimony, and in the episodes of a recent television drama, and I would be more inclined to hear from former colleagues if they were in a position to speak bluntly.

I am glad, at least, to be testifying beside Steve Coll, who labored at *The Washington Post* for two decades and whose coverage of complex issues upholds the highest journalistic standards. And I will leave to Mr. Coll a more careful and considered analysis of where journalism and newspapering must travel. I fully agree with his fundamental argument that non-profit status is the industry's last hope, and I believe his thoughts on the subject are more advanced and detailed than my own.

If Mr. Coll can be prescriptive, I will do my best to be diagnostic. I'll set him up by concentrating on what went wrong in American newspapering.

What I say will likely conflict with what representatives of the newspaper industry will claim for themselves. And I can imagine little agreement with those who speak for new media. From the captains of the newspaper industry, you will hear a certain martyrology—a claim that they were heroically serving democracy to their utmost only to be undone by a cataclysmic shift in technology and the arrival of all things web-based. From those speaking on behalf of new media, weblogs and that which goes twitter, you will be treated to assurances that American journalism has a perfectly fine future online, and that a great democratization in newsgathering is taking place.

In my city, there is a technical term we often administer when claims are plainly contradicted by facts on the ground. We note that the claimant is, for lack of a better term, full of it. Though in Baltimore, of course, we are explicit with our nouns.

High-end journalism is dying in America and unless a new economic model is achieved, it will not be reborn on the web or anywhere else. The Internet is a marvelous tool and clearly it is the informational delivery system of our future, but thus far it does not deliver much first-generation reporting. Instead, it leeches that reporting from mainstream news publications, whereupon aggregating websites and bloggers contribute little more than repetition, commentary and froth. Meanwhile, readers acquire news from the aggregators and abandon its point of origin—namely the newspapers themselves.

In short, the parasite is slowly killing the host.

It is nice to get stuff for free, of course. And it is nice that more people can have their say in new media. And while some of our Internet commentary is—as with any unchallenged and unedited intellectual effort—rampantly ideological, ridiculously inaccurate and occasionally juvenile, some of it is also quite good, even original.

Understand here that I am not making a Luddite argument against the Internet and all that it offers. But democratized and independent though they may be, you do not—in my city—run into bloggers or so-called citizen journalists at City Hall, or in the courthouse hallways or at the bars and union halls where police officers gather. You do not see them consistently nurturing and then pressing sources. You do not see them holding institutions accountable on a daily basis.

Why? Because high-end journalism—that which acquires essential information about our government and society in the first place—is a profession; it requires daily, full-time commitment by trained men and women who return to the same beats day in and day out until the best of them know everything with which a given institution is contending. For a relatively brief period in American history—no more than the last fifty years or so—a lot of smart and talented people were paid a living wage and benefits to challenge the unrestrained authority of our institutions and to hold those institutions to task. Modern newspaper reporting was the hardest and in some ways most gratifying job I ever had. I am offended to think that anyone, anywhere believes American institutions as insulated, self-preserving and self-justifying as police departments, school systems, legislatures and chief executives can be held to gathered facts by amateurs pursuing the task without compensation, training or for that matter, sufficient standing to make public officials even care to whom it is they are lying or from whom they are withholding information.

The idea of this is absurd, yet to read the claims that some new media voices are already making, you would think they need only bulldoze the carcasses of moribund newspapers aside and begin typing. They don't know what they don't know—which is a dangerous state for any class of folk—and to those of us who do understand how subtle and complex good reporting can be, their ignorance is as embarrassing as it is seemingly sincere. Indeed, the very phrase citizen journalist strikes my ear as nearly Orwellian. A neighbor who is a good listener and cares about people is

a good neighbor; he is not in any sense a citizen social worker. Just as a neighbor with a garden hose and good intentions is not a citizen firefighter. To say so is a heedless insult to trained social workers and firefighters.

So much for new media. But what about old media?

When you hear a newspaper executive claiming that his industry is an essential bulwark of society and that it stands threatened by a new technology that is, as of yet, unready to shoulder the same responsibility, you may be inclined to empathize. And indeed, that much is true enough as it goes.

But when that same newspaper executive then goes on to claim that this predicament has occurred through no fault on the industry's part, that they have merely been undone by new technologies, feel free to kick out his teeth. At that point, he's as fraudulent as the most self-aggrandized blogger.

Anyone listening carefully may have noted that I was bought out of my reporting position in 1995. That's fourteen years ago. That's well before the Internet ever began to seriously threaten any aspect of the industry. That's well before Craig's List and department-store consolidation gutted the ad base. Well before any of the current economic conditions applied.

In fact, when newspaper chains began cutting personnel and content, their industry was one of the most profitable yet discovered by Wall Street money. We know now—because bankruptcy has opened the books—that *The Baltimore Sun* was eliminating its afternoon edition and trimming nearly 100 editors and reporters in an era when the paper was achieving 37 percent profits. In the years before the Internet deluge, the men and women who might have made *The Sun* a more essential vehicle for news and commentary—something so strong that it might have charged for its product online—they were being ushered out the door so that Wall Street could command short-term profits in the extreme.

Such short-sighted arrogance rivals that of Detroit in the 1970s, when automakers—confident that American consumers were mere captives—offered up Chevy Vegas, and Pacers and Gremlins without the slightest worry that mediocrity would be challenged by better-made cars from Germany or Japan.

In short, my industry butchered itself and we did so at the behest of Wall Street and the same unfettered, free-market logic that has proved so disastrous for so many American industries. And the original sin of American newspapering lies, indeed, in going to Wall Street in the first place.

When locally-based, family-owned newspapers like *The Sun* were consolidated into publicly-owned newspaper chains, an essential dynamic, an essential trust between journalism and the communities served by that journalism was betrayed.

Economically, the disconnect is now obvious. What do newspaper executives in Los Angeles or Chicago care whether or not readers in Baltimore have a better newspaper, especially when you can make more putting out a mediocre paper than a worthy one? The profit margin was all. And so, where family ownership might have been content with 10 or 15 percent profit, the chains demanded double that and more, and the cutting began—long before the threat of new technology was ever sensed.

But editorially? The newspaper chains brought an ugly disconnect to the newsroom, and by extension, to the community as well.

A few years after the A.S. Abell Family sold *The Sun* to the *Times-Mirror* newspaper chain, fresh editors arrived from out of town to take over the reins of the paper.

They looked upon Baltimore not as essential terrain to be covered with consistency, to be explained in all its complexity year in and year out for readers who had and would live their lives in Baltimore. Why would they? They had arrived from somewhere else, and if they could win a prize or two, they would be moving on to bigger and better opportunities within the chain.

So, well before the arrival of the Internet, as veteran reporters and homegrown editors took buyouts, newsbeats were dropped and less and less of Baltimore and central Maryland were covered with rigor or complexity.

In a city in which half the adult black males are without consistent work, the poverty and social services beat was abandoned. In a town where the unions were imploding and the working class eviscerated, where the bankruptcy of a huge steel manufacturer meant thousands were losing medical benefits and pensions, there was no longer a labor reporter. And though it is one of the most violent cities in America, the Baltimore courthouse went uncovered for more than a year and the declining quality of criminal casework in the state's attorney's office went largely ignored.

Meanwhile, the editors used their manpower to pursue a handful of special projects, Pulitzer-sniffing as one does. The self-gratification of my profession does not come, you see, from covering a city and covering it well, from explaining an in-

creasingly complex and interconnected world to citizens, from holding basic institutions accountable on a daily basis. It comes from someone handing you a plaque and taking your picture.

The prizes meant little, of course, to actual readers. What might have mattered to them, what might have made *The Baltimore Sun* substantial enough to charge online for content would have been to comprehensively cover its region and the issues of that region, to do so with real insight and sophistication and consistency.

But the reporters required to achieve such were cleanly dispatched, buyout after buyout, from the first staff reduction in 1992 to the latest round last week, in which nearly a third of the remaining newsroom was fired. Where 500 men and women once covered central Maryland, there are now 140. And the money required to make a great newspaper—including, say, the R&D funding that might have anticipated and planned for the Internet revolution—all of that went back to Wall Street, to CEO salaries and to big-money investors. The executives and board chairman held up their profit margins and got promoted; they're all on some golf course in Florida right now, comfortably retired and thinking about things other than journalism. The editors took their prizes and got promoted; they're probably on what passes for a journalism lecture circuit these days, offering heroic tales of past glory and jeremiads about the world they, in fact, helped to bring about.

But the newspapers themselves?

When I was in journalism school in the 1970s, the threat was television and its immediacy. My professors claimed that in order to survive, newspapers were going to have to cede the ambulance chasing and reactive coverage to TV and instead become more like great magazines. Specialization and detailed beat reporting were the future. We were going to have to explain an increasingly complex world in ways that made us essential to an increasingly educated readership. The scope of coverage would have to go deeper, address more of the world not less. Those were our ambitions. Those were my ambitions.

In Baltimore at least, and I imagine in every other American city served by newspaper-chain journalism, those ambitions were not betrayed by the Internet. We had trashed them on our own, years before. Incredibly, we did it for naked, short-term profits and a handful of trinkets to hang on the office wall. And now, having made ourselves less essential, less comprehensive and less able to offer a product that people might purchase online, we pretend to an undeserved martyrdom at the hands of new technology.

I don't know if it isn't too late already for American newspapering. So much talent has been torn from newsrooms over the last two decades and the ambitions of the craft are now so crude, small-time and stunted that it's hard to imagine a turnaround. But if there is to be a renewal of the industry a few things are certain and obvious:

First, cutting down trees and printing a daily accounting of the world on paper and delivering it to individual doorsteps is anachronistic. And if that is so, then the industry is going to have to find a way to charge for online content. Yes, I have heard the post-modern rallying cry that information wants to be free. But information isn't. It costs money to send reporters to London, Fallujah and Capitol Hill, and to send photographers with them, and to keep them there day after day. It costs money to hire the best investigators and writers and then to back them up with the best editors. It costs money to do the finest kind of journalism. And how anyone can believe that the industry can fund that kind of expense by giving its product away online to aggregators and bloggers is a source of endless fascination to me. A freshman marketing major at any community college can tell you that if you don't have a product for which you can charge people, you don't actually have a product.

Second, Wall Street and free-market logic, having been a destructive force in journalism over the last few decades, are not now suddenly the answer. Raw, unencumbered capitalism is never the answer when a public trust or public mission is at issue. If the last quarter century has taught us anything—and admittedly, with too many of us, I doubt it has—it's that free-market capitalism, absent social imperatives and responsible regulatory oversight, can produce durable goods and services, glorious profits, and little of lasting social value. Airlines, manufacturing, banking, real estate—is there a sector of the American economy where laissez-faire theories have not burned the poor, the middle class and the consumer, while bloating the rich and mortgaging the very future of the industry, if not the country itself? I'm pressed to think of one.

Similarly, there can be no serious consideration of public funding for newspapers. High-end journalism can and should bite any hand that tries to feed it, and it should bite a government hand most viciously. Moreover, it is the right of every American to despise his local newspaper—for being too liberal or too conservative, for covering X and not covering Y, for spelling your name wrong when you do some-

thing notable and spelling it correctly when you are seen as dishonorable. And it is the birthright of every healthy newspaper to hold itself indifferent to such constant disdain and be nonetheless read by all. Because in the end, despite all flaws, there is no better model for a comprehensive and independent review of society than a modern newspaper. As love-hate relationships go, this is a pretty intricate one. An exchange of public money would pull both sides from their comfort zone and prove unacceptable to all.

But a non-profit model intrigues, especially if that model allows for locally-based ownership and control of news organizations. Anything that government can do in the way of creating non-profit status for newspapers should be seriously pursued. And further, anything that can be done to create financial or tax-based incentives for bankrupt and near-bankrupt newspaper chains to transfer or even donate unprofitable publications to locally-based non-profits should also be considered.

Lastly, I would urge Congress to consider relaxing certain anti-trust prohibitions with regard to the newspaper industry, so that *The Washington Post*, *The New York Times* and various other newspapers can sit down and openly discuss protecting their copyright from aggregators and plan an industry wide transition to a paid, on-line subscriber base. Whatever money comes will prove essential to the task of hiring back some of the talent, commitment and institutional memory that has been squandered.

Absent this basic and belated acknowledgment that content has value—if indeed it still does after so many destructive buyouts and layoffs—and that content is what ultimately matters, I don't think anything else can save high-end, professional journalism.

Thank you for your time and again, for your kind invitation.

ATTACHMENTS

The Washington Post—Sunday, January 20, 2008

DOES THE NEWS MATTER TO ANYONE ANYMORE?

By David Simon

Is there a separate elegy to be written for that generation of newspapermen and women who came of age after Vietnam, after the Pentagon Papers and Watergate? For us starry-eyed acolytes of a glorious new church, all of us secular and cynical and dedicated to the notion that though we would still be stained with ink, we were no longer quite wretches? Where is our special requiem?

Bright and shiny we were in the late 1970s, packed into our bursting journalism schools, dog-eared paperback copies of "All the President's Men" and "The Powers That Be" atop our Associated Press stylebooks. No business school called to us, no engineering lab, no information-age computer degree—we had seen a future of substance in bylines and column inches. Immortality lay in a five-part series with sidebars in the *Tribune*, *The Sun*, the *Register*, the *Post*, the *Express*.

What the hell happened?

I mean, I understand the economic pressures on newspapers. At this point, along with the rest of the wood-pulp Luddites, I've grasped that what was on the Internet wasn't merely advertising for journalism, but the journalism itself. And though I fled the profession a decade ago for the fleshpots of television, I've heard tell of the horrors of department-store consolidation and the decline in advertising, of Craigslist and Google and Yahoo. I understand the vagaries of Wall Street, the fealty to the media-chain stockholders, the primacy of the price-per-share.

What I don't understand is this:

Isn't the news itself still valuable to anyone? In any format, through any medium—isn't an understanding of the events of the day still a salable commodity? Or were we kidding ourselves? Was a newspaper a viable entity only so long as it had classifieds, comics and the latest sports scores?

It's hard to say that, even harder to think it. By that premise, what all of us pretended to regard as a viable commodity—indeed, as the source of all that was purposeful and heroic—was, in fact, an intellectual vanity.

Newsprint itself is an anachronism. But was there a moment before the deluge of the Internet when news organizations might have better protected themselves and their product? When they might have—as one, industry-wide—declared that their online advertising would be profitable, that their websites would, in fact, charge for providing a rare and worthy service?

And which, exactly, is the proper epitaph for the generation that entered newspapering at the very moment when the big-city dailies—the fat morning pa-

pers, those that survived the shakeout of afternoon tabloids and other weak sisters—seemed impervious, essential and ascendant? Were we the last craftsmen prepared for a horse-and-buggy world soon to prostrate itself before the god of internal combustion? Or were we assembly-line victims of the inert monopolists of early 1970s Detroit, who thought that Pacers and Gremlins and Chevy Vegas were response enough to Japanese and European automaking superiority?

My own experience is anecdotal, I admit. I was hired out of college by *The Baltimore Sun* in 1983 and worked there until the third round of newsroom buyouts 12 years later. When I came to Baltimore, *The Sun* was a dour gray lady, but one of unquestioned substance, and there were two competing evening papers. When I left in 1995, we were the last game in town, and the newsbeat-by-newsbeat attrition of veteran talent was well underway.

City to city, paper to paper, your mileage may vary. But I'm willing to trust in the Baltimore story enough to offer it up as an argument for the Detroit analogy.

Here's Baltimore in the mid-1980s:

The family-run A.S. Abell Co. owns *The Sun* and its sister publication, the *Evening Sun*—an afternoon edition that is in direct competition with the dying Hearst paper, the *News-American*.

In terms of circulation and advertising, the morning *Sun* is ascendant, as all morning papers seem to be, and it's clear that the publishers are holding on to the evening edition just long enough to drive the last nails into the Hearst coffin. Sure enough, once the *News-American* folds, *The Sun* undertakes to lure as much circulation as possible to its evening edition before combining the two news staffs and making the *Evening Sun* merely a late edition of the morning paper.

Similarly, *The Sun* spends the 1980s publishing, in every surrounding county, a "zoned" tabloid—a locally oriented insert largely devoid of hard news or sophisticated storytelling, but filled with the hope that more people will subscribe to a newspaper that manages now and then to run a photo of someone's kid at the county fair.

The "tab" inserts are the last piece of the monopoly puzzle—an effort to mitigate against the growth of smaller county papers, and ultimately, when they don't achieve all they should, *The Sun* simply sets about buying up smaller papers in Baltimore, Howard and Harford counties.

At the apogee of its power and influence, *The Baltimore Sun*, with the *Evening Sun* and the tabloid *Suns*, employs close to 500 newsroom personnel. It is a massive operation, and as the monopoly is consolidated, it is profitable.

So there we sat.

Then came the key moment in the early 1990s, when *The Sun* junked its tabloids and merged the evening and morning staffs, and the prevailing wisdom became that the newsroom of the remaining morning edition was now too large, that attrition was the order of the day. And so it began—a buyout of newsroom veterans, then a second buyout of older editors, then a third buyout of more veterans.

It was, I will argue, the precise moment when the post-Watergate future of newspapers—the one that so many of us had sold ourselves—was made a lie. When I was in J-school, the argument was that the siren-chasing would be ceded to television, but newspapers, to thrive, would become magazines—thoughtful, stylish, comprehensive. And magazines? To compete with newspapers they were going to be recruiting literary and investigative giants.

Better was the watchword. Chevrolets would become Buicks, and Buicks were soon to be Cadillacs. And all of them were going to be well-built, well-tuned automobiles, offering readers more each day. In order to provide something more than the simple immediacy of television, newspapers would become organs of sophisticated, unique storytelling. They would need to deliver a complex world, to explain that world, challenge and contend with it. That's what they told us in the Introduction to Journalism lectures, anyway.

Yet here were the veterans—the labor reporter, the courthouse maven, the poverty-beat specialist, the second medical beat guy and the prisons and corrections aficionado—damned if they weren't walking out the door forever. There would be fresh hires, and some serious players would remain, of course. But no longer would it be practical to argue that newspapers were going to become more comprehensive, and better written—the product of experienced and committed people for whom print journalism was a life's calling.

At the moment when the Internet was about to arrive, most big-city newspapers—having survived the arrival of television and confident in their advertising base—were neither hungry, nor worried, nor ambitious. They were merely assets to their newspaper chains. Profits were taken, and coverage did not expand in scope and complexity.

In my newsroom, I lived through the trend of zoning (give the people what's happening in their neighborhood), the trend of brevity (never mind the details, people don't read past the jump) and ultimately, the trend of organized, clinical prize-groveling (we don't know what people want, but if we can win something, that's validation enough), not to mention several graphic redesigns of the newspaper.

I did not encounter a sustained period in which anyone endeavored to spend what it would actually cost to make *The Baltimore Sun* the most essential and deep-thinking and well-written account of life in central Maryland. The people you needed to gather for that kind of storytelling were ushered out the door, buyout after buyout.

So in a city where half the adult black males are unemployed, where the unions have been busted, and crime and poverty have overwhelmed one neighborhood after the next, the daily newspaper no longer maintains a poverty beat or a labor beat. The city courthouse went uncovered for almost a year at one point. The last time a reporter was assigned to monitor a burgeoning prison system, I was a kid working the night desk.

Soon enough, when technology arrived to test the loyalty of longtime readers and the interest of new ones, the newspaper would be offering to cover not more of the world and its issues, but less of both—and to do so with younger, cheaper employees, many of them newspaper-chain transplants with no organic sense of the city's history.

In place of comprehensive, complex and idiosyncratic coverage, readers of even the most serious newspapers were offered celebrity and scandal, humor and light provocation—the very currency of the Internet itself.

Charge for that kind of product? Who would dare?

Is there still high-end journalism? Of course. A lot of fine journalists are still laboring in the vineyard, some of them in Baltimore. But at even the more serious newspapers in most markets, high-end journalism doesn't take the form of consistent and sophisticated coverage of issues, but of special projects and five-part series on selected topics—a distraction designed not to convince readers that a newspaper aggressively brings the world to them each day, but to convince a prize committee that someone, somewhere, deserves a plaque.

And so here we are.

In Baltimore, the newspaper now has 300 newsroom staffers, and it is run by some fellows in Chicago who think that number sufficient to the task. And the locally run company that was once willing to pay for a 500-reporter newsroom, to moderate its own profits in some basic regard and put money back into the product? Turns out it wasn't willing to do so to build a great newspaper, but merely to clear the field of rivals, to make Baltimore safe for Gremlins and Pacers. And at no point in the transition from one to the other did anyone seriously consider the true cost of building something comprehensive, essential and great.

And now, no profits. No advertising. No new readers. Now, the great gray ladies are reduced to throwing what's left of their best stuff out there on the Web, unable to charge enough for online advertising, or anything at all for the journalism itself.

Perhaps it was all inevitable. Perhaps the Internet is so profound a change in the delivery model that every newspaper—even the best of the best—is destined to face retrenchment and loss. Perhaps all of this was written in stone long before I was ever wandering around a student newspaper office with a pica ruler sticking out my back pocket. Perhaps everything written above is merely Talmudic commentary.

Well, what do I know? I have a general studies degree, I didn't even meet the J-school requirements, and this HBO gig I've got now doesn't exactly qualify me for a grad program at the Wharton School of Business.

But one thing I do know:

A great newspaper is a great newspaper. And a good newspaper isn't great. And a Chevy Vega by any other name is, well, a Chevy Vega.

The Washington Post—Sunday, March 1, 2009

IN BALTIMORE, NO ONE LEFT TO PRESS THE POLICE

By David Simon

BALTIMORE—In the halcyon days when American newspapers were feared rather than pitied, I had the pleasure of reporting on crime in the prodigiously criminal environs of Baltimore. The city was a wonderland of chaos, dirt and miscalculation, and loyal adversaries were many. Among them, I could count police commanders who felt it was their duty to demonstrate that crime never occurred in their precincts, desk sergeants who believed that they had a right to arrest and detain citi-

zens without reporting it and, of course, homicide detectives and patrolmen who, when it suited them, argued convincingly that to provide the basic details of any incident might lead to the escape of some heinous felon. Everyone had very good reasons for why nearly every fact about a crime should go unreported.

In response to such flummery, I had in my wallet, next to my *Baltimore Sun* press pass, a business card for Chief Judge Robert F. Sweeney of the Maryland District Court, with his home phone number on the back. When confronted with a desk sergeant or police spokesman convinced that the public had no right to know who had shot whom in the 1400 block of North Bentalou Street, I would dial the judge.

And then I would stand, secretly delighted, as yet another police officer learned not only the fundamentals of Maryland's public information law, but the fact that as custodian of public records, he needed to kick out the face sheet of any incident report and open his arrest log to immediate inspection. There are civil penalties for refusing to do so, the judge would assure him. And as chief judge of the District Court, he would declare, I may well invoke said penalties if you go further down this path.

Delays of even 24 hours? Nope, not acceptable. Requiring written notification from the newspaper? No, the judge would explain. Even ordinary citizens have a right to those reports. And woe to any fool who tried to suggest to His Honor that he would need a 30-day state Public Information Act request for something as basic as a face sheet or an arrest log.

"What do you need the thirty days for?" the judge once asked a police spokesman on speakerphone.

"We may need to redact sensitive information," the spokesman offered.

"You can't redact anything. Do you hear me? Everything in an initial incident report is public. If the report has been filed by the officer, then give it to the reporter tonight or face contempt charges tomorrow."

The late Judge Sweeney, who'd been named to his post in the early 1970s, when newspapers were challenging the Nixonian model of imperial governance, kept this up until 1996, when he retired. I have few heroes left, but he still qualifies.

To be a police reporter in such a climate was to be a prince of the city, and to be a citizen of such a city was to know that you were not residing in a police state. But no longer—not in Baltimore and, I am guessing, not in any city where print journalism spent the 1980s and 1990s taking profits and then, in the decade that followed, impaling itself on the Internet.

In January, a new Baltimore police spokesman—a refugee from the Bush administration—came to the incredible conclusion that the city department could decide not to identify those police officers who shot or even killed someone. (Similar policies have been established by several other police departments in the United States as well as by the FBI.)

Anthony Guglielmi, the department's director of public affairs, informed Baltimoreans that, henceforth, Police Commissioner Frederick Bealefeld would decide unilaterally whether citizens would know the names of those who had used their weapons on civilians. If they did something illegal or unwarranted—in the Commissioner's judgment—they would be named. Otherwise, the Baltimore department would no longer regard the decision to shoot someone as the sort of responsibility for which officers might be required to stand before the public.

As justification for this change, Bealefeld, in a letter to the City Council, cited 23 threats in 2008 against his officers. Police union officials further wheeled out the example of the only Baltimore police officer killed as an act of revenge for a police-involved shooting—a 2001 case in which the officer was seen by happenstance in a Dundalk bar, then stalked and murdered.

Bealefeld didn't mention that not one of the 23 threats against officers came in response to any use of lethal force. Nor did he acknowledge that 23 threats against a 3,000-officer force in a year is an entirely routine number; that the number of such threats hasn't grown over the past several years, according to sources within the department.

And union officials were comfortable raising the 2001 case without being forced to acknowledge that the officer in that instance most probably would have been killed had no newspaper ever printed his name; he had testified in open court against the relatives of those who later encountered him at the bar and killed him. So the case has scant relevance to the change in policy.

The Commissioner was allowed to stand on half-truths. Why? Because *The Baltimore Sun's* cadre of police reporters—the crime beat used to carry four and five different bylines—has been thinned to the point where no one was checking Bealefeld's statements or those of his surrogates.

On Feb. 17, when a 29-year-old officer responded to a domestic dispute in East Baltimore, ended up fighting for her gun and ultimately shot an unarmed 61-year-

old man named Joseph Alfonso Forrest, *The Sun* reported the incident, during which Forrest died, as a brief item. It did not name the officer, Traci McKissick, or a police sergeant who later arrived at the scene to aid her and who also shot the man.

It didn't identify the pair the next day, either, because *The Sun* ran no full story on the shooting, as if officers battling for their weapons and unarmed 61-year-old citizens dying by police gunfire are no longer the grist of city journalism. At which point, one old police reporter lost his mind and began making calls.

No, the police spokesman would not identify the officers, and for more than 24 hours he would provide no information on whether either one of them had ever been involved in similar incidents. And that's the rub, of course. Without a name, there's no way for anyone to evaluate an officer's performance independently, to gauge his or her effectiveness and competence, to know whether he or she has shot one person or 10.

It turns out that McKissick—who is described as physically diminutive—had had her gun taken from her once before. In 2005, police sources said, she was in the passenger seat of a suspect's car as the suspect, who had not been properly secured, began driving away from the scene. McKissick pulled her gun, the suspect grabbed for it and a shot was fired into the rear seat. Eventually, the suspect got the weapon and threw it out of the car; it was never recovered. Charges were dropped on the suspect, according to his defense attorney, Warren Brown, after Brown alleged in court that McKissick's supervisors had rewritten reports, tailoring and sanitizing her performance.

And so on Feb. 17, the same officer may have again drawn her weapon only to find herself again at risk of losing the gun. The shooting may be good and legally justified, and perhaps McKissick has sufficient training and is a capable street officer. But in the new world of Baltimore, where officers who take life are no longer named or subject to public scrutiny, who can know?

In this instance, *The Sun* caught up on the story somewhat; I called the editor and vented everything I'd learned about the earlier incident. But had it relied on the unilateral utterances of Baltimore's police officials, *The Sun* would have been told that McKissick had been involved "in one earlier shooting. She was dragged behind a car by a suspect and she fired one shot, which did not strike anyone. The shooting was ruled justified."

That's the sanitized take that Guglielmi, the police spokesman, offered on the 2005 incident. When I asked him for the date of that event, with paperwork in front of him, he missed it by exactly 6 months. An honest mistake? Or did he just want to prevent a reporter from looking up public documents at the courthouse? (Attempts to reach McKissick, who remains on administrative leave, were unsuccessful.)

Half-truths, obfuscations and apparent deceit—these are the wages of a world in which newspapers, their staffs eviscerated, no longer battle at the frontiers of public information. And in a city where officials routinely plead with citizens to trust the police, where witnesses have for years been vulnerable to retaliatory violence, we now have a once-proud department's officers hiding behind anonymity that is not only arguably illegal under existing public information laws, but hypocritical as well.

There is a lot of talk nowadays about what will replace the dinosaur that is the daily newspaper. So-called citizen journalists and bloggers and media pundits have lined up to tell us that newspapers are dying but that the news business will endure, that this moment is less tragic than it is transformational.

Well, sorry, but I didn't trip over any blogger trying to find out McKissick's identity and performance history. Nor were any citizen journalists at the City Council hearing in January when police officials inflated the nature and severity of the threats against officers. And there wasn't anyone working sources in the police department to counterbalance all of the spin or omission.

I didn't trip over a herd of hungry *Sun* reporters either, but that's the point. In an American city, a police officer with the authority to take human life can now do so in the shadows, while his higher-ups can claim that this is necessary not to avoid public accountability, but to mitigate against a nonexistent wave of threats. And the last remaining daily newspaper in town no longer has the manpower, the expertise or the institutional memory to challenge any of it.

At one point last week, after the department spokesman denied me the face sheet of the shooting report, I tried doing what I used to do: I went to the Southeastern District and demanded the copy on file there.

When the desk officer refused to give it to me, I tried calling the Chief Judge of the District Court. But Sweeney's replacement no longer handles such business. It's been a while since any reporter asked, apparently. So I tried to explain the Mary-

land statutes to the shift commander, but so long had it been since a reporter had demanded a public document that he stared at me as if I were an emissary from some lost and utterly alien world.

Which is, sadly enough, exactly true.

Esquire Magazine—March 2008

A NEWSPAPER CAN'T LOVE YOU BACK

An Essay By David Simon

The new season of *The Wire* tackles the world of media, specifically *The Baltimore Sun*, generating a firestorm of controversy around series' creator David Simon. In this sneak peek at his essay from *Esquire's* March 2008 issue, Simon offers a tribute to the newsroom he once loved.

HBO's *The Wire* has been labeled by many (including us) as the best TV drama ever made. The show's fifth and final season began this month and it focuses, in part, on the struggles of a daily newspaper in decline. That part of the story is set at *The Baltimore Sun*, and it has generated plenty of ink about the strained relationship between creator David Simon and *The Sun*, where he worked as a reporter for 13 years. In this advance look at an essay from *Esquire's* March issue, Simon makes his case.

TO THIS DAY, I CAN—if I suffer to think on it—stand apart from the moment, watching as I try to slip my own skin, to disappear myself.

I have hair and forty less pounds. I'd pressed my pants for the first time all semester, even worn a tie, though I took it off in the car, thinking it made me look presumptuous. Shit, I am in that newsroom looking like the college kid I am, a fifth-year senior anyway, surrounded by the battle-hardened professionals of a delicate, precise craft.

They know I am ridiculous.

They've read it, in fact.

At the four o'clock meeting in the conference room, there is revelry—at my expense no doubt. From my perch on the metro desk, I hear Phelps, the state editor, say something, his words followed by a burst of laughter. Fuck, shit, fuck.

That week—my first as a *Baltimore Sun* stringer—I had done something remarkable. I had managed to declare that oral sex was no longer a crime in Maryland. I felt sure of this when I wrote such and had it published in my state's largest newspaper. Having edited the campus daily the year previous, I was confident in The Diamondback's reporting and comfortable using it as boilerplate for *Sun* articles I wrote about the university. And in covering a rape trial involving a student victim, I misinterpreted an appellate decision and single-handedly liberated the blowjob from the shackles of Old Line State tyranny.

The first phone call came from a member of a gay-rights group, and while I abhor stereotype as much as the next man, I confess he lisped at me in disgust: "Check your facts, mister. When I suck cock, it's very much a crime in Maryland. . . ."

The second call, somewhat more restrained, came from John Bainbridge, The *Sun's* man at the court of appeals and a lawyer in his own right: "Listen, I read your article today, and I'm not sure you've got the appeals decision correct. . . ."

So it's my first correction—an ugly one. And my secret, sacred, wafer-thin plan to write my way onto a major metropolitan daily had been rendered ridiculous in a solitary blow. All that remained was a Bushido-like end to it, a slow, ceremonial evisceration on the newsroom floor.

Listening to my excuses, Phelps had been short and blunt: "Write the correction and call it in to rewrite."

The rewrite man—the legendary Jay Spry—took the time to re-explain my obvious failings in the matter, all the while addressing me as Mr. Simon, as if decorum required the condemned be granted one last comic honorific.

So journalism was out. And I was still about forty credits short of an academic degree. Options: I had been a busboy. I had played guitar in bad bar bands. I had edited my college newspaper, and now, given the chance to report for one of the great gray ladies of American newspapering, I was a fucking joke.

"What are you going to do?" my girlfriend asked.

"Tend bar, maybe."

"How do you make a grasshopper?"

"Rum and coke?"

A day later and Phelps called again. Some kid had goose-stepped down the hall of a campus dormitory and fired a BB pellet into a coed's leg a few months back.

Seems he was going to be sentenced to community service in Upper Marlboro. I hung up the phone, wondrous that my shame had not been referenced, then drove to the circuit court the next morning.

And now, with about twenty-five inches filed and sent to the state desk, I have come to rest, waiting while editors in the four o'clock shape the next day's local front. I am sweating profusely, unsure what to do with my hands, my face, my soul. A Styrofoam cup of water sits in front of me, untouched. More laughter from the conference room, and finally they emerge—Phelps and the others.

He looks at me, pulls on his mustache, frowns.

Dead. I am dead to him.

And then Phelps turns and whispers something to the tall editor beside him, something about me, clearly, because the tall guy is heading my way. I rise and actually drop my eyes. It will be fast, I tell myself. It will be fast and then I can go.

"You're Simon?"

"Yes."

"Good story today."

I wait.

"I like the way you held back some of what you had, the quote from the Anti-Defamation League guy at the end. Too many people write the top of the story and then have nowhere to go."

He extends a hand.

"I'm Steve Luxenberg. The metro editor."

"The correction," I blurt.

"Yes," he nods, ready for it. "You can't rely on other people for your boilerplate. You need to report everything."

He pauses.

"But that's a good story going tomorrow."

He leaves and I stand there for a long moment, looking around the newsroom: Phelps at the state desk, twisting that god-awful mustache, editing. Spry and Ettlin on rewrite, catching dictation from Paris or Washington. Bainbridge, Banisky, and two dozen others I couldn't yet name banging out copy at the deadline rush. An expanse of computer terminals and battered desks so vast that it can only belong to one of America's great newspapers.

I have a story in *The Baltimore Sun* tomorrow. At five that morning, I drive to an all-night drugstore, buy six copies, return to bed wide-eyed, alert.

"Good?" my girlfriend asks.

"Local front. Stripped, with art."

She gives a small sound, buries her face in a pillow.

"The metro editor knows my name."

I HAD READ MY MENCKEN. I knew what he said about newspapering, what he claimed for the profession. "The life of kings," he called it. And for an adolescent growing up in the mid-1970s, it appeared exactly that.

Emerging from childhood, I had seen Halberstam and Hersh take apart the fraudulent premises and practices of Vietnam, then followed daily as my hometown paper brought down Nixon for stealing an election and lying about it. My father, a public-relations man with latent ambitions as a newsman, took all the local papers and *The New York Times* on Sundays, as well as every newsmagazine. When I was twelve, he took me to Arena Stage for a Front Page revival. "Who the hell's going to read the second paragraph?" wailed Walter Burns.

I laughed until I hurt and left the theater oversold. I would be a newspaperman. I would join the great gray line of ink-stained hacks, a character of the kind that my father knew and loved. From the Swopes to the Runyons, from Broun to Pegler to Mencken, then back again to Hecht and MacArthur, Homer Bigart and Meyer Berger.

I was an angry kid, by and large, with a cynic's wariness of authority that was in harness with a good newspaperman's contempt of cant and hyperbole. I loved a snide turn of phrase. I edited my high school paper, pissed off the faculty advisor, who thought about firing me, won some awards. I edited my college rag, pissed off the media-board chairman, who thought about firing me, won some awards.

I spent the fifth year of college pulling more than a hundred bylines in *The Sun*. They hired me to fill in for a reporter on leave, and when that reporter returned, Luxenberg gave me a permanent position. At twenty-three, I was the youngest reporter on staff, covering ghetto murders, drug raids, and four-car fatalities. And while *The Baltimore Sun* might not be the greatest name in major dailies, it was a solid, serious enterprise, a second-tier paper with a national presence. It was carrying seven foreign bureaus, a twelve-reporter Washington bureau, a national desk with its own general-assignment staff. And here was the thing in 1983: *The Sun* was going to get better. Most all of America's newspapers were going to improve, except

maybe for those afternoon editions already being butchered on the altar of television news. There was some consolidation still to come, a shaking out of the weaker rags in multipaper markets, but on the whole, the big market dailies were monopolies, providing the only serious, consistent coverage of their cities.

Watergate and Vietnam had shown how essential a sophisticated newspaper could be, had proven that while the daily chase of sirens might belong to television, the examination of real issues would demand smarter, comprehensive coverage. Television would be the new tabloids, but newspapers would hire more and better writers and transform themselves into the new magazines. And magazines? Shit, they were going to be publishing masterworks if they wanted to compete with the best newspaper writing. Twenty-five years ago, newspapers—the big ones at least, those controlling their markets—were unrivaled in their relevance.

So *The Sun* would also rise. This much I knew.

I AM SITTING in a car on the 900 block of Baylis Street in southeast Baltimore, engine off, watching a door and waiting. Zorzi is beside me, checking his notes.

“Black family? On this street?” He shakes his head.

“Doesn’t seem right, does it?”

It didn’t. Baylis ran through Highlandtown, an all-white working-class neighborhood. But the address is all we have left on the string.

“You want to hit the door?”

“I don’t want to go up there cold,” I say. “Let’s wait and watch. See what’s up.”

And so we settle in. The address has come from the police computer, listed as the last location on a twenty-something black guy with a particular name. I got that much by convincing a plainclothesman to sign into the system and do a search for me.

The name itself? That came from an old court case, a file Zorzi dug from the courthouse basement. Not satisfied with the docket alone, he’d found the court reporter and had the full proceedings transcribed, and sure enough, a kid named Dontay Carter had used this name and D.O.B. as an alias, pretending to be someone else at his sentencing on a gun charge.

So on a hunch, my plainclothesman runs the alias, and we come up with a minor arrest 8 years back on Greenmount Avenue and a request for a gun permit to work a security job. The permit request gives us this Baylis address.

And the Carter kid? He’d killed a guy, carjacked and abducted a couple others—a salesman, a Hopkins physician, taxpayers, white people. For a week or so, he was a one-man crime wave until police finally ran him down and charged him, identifying him as simply Dontay Carter, of no fixed address.

And so this was journalism. A scavenger hunt—from A to B to Z on a patchwork of known facts and guesses. It was not the most important story I’d report on, nor my best work. There were stories to be written that would argue for social change, stories that might challenge the institutional status quo, stories that might win prizes. Many of them would be legitimate and some would be manufactured, and, yes, there is stuff in my yellowed clip book that creeps into those categories. But when I think back on what I love about newspapers, I think of sitting in that car, waiting with Bill Zorzi.

For me, the religion was in the chase, the pursuit of accumulated fact and quote, the rush to deadline, and the arrogance of standing up like the village griot at the campfire and running down a story that hadn’t yet been heard. And then the next day, maybe, doing it again.

For that alone, I can have no regrets. Nah, son, fuck law school. And fuck the M.B.A. I’ll never have. And fuck all that Chaucer and Cervantes and Proust I might never get around to reading. On a given day, I learn something that you didn’t know and then, my authority drawn only from scrawl on pages of a pocket notebook, I write it up clean so the rest of you can get your hands filthy with ink, reading my righteous shit. In the less fevered lobes of my brain, it was as pure as that. I swear it was.

Never mind the clouds on the horizon. Never mind that the paper was sold by the Abell family after a century and a half of local ownership. Besides, everyone in the newsroom is congratulating one another on having gone to the L.A. newspaper chain, rather than, say, Gannett. If you had to get bought, everyone says, *Times Mirror* was the way to go.

And yes, there’s talk of some buyouts, but the rumors were talking about no more than twenty or thirty positions across the newsroom. If that happened, it wouldn’t cut too deep.

And then there’s the new management coming in. Fresh faces with great reps and résumés—John Carroll from Lexington, a *Sun* veteran, and Bill Marimow from Philadelphia. These guys were ascendant, their reputations preceding them. Would they be signing on in Baltimore if the future here is anything but bright?

When the first buyout offer was finally on the table—a year’s salary to anyone who left *The Sun* voluntarily—I interviewed with *The Washington Post* and was offered a job on their metro desk’s investigative unit. I turned it down before talking money with anyone, telling *The Post* M.E. I was staying in Baltimore.

“I actually resent the notion that everyone thinks there are eventually only going to be four papers worth reading.”

He was polite: “Let us know if you change your mind.”

And even after the first buyouts, there was still a lot of talent in the newsroom, a reservoir of beat knowledge and institutional memory and ethical ballast.

Beside me in the car that night, Bill Zorzi is the most dogged, most wonderfully neurotic reporter I know. To work a story with him is to double your reach, and if there is a fact that needed to be known and could be known, he would eventually bring it back and lay the notebook page in front of you like a house cat offering up a murdered mouse.

And while we sit on Baylis Street, I know that Eileen Canzian—having covered social services and poverty for years—is quietly working sources, pulling Dontay Carter’s juvenile files and copying each relevant page.

If I needed mayoral quotes, I had Banisky, who owned City Hall. And Warmkessel is over at the city courts if we needed anything else from the clerk’s office there, just as Ettlin or Jane Smith is on rewrite if we need to throw last-minute calls.

And when it finally comes together and it’s time to write, it would be Rebecca Corbett moving it to the desk, and she will protect the copy. Shit, she’ll make it 20, 30 percent better—graf by crafted graf.

We are good and we are still getting better. And good things come to the patient and faithful, to those who sit and wait. Like the black guy rolling down the street—age, height, and weight to match the police-computer readout. Sure enough, he’s pulling on the screen door, using his key.

“Bill, I have an erection.”

“Me too.”

At the door minutes later, I use the guy’s name as if I’d known him my whole life, talking fast, leaving no spaces for him to argue or usher us out. Dontay Carter pretended to be you in court some years back, using your name and D.O.B. Why?

“I’m his half-brother.”

Of course you are.

“Do you happen to know where his mother lives?”

“No, but my mother might.”

“Can we call her? Right now?”

And after rushing across town and interviewing the stepmother, we learn more about the life of a violent young man but that, no, she has no idea where Dontay had been staying or where his birth mother can be found.

“I know she was in the hospital. She got burnt with lye.”

“Burnt?”

“Someone threw lye on her. Dontay said so.”

Rebecca is telling us that we have to start writing, that the piece needs to be early if it has any chance at The Sunday front. I go back to the newsroom, where a full take of Carter’s history in foster care, along with careful, annotated notes from Canzian, greets me. I leave Zorzi on the street, telling him we have to locate the mother, that the piece can’t run without quotes from the woman who brought Dontay Carter into the world.

He calls every area hospital. He asks for a computer check on ambo runs for burn victims going back weeks. He checks with the patrolmen working the neighborhood where she’s last seen. Nothing.

Eventually, he remembers that the city fire department had started billing for ambulance runs. The communications unit has no record of ambo calls for service going back more than a few weeks, but did the billing unit, by chance, keep records for longer?

He pulls a name and an address on Lennox Street.

“How the hell did you find me?” asks the mother as Zorzi comes through her door, notepad and pen akimbo.

“We got the mother.” I tell Rebecca minutes later, doing my best to make it sound inevitable. We were Baltimore’s newspaper, and we were writing about a kid who had terrorized Baltimore. And that kid had a mother. In Baltimore. Of course we got her.

As I say, it was not an important story or the best story. It doesn’t much matter to anyone past The Sunday when it ran. But it sits in my mind today as the moment when I was, if not living the life of kings, then at least among the princes of my city.

I AM AT LUNCH with the new managing editor as I prepare to return to the newspaper after a second book leave. The first book, *Homicide*, had done well and been made into a television show.

I co-wrote a script for the drama, won a screenwriting award, and was offered a television gig for more money than *The Sun* could ever pay. Instead, I returned to the newsroom and, employing everything I'd learned about crime, violence, and non-fiction narrative from the book project, managed to become a better reporter.

After 2 years, I'd gone back on leave to report a second book, a year in the life of a city drug corner. I now had an even better sense of the city, of the drug war and its frauds, and I was saving string to write a four-part series on what ailed the city police department.

It was complicated: The B.P.D. was caught in a crossfire of bad practices, bad policies, and simple circumstance. But complicated was what could make the series strong and fresh; complicated was the good part. I try to explain, but the M.E. wants to ask instead about newsroom morale.

"What are people saying?"

"About what?"

"About me."

"About you? I guess they're waiting to see where you go with it. The new hires certainly believe in you and John. You hired them. The veterans are waiting to see." I take a breath, venture further: "You and John came in and said a lot of things publicly about the paper being weak, and naturally that's taken to heart by the people who were here, working hard. There is some deadwood, I know. But there are people doing fine work, and I guess they're worried that this isn't acknowledged."

"Who is saying this?"

I tell him that he's asked me for a general sense of what was being said in his newsroom and I had provided such.

"Who is saying these things?" he asks again. "You can tell me, and I won't reveal the source."

"Bill," I reply, "I'm not a snitch."

We finish the meal in near silence. On the walk back to the newspaper, he asks me again, and I tell him that it is unfair of him to ask me to betray the confidence of coworkers.

"It's not personal," I add.

He cites Mario Puzo's *Godfather*, the passage where Tom tells Michael that it's business, it's not personal. "Everything," he assures me, "is personal."

And for the most part, he will be proved right.

No, it won't be personal when *The Sun* closes its evening edition and combines staffs, making it a one-newspaper town. And it isn't going to be personal when *Times Mirror* puts together a couple more buyouts to reduce the number of reporters and editors on the paper that remained.

To most, the staffing reductions of the 1990s will seem inevitable, almost sensible given the loss of *The Evening Sun*. But in retrospect, this would be the moment when we finally gave up the pretense of being even a great regional entity, of transforming *The Sun* into a newspaper with enough resources and authority to truly address modern complexities.

At the very edge of being rendered irrelevant by the arrival of the Internet—at the precise moment when their very product would be threatened by technology—newspapers will not be intent on increasing and deepening their coverage of their cities, their nation, the world. They will be instead in the hands of out-of-town money-men offering unfeeling and unequivocal fealty to stockholders and the share price. And when the Chicago Tribune Company buys *Times Mirror* and more buyouts follow, the tipping point will be reached. Instead of a news report so essential to the high-end readers that they might—even amid the turmoil of the Internet—still charge for their product online and off, American newspapers will soon be offering a shell of themselves in a market unwilling to pay for such and then, in desperation, giving the product away for free. The window will close; newspapers will not be getting better, stronger, more comprehensive. Not ever again.

In Baltimore, the response will be to drop beats, to abandon the pretense of actually covering the city in detail, to regard institutional memory and the need to look at the city's problems systemically as, well, quaint. The newsroom culture will instead emphasize impact.

No longer would the journalism be rooted in the organic work of reporters sent into the streets to learn new things and then pull smart, balanced stories through the keyhole. Impact means prizes. Now you pick a target and, to the exclusion of all complexity, you hammer on that target, story after story. Most especially, you write additional accounts highlighting the "impact" that *The Sun's* coverage has

achieved—covering your own coverage—the better to show that the newspaper has effected change.

If the newspaper cares about something in December, it cares nothing about it in January; the prize cycle follows the calendar year. If you can source something to *The Sun's* reporting—to documents obtained by *The Sun* or *The Sun* has learned—it reads better than to simply cite the facts, even if they are from the public record. If a politician fails to respond to your reporting by scheduling a hearing or issuing a position paper, you bang on him until he does so.

And worse still, in the newsroom where I grew up—a semi-intellectual environment where everyone once seemed to be arguing about everything all the time without actually impairing their careers—dissent will become problematic.

This is the personal part.

Because the new way of doing business apparently leaves no place in the newsroom for fundamental disagreements about content, about reportage, about the substance of what we are doing or not doing. Arguments over quotidian matters such as the slant of Mideast coverage, or an ethical debate over attribution, or the use and overuse of a stylistic device will soon bring transfers and demotions until, finally, an exodus begins. And it will not be the deadwood; those taking the buyouts or simply leaving outright will be the ones with options: Struck, Alvarez, Robinson, Zorzi, Thompson, Wooton, Lippman, among far too many others—the departures will be the veteran voices of a good newsroom. When they come for Littwin—our best columnist—it will involve their anger at a Guild bulletin written during contract negotiations.

“Bill,” he tells the managing editor, “it’s not personal.”

And in response: “Have you ever read *The Godfather*?”

The divide between new hires who embrace the prize culture and the old guard, many of whom find it a little shameful, will be exacerbated. And old against new is senseless. For the paper to get better, it needs to retain the talent it has and add more. They won’t be chasing the weaker reporters; they’ll be alienating the core of the institution, leaching as much talent as they hire.

So I write a memo to the top editor, arguing this privately, urging him to reconsider this self-defeating mythology in which no one here knew a thing about newspapering until the new regime. Old and new together can build this paper into something greater than the sum of its parts; new set against old cannot.

No response, not a word, except the editor manages to spike my next story without explanation or comment. I go to see him.

“I was disappointed in that story,” he says.

“How so?”

“It was trying too hard not to be a newspaper article.”

“John, I happen to know the feature editor you brought in here to encourage narrative writing—she read the story in the kill basket and then came in here and told you she couldn’t see why you spiked it. She told you that was the kind of story you brought her here to do.”

He says nothing to that, so I press him: “That’s some of my best work, John. If you spiked it because you were mad at my memo, we can talk about that. But if you spiked it and you’re telling me that kind of journalism has no place at *The Sun*, then I guess I have no place at *The Sun*.”

“That,” he says, “may be the case.”

I get up to go, feeling as if I’d cut my right arm off with a butter knife. Before I leave, though, I do one last thing: I speak up for some people in the newsroom, honest players who had watched as standards had changed and who are too scared to complain openly. You’ve hired a lot of good new people, I tell the editor, and I’ve happily worked with many of them.

But there’s a fellow here who is cooking it. He’s trying too hard to write impact stories and he’s making it up and John, we’ve retracted a couple stories already. “You might win a Pulitzer with a guy like that. You might also have to give it back.”

“Who?” he asks.

I give him the name.

“Well,” he says, “one bad hire out of twenty-five is a pretty good record, don’t you think?”

I allow that it is. Then I go to see Rebecca, who is editing one of my last stories. It’s about a couple of homicide detectives—smart, competent players—who are working a last week before taking retirement.

Her cursor rolls down the screen and she highlights a quote from one: “My friends are all gone now and the place doesn’t seem the same to me. It’s just time.”

She moves on to some of my own verbiage: “. . . it isn’t the casework they plan on remembering; it’s the time spent doing that work—the camaraderie, the banter, the strange things that a cop sees every time he goes out on the street . . .”

Rebecca Corbett gets it. She starts to cry and I am secretly delighted. It's always good when you get your own editor.

"You wrote a goodbye," she says. "Didn't you?"

I tell her that I am, in my mind, a newspaperman still. I just don't work for a newspaper anymore. I tell her that I will go to television on a lark, learn a new skill set, but I'll eventually get back to what it is I'm supposed to be doing.

Four years later, I am in an editing suite in New York, working on an HBO miniseries. And I get a call from an old friend, a veteran of a newspaper that once lacked for impact but gave good weight to getting it right.

"He did it again."

"Who?"

He gives me the name. And immediately I know.

This time, the newspaper had been required to apologize privately to the Governor. A story—part of a series of articles tailored for a prize campaign—claimed that the Governor visited with black ministers in Baltimore, solely in response to the power of *The Sun's* coverage.

Except it hadn't happened. Not any of it. The meeting was about something else entirely. The ministers—one of whom was quoted at length about the righteous things he told the Governor about *The Sun's* Pulitzer-worthy issue—had uttered nothing of the sort.

I am a free agent at that point, clear of any newsroom politics or careerist worries. Fuck it, I call the publisher and leave a message. But it's the editor who returns the call.

"An honest mistake," he explains.

"John, there's nothing honest about it. This bullshit about having impact and winning prizes? It leads to shit like this. The guy's making up meetings that never happened. There are quotes that no one ever said."

"It was a misunderstanding."

"It's the third time you've retracted one of this guy's stories. Not corrections—I'm talking about the very premise of the story having to be retracted."

"What were the other two?"

It took me a long moment to regroup.

"John," I said finally, "if I was the editor of a major metropolitan daily and I had to retract three stories by the same reporter, I would remember it until the day I fucking died."

I'm not prescient. At that moment, I can't yet fathom all the still-to-come Tribune Company cost cutting at *The Sun*, the Kafkaesque reductions in staffing, the slow-motion demolition of the Washington bureau, the shuttering of the foreign bureaus.

And I am still as clueless as the captains of the newspaper industry when it comes to the Internet, still mistaking the Web as advertising for the product when, in fact, it is the product. I don't yet envision the steep declines in circulation, the indifference of young readers to newsprint, the departure of display advertising to department-store consolidation and classified space to Craigslist.

Admittedly, I can't even grasp all of the true and subtle costs of impact journalism and prize hunger. I don't yet see it as a zero-sum game in which a serious newspaper would cover less and less of its city—eliminating such fundamental responsibilities as a poverty beat, a labor beat, a courthouse beat in a city where rust-belt unemployment and crime devour whole neighborhoods—and favor instead a handful of special select projects designed to catch the admiring gaze of a prize committee.

I have no way of knowing that for all of its claims to renewed greatness, *The Sun* will glean three Pulitzers in twelve years, as compared to, uh, three Pulitzers awarded to *The Sun* and its yet-to-be-shut-down evening edition during the twelve years prior—a scorecard that matters only to a handful of résumés and means nothing to the thousands of readers soon asked to decide whether they need a newspaper that covers less of their world.

I can't yet see that what ails *The Baltimore Sun* afflicts all newspapers, that few, if any, of the gray ladies are going to be better at what they do, that most will soon be staring at a lingering slide into mediocrity.

I only know, as I hang up the editing-suite phone, that I've lost my religion, that too much of what I genuinely loved is gone. I turn to David Mills, my coproducer on the HBO project. He'd worked with me on the college paper, then at *The Wall Street Journal*, *The Washington Times*, *The Washington Post*. But we wrote that first television script together, and when I returned to the metro desk, he went to Hollywood, never looking back.

"Brother," I say, "we got out just in time."

True enough. But the other day, I saw a column of black smoke due east of I-95 just above Eastern Avenue—dark and thick enough that I drove there. It was

a roadside car fire, no injuries. Nothing worth a call to the desk. Good thing, too, because Spry is long dead, and Ettlin retired last year. Who I was gonna call it in to, I have no clue.

Senator KERRY. Thanks for your terrific testimony. We appreciate it very, very much.

Mr. Ibargüen?

**STATEMENT OF ALBERTO IBARGÜEN, PRESIDENT,
JOHN S. AND JAMES L. KNIGHT FOUNDATION**

Mr. IBARGÜEN. Thank you, Mr. Chairman and Members of the Committee, for inviting me to testify.

Senator KERRY. Pull the mike up close, please.

Mr. IBARGÜEN. Oh, I'm sorry. Thank you.

For the first time in the history of the Republic, it's easier for a high school student to learn about the crisis in Darfur online than about corruption in local government in many local papers. Until recently, the circulation area of a newspaper or the reach of a local television or radio signal roughly coincided with the physical boundaries of cities and counties from which we elected mayors and school boards and Members of Congress. Even if we didn't know what was happening halfway around the world, for us all politics was local, and so was daily news coverage, and it was the news coverage that was shared generally, connecting buyers and sellers, as you pointed out, Senator, but also citizens to other citizens. Our information systems helped define American communities and helped give them individuality and character. Those systems have changed. The new systems are digital and mobile and not bound by geography. The citizen is a user of information more than a passive consumer.

I'm not here to lament the past—that past, which excluded many Americans, especially women and minorities, from the main pages of newspapers or the evening television broadcasts. On the contrary, I welcome the democratization of media and its possibilities. The question in my mind is not how to save the traditional news industry, but how to meet the information needs of communities in a democracy so that the people might, as Jack Knight used to put it, “determine their own true interests.”

The stunning clarity of the First Amendment, that Congress shall make no law abridging basic freedoms, including free speech and free press, should inform every action you take. Nevertheless, there seem at least four areas where congressional action might properly and significantly support our national transition to digital:

Number one, I believe nothing Congress can do is as important as providing universal, affordable digital access and adoption. If the future of democracy's news and information is online, then we must ensure that everyone is online and bring technology training, digital literacy, and higher-quality networks to our local communities.

Three great divides block that goal, and they are economic, generational, and geographic. In an age where entry-level jobs at McDonald's or Wal-Marts require online applications, access must be general and available and affordable. Rural areas are notoriously underserved, and should be the focus of your concern to provide equal access to the whole nation. And age is the third great

divide. Groups like AARP are already focusing on this issue and might be willing partners in training and outreach.

Federal stimulus money for universal digital access is a smart initial investment. Support should also be given to media literacy programs that already have trained thousands of students to be more sophisticated media users.

Number two, this is a time for experimentation, and government should support that. The examples of experiments that Knight Foundation has funded and that I cited in my written testimony were offered as illustrations of what one organization, small by comparison to government, can do to support the imagination of people who will eventually figure out what will work. Through funding of universities and other not-for-profit groups, I believe there is a role for government in spurring innovation in news delivery.

Number three, newspapers and broadcasts are not dead, and there may be ways to support their extended usefulness. There are implications in the decline of newspapers, separate from the delivery of information, of course. In many communities, including my own hometown of Miami, newspapers mean good jobs, not just for the writers, but for truckdrivers, press operators, and the large sales force. Congress might seek to encourage the creation of not-for-profits or L3Cs, local news organizations—I agree with Mr. Simon—and perhaps encourage the conversion of for-profit news businesses into not-for-profit community-based, mission-driven organizations. These measures will, unfortunately, not solve the revenue shortfalls of traditional media, nor turn around current economic conditions. But by relieving profit pressures, it might help them extend their useful life until we figure out what's next and what online model can afford professional journalists.

And number four, I believe there's a role for public media. Public media reaches the entire nation. That has enormous educational, news, and security implications. Contemplating new technologies to distribute information, the Obama transition team discussed a concept they called "Public Media 2.0," an approach that would make PBS and NPR more inclusive and engaging of their audiences. I believe that should be encouraged.

We're living a moment of extraordinary creativity. We will be a nation of media users, not consumers. We're going from the information model of one to many, of "I broadcast, you listen" to many all made possible by technology.

Before Gutenberg, the monks copied illustrated manuscripts and were the keepers of information. Long after Gutenberg, there was the Renaissance, when society had more or less figured out how to handle information. But, those uncertain years in between, when Gutenberg's technology broke the old rules and allowed something new, called "literacy," are like the years we live in today. Congressional action to determine what news and information gets to our citizens is certainly not your intent, and I agree with you, but I hope this is the beginning of great new serious action by Congress leading to the encouragement of experimentation to enable markets to find their way, to promote the evolution of Public Media 2.0, and, most urgent of all, to provide affordable, digital access to every American.

Thank you for this opportunity.
[The prepared statement of Mr. Ibargüen follows:]

PREPARED STATEMENT OF ALBERTO IBARGÜEN, PRESIDENT,
JOHN S. AND JAMES L. KNIGHT FOUNDATION

Thank you, Mr. Chairman and Members of the Committee, for inviting me today. For the first time in the history of the Republic, news and information is being delivered on platforms far broader than the geographic boundaries of our democratic institutions. Until recently, the circulation area of a newspaper or the reach of a local television or radio signal roughly coincided with the physical boundaries cities and counties—of districts from which we elected mayors, school boards or Members of Congressmen, and in which we sent our children to schools, the places where we knew our neighbors, worked and shopped.

We're already in an era where it is more likely that a high school student can more easily access information about swine flu or the crisis in Darfour than corruption in city government or decisions about education in his town.

Mine is not a lament for a past that excluded many in our society, especially women and minorities, from the main pages of a newspaper. Nor do I pine for the symbolic authority of three, broadcast television, white male anchors. I enthusiastically welcome the democratization of media and am thrilled by its possibilities.

At the same time, it's important to note that the information systems, print and broadcast, that helped define American communities, that helped give them individuality and character, has changed dramatically and continues to change rapidly. The end result may be a more informed national and international audience but I am concerned that it not be at the price of an insufficiently informed local electorate.

So the focus of our concern should be to meet the information needs of our communities. Our health, our security and our prosperity, depend on meeting the needs of a democracy built, as ours is, on the assumption of an informed electorate.

I commend you for taking on this issue.

This question is not, of course, how to save the newspaper and broadcast news industries. It is a matter of ensuring that the information needs of communities in a democracy are met to a sufficient degree that the people might, as Jack Knight put it, be informed so they might "determine their own true interests."

I confess to great qualms about the role of government in this arena.

The stunning clarity of the First Amendment, that Congress shall make no law abridging five basic freedoms, including free speech and free press, should inform every action you take. My own sense is that you have a role—even a duty—to protect free speech and free press, perhaps even as an enabler, as in the case of public broadcasting. But not as a participant or controller of information, not if we believe in the Jeffersonian idea of checks and balances that has served this Nation well.

With respect, we at Knight Foundation believe that there are at least four areas where Congressional action might properly and significantly help our transition from paper and local broadcast to digital.

1. Nothing Congress can do is as important as providing universal digital access and adoption.

If the future of democracy's news and information is online—then we must ensure everyone is online. Otherwise, we disenfranchise millions of our fellow citizens.

Even today, if you're not digital, you're a second class citizen in the United States. You're second class politically, economically and even socially. There are three great digital divides and they are economic, geographic and generational.

Poor people, by and large, do not and cannot have access today. As low as the price has gotten, it is still too high for too many Americans. In an age where application for an entry level job at MacDonald's or Wal-Mart must be made online, the economic divide is real and there is a role for government in bridging it. The focus should be not just on universal access and lowering prices. It should also be on universal adoption by increasing the perceived value of Internet access by bringing technology training, digital literacy and higher quality networks to our local communities.

Rural areas are notoriously underserved and American citizens who live outside of urban do not have access to the same information as urban dwellers. They are simply being treated as second-class.

Age is the third great divide. The ever-changing digital world naturally appeals to the ever-changing young. That said, groups like the AARP are already focusing on this issue and would be willing partners in training and outreach.

These are daunting divides, but America possesses great institutions and innovations—from libraries to wireless technologies—that can help.

Already, universities like Texas, the City University of New York, Duke, UCLA, the Cronkite School at the Arizona State, to name just a few, are studying the matter and sponsoring conferences. Knight Foundation was created to focus on these issues, so it's no surprise that we're active in the area and support many of these initiatives. But I'm glad to report that others, like MacArthur Foundation have seriously engaged in the field and more are joining, including a recent grant from Atlantic Philanthropies to support investigative journalism at the *Huffington Post*.

Groups like One Community in Cleveland, Ohio are actively assisting local and regional communities reach their broadband potential.

Next Thursday, the organization, Free Press, based here in Washington, will hold a seminar on this issue at the Newseum. They will gather more than 400 citizens from around the country to debate the issue and propose government policy and citizen action.

Next Wednesday, Aspen Institute will convene a further meeting of its Knight Commission on the Information Needs of Communities in a Democracy, a group of citizens ably co-chaired by my fellow panelist, Marissa Mayer and former Solicitor General, Ted Olson. The Knight Commission will issue its findings later this year but already has received hundreds of comments from the public, which we will be glad to share with the Committee's staff.

Greater use of Federal stimulus money for universal digital access should be encouraged. Support should also be given to media literacy programs like the ones developed by State University of New York at Stony Brook, where thousands of their students emerge from an intensive course far more sophisticated media users.

2. This is a time for experimentation.

At Knight Foundation, we've decided to fund dozens of experiments seeking to find ways to use digital platforms to provide communities with information they want and need. Our work has ranged from funding experiments like *Spot.us*, *Everyblock.com*, and the Media Lab at MIT to supporting online dailies like the *Voice of San Diego*, *ChiTown Daily News* in Chicago, *Gotham Gazette* in New York, *Village Soup* in Maine and *MinnPost* in Minnesota. We've also funded World Wide Web inventor, Sir Tim Berners-Lee's efforts to bring fact-checking programs to the web and to start the WWW Foundation to support further experimentation with news on the web.

I cite these not as definitive examples but as illustrative of what one organization, small by comparison to government, can do to support the imagination of the people who will eventually figure out what will work . . . what will be the "killer app" that will substitute for newspapers and local broadcast news. A worthy area of exploration is what role government can play in encouraging the experimentation that is so natural to American markets.

3. Newspapers and broadcast are not dead and there may be ways to support their extended usefulness.

With respect, Congress should review laws that prohibited the combination of print and broadcast operations. At the time those laws were passed, the people's interest lay in preventing the concentration of power and to encourage a democratic diversity of voices. One might question whether, given the trends accelerated by the current recession, this is still a valid concern and whether the bankruptcy of a news organization that is not allowed to merge to survive serves the democracy. I acknowledge the deep philosophical divide that has existed on this issue and question whether, with the decline of broadcast, it makes sense to combine two challenged businesses. But I think it is at least worth a fresh look under current circumstances to see if a resulting combination, perhaps combined with stronger use of new and social media, can help to survive traditional news operations that still have such great expertise in reporting and presenting news in ways that make sense to the American public.

Congress might also seek to make easier or more inviting the creation of not-for-profit local news organizations, or the conversion of for-profit news businesses into non-profit, community-based, mission-driven organizations. In that

connection, the L3C proposals encouraging limited profit organizations might also help the transition. These will not solve overall revenue issues of traditional news operations but will almost certainly help them extend their useful life until we, as a society, figure out what will be next.

4. There is a role for public media.

The Obama transition team discussed a document called Public Media 2.0. An approach to public media that requires the rapid transition to a different kind of PBS and NPR, more inclusive and engaging of their audiences, should be encouraged. The challenges of changing those traditional organizations are great but the leadership is willing and able.

It is important to note that public media has the capacity to reach the entire nation. That has enormous security implications, in addition to its role as educator and news producer. Using new technologies to distribute information and to store vast repositories of searchable, public media content, the new generation of public journalism and education has enormous potential.

We're living a moment of extraordinary creativity. I like the analogy of our time to the years just after Guttenberg invented the printing press. Before Guttenberg, the monks who copied illustrated manuscripts were the keepers of information and there was order. Long after Guttenberg, there was the Renaissance, when society more or less figured out how to handle information. But those crazy years in-between, when Guttenberg's technology allowed something new called literacy, are like the years we're living in today, when the World Wide Web allows a form and kind of communication we did not know even as recently as the 1980s.

The media that we're going to and that is going to be effective is not only digital but mobile and the object is going to be a media user, not a passive consumer. We will be a nation of media users, not consumers.

We're going from the information model of one-to-many, of "I broadcast/You listen" to many-to-many and even many-to-one made possible by technology. We're moving from slower form print and film delivered through stationary furniture or transmission monitors to digital transmission of images on portable devices that are clear and allow interactivity.

Congressional action that will determine the news and information allowed to our citizens is certainly not the object of your inquiry and I agree with you. I hope this is the beginning of great and serious action by Congress to encourage experimentation, to enable markets to find their way, to promote the evolution of public media 2.0 and, most urgent of all, to provide digital access to every American.

Thank you for the opportunity to share these observations.

Senator KERRY. Thank you for that thoughtful statement. Appreciate it.

Mr. Moroney?

STATEMENT OF JAMES M. MORONEY III, PUBLISHER AND CHIEF EXECUTIVE OFFICER, THE DALLAS MORNING NEWS

Mr. MORONEY. Good afternoon. Chairman Kerry and Members of the Subcommittee, I want to thank you for holding this hearing today on the future of journalism.

I'm appearing today in my role as Publisher and CEO of *The Dallas Morning News*, and also as a member of the Executive Committee of the Newspaper Association of America.

In communities of all sizes throughout our country, daily newspapers play an indispensable role in informing our citizens about local issues and newsworthy events, which is critical to the functioning of a vibrant democracy. The reason newspapers are so essential to a well-informed public is simple; in most markets, newspapers have far and away the most extensive news-gathering resources of any local media. At *The Dallas Morning News*, for example, we spend more than \$30 million per year in our news-gathering operation, and we have more reporters on the street than the ABC, NBC, CBS, and FOX affiliates in our market combined.

It has been well documented that the newspaper is in a very real crisis. In the past several months alone, one major market daily has folded, another is surviving only as a scaled-down online news service, and a handful of others have cut back their printing operations.

Since December, five of the major newspapers companies have declared bankruptcy. Virtually all publishers in every market, large and small, have been forced to lay off highly valued journalists and other employees, and take other drastic cost-saving measures. Unfortunately, we have not been immune to these trends at *The Dallas Morning News*.

The problem, ironically, is not really a loss of audience. Newspaper readership remains very strong. In fact, more people read a newspaper the Monday after this year's Super Bowl than actually watched the big game on Sunday. And that doesn't include all the people who go online to read what newspapers published.

The problem is that, because of the intense competition for advertising, particularly from Internet-based companies, the newspaper share of the overall advertising market has dropped dramatically. If the current downward trend continues—and we have seen it this way for the first 4 months of this year—newspapers will have experienced as much as a 50-percent drop in advertising revenues over a 3-year period, revenues that represent 80 percent of newspapers' total revenue.

Even online advertising, which has often been hailed as the industry's most promising future growth engine, declined in 2008 and accounted for less than 10 percent of overall newspaper revenues.

The end of the recession—and there will be one—will not necessarily mean that these advertising revenues will return to newspapers. Newspapers are in the midst of a secular shift that is posing a serious long-term threat to the revenues that make it possible for the public-service journalism that is done by newspapers across this country each and every day.

So, what can Congress do to help newspapers? Here are three things:

First, as a means of providing newspaper publishers with a critical and immediate infusion of capital, Congress should pass the Baucus-Snowe bill that would extend the carryback period for net operating losses from 2 to 5 years for all businesses, not just newspapers. A similar provision was included in the economic stimulus package, but, unfortunately, this relief was limited to only small businesses.

Second, Congress should act quickly on legislation providing a limited antitrust exemption that will allow newspapers some breathing room to share ideas and jointly explore innovative business models. This relief, with proper but expedited review at the Justice Department, would help newspapers transition to the future.

Third, Congress should ensure that newspaper publishers have the means to obtain reasonable compensation from Internet companies that reproduce their content for their own commercial gain. Some Internet operators routinely free-ride on the investments that newspapers are making in local journalism by copying or summarizing newspaper content in order to drive audiences to their

websites, and then gain revenue through the selling of advertising. Congress could consider the establishment of a consent or content principle that would apply to breaking news. This principle bears an interesting similarity to the system of retransmission consent adopted by this Committee and the Congress in the 1992 Cable Act.

Again, I want to thank you for the opportunity to appear at this hearing today, and I hope that these discussions will lead to practical actions that will help maintain the type of journalism that our local communities deserve, expect, and need.

[The prepared statement of Mr. Moroney follows:]

PREPARED STATEMENT OF JAMES M. MORONEY III,
PUBLISHER AND CHIEF EXECUTIVE OFFICER, THE DALLAS MORNING NEWS

I. Introduction

Good afternoon, Chairman Kerry, Ranking Member Ensign, Committee Chairman Rockefeller, Committee Ranking Member Hutchison and other Members of the Subcommittee. My name is Jim Moroney. I am the Publisher and Chief Executive Officer of *The Dallas Morning News*, which serves a readership of more than 1.5 million and is the leading newspaper in Texas. My company, A. H. Belo Corporation, also owns newspapers in Providence, RI and Riverside, CA. I am a member of the Board of Directors and Executive Committee of the Newspaper Association of America ("NAA"), a nonprofit organization representing nearly 2,000 newspapers in the U.S. and Canada.

I would like to thank you for holding this hearing today on the critically important topic of the future of journalism in this country. Daily newspapers are the Nation's preeminent source of local news and investigative journalism. In order to continue serving in these all-important capacities, newspapers will need both the resources to weather these perilous economic times and the flexibility to adjust their business models in response to more enduring changes in the industry. While there is no silver-bullet solution to the complex problems our industry is confronting, there are several steps that Congress can take to assist newspapers—the foundation of local journalism.

II. Daily Newspapers Are an Indispensable Source of Public Information

In communities of all sizes throughout the country, daily newspapers provide the most comprehensive and highest caliber news and information available. As such, newspapers play an indispensable role in informing our citizens about local issues and newsworthy events and, ultimately, in safeguarding our democracy.

The reason newspapers are so essential to a well-informed citizenry is relatively simple. In most markets, they have far and away the most extensive newsgathering resources of any local media. At *The Dallas Morning News*, for example, we spend more than \$30 million in our newsgathering operation and have more reporters on the street than the local ABC, CBS, NBC and FOX affiliates combined. Daily newspapers also have an unparalleled dedication to in-depth reporting, analysis and investigative journalism. If daily newspapers were unable to continue their time-honored practice of pouring extensive time and resources into lengthy and costly investigations, we currently see no other comparable news provider with the resources and resolve to step into this watchdog role, especially at the local level.

Additionally, it's evident to all that daily newspapers are the primary source of information for other media outlets. TV and radio stations depend on newspapers for much of their local news. Similarly, while online news sources certainly compete with daily newspapers and may add personal perspective, much of the commentary on the Internet originates from information initially reported by newspapers. Thus, without vigorous and financially healthy newspapers, a critical link would be missing from the news reporting value chain.

For all of these reasons, it is not surprising that a growing body of empirical evidence confirms that newspapers can have a substantial and measurable impact on public life. For example, a study released by Princeton University earlier this year examined communities that lost newspaper coverage due to the closing of *The Cin-*

cincinnati Post in 2007.¹ The study concluded that, in towns that previously had been covered by the Post, voter turnout dropped, fewer people ran for public office, and more incumbents were re-elected after the paper ceased publication. While the study was small in scope, it suggests that the absence of daily newspapers could have far-reaching negative effects on some of our core democratic principles.

III. Daily Newspapers Are Facing Unprecedented and Acute Financial Pressures

There can be little question that the newspaper industry is in the midst of a monumental retrenchment. In the past several months alone, one major market daily has folded, another is surviving only as a dramatically scaled down online service, and a handful of others have cut back their printing operations substantially. Since December, five major newspaper publishers have declared bankruptcy. Virtually all publishers in every market—large and small—have been forced to lay off journalists, and take other drastic cost-saving measures. Industry-wide, nearly 9,000 newspaper employees already have lost their jobs in the first 4 months of this year.²

We have not been immune to these trends at the *The Dallas Morning News*. We have been forced to lay off highly-valued newsroom employees during the past 12 months. In addition, we have experienced a number of cost-saving measures that have been implemented by our parent company, A. H. Belo Corporation, including company-wide salary and benefits reductions. Taking these actions has been very difficult for our company, but they were done with the ultimate goal of maintaining our long-term ability to be the leading provider of local news and information in the markets we serve.

While it is important to discuss the reasons behind the current crisis, it is equally important to note one factor that is not causing it: a decline in readership. In fact, newspapers today have more readers than ever, and their content never has been more popular—even among many young people. Although print circulation generally has been falling, the audiences of newspaper websites continue to grow at a rate that outpaces these losses. Just last week it was reported that print circulation dropped 7 percent industry-wide during the past year, but online readership of newspaper websites jumped 10.5 percent during the same period.³

Rather, the driving force behind the current downturn in the newspaper industry has been a dramatic and relentless drop in advertising revenues, which traditionally have accounted for approximately 80 percent of newspaper revenues. Over the past 2 years alone, advertising revenues have declined 23 percent, and recent reports predict an additional 30 percent drop in the first quarter of this year alone. This means that, if this downward trend continues, newspapers could experience a 50 percent drop in advertising revenues over a 3-year period. Even online advertising—which often has been hailed as the industry's most promising future growth engine—declined in 2008 and accounted for less than 10 percent of overall revenue.⁴

The economic recession surely has exacerbated these troubles. Advertisers across the country dramatically have cut spending to stem their own revenue losses, and this trend has had an inordinate impact on newspaper publishers. However, the end of the recession will not necessarily mean that these advertising revenues will return. Newspapers also have been subject to intense and growing competition for consumers and advertising dollars from Internet companies and other “new media” in addition to that from traditional sources such as television, radio, cable, yellow pages and direct mail. As a result, newspapers are in the midst of a secular shift that is posing a serious, long-term threat to the revenues that make their cost-intensive, public service-oriented journalism feasible.

If there were an easy fix to this fundamental problem, it already would be in the works. Unfortunately, the industry has a lot of work ahead of it to create and implement new strategies that will ensure that newspapers remain viable and able to continue serving as our Nation's foremost providers of news and information long into the future.

IV. Newspapers Will Need Assistance from Lawmakers as They Seek to Emerge from the Current Crisis and Reevaluate Their Business Models

The Dallas Morning News and our fellow NAA members believe that there are several steps that Congress and regulators can take that will both provide short-term relief to the industry and ensure that, over the long term, newspaper pub-

¹Sam Schulofer-Wohl and Miguel Garrido, Woodrow Wilson School of Public and International Affairs, *Do Newspapers Matter? Evidence from the Closure of The Cincinnati Post* (March 2009).

²See Paper Cuts, at <http://graphicdesignr.net/papercuts/>.

³See Time Arango, “Fall in Newspaper Sales Accelerates to Pass 7 percent,” *NY Times*, at B3 (Apr. 28, 2009).

⁴See PEJ, 2009 State of the News Media (note 2, *supra*).

lishers will have the flexibility they need to explore and implement new business models. These actions consist of: (1) temporary tax relief that would extend the carry-back period for net operating losses; (2) affording newspapers greater antitrust flexibility; and (3) ensuring that publishers are fairly compensated for their content. We do not seek a direct subsidy of any kind.

Temporary Tax Relief: First, as a means of providing newspaper publishers with an immediate lifeline, we support legislation (S. 823) introduced by Senators Baucus and Snowe, which would extend the carryback period for net operating losses (NOLs) from 2 years to 5 years. In essence, this proposal would enable publishers and other businesses to offset losses incurred in tax years 2008 and 2009 against earnings over the past 5 years. This bill would provide newspapers with a critical infusion of cash that would enable them to better navigate through the current economic crisis. It also would help newspapers preserve the jobs of journalists and other highly-valued newspaper employees, continue providing topnotch in-depth and investigative reporting, and invest in initiatives to ensure long-term viability.

Greater Antitrust Flexibility: Second, the newspaper industry should be accorded more flexible antitrust treatment. The antitrust laws are essential to fostering competition and protecting consumer choice, but when it comes to daily newspapers the enforcement of these laws does not reflect current marketplace realities. The application of the antitrust laws to newspaper publishers is premised on the now outdated view that daily newspapers compete exclusively with one another. As the advertising revenues that are the lifeblood of the industry increasingly are being siphoned off by the Internet and a host of other competitors, it has become painfully apparent that this premise no longer holds true.

Congress should provide critical assistance to newspapers by acting quickly on legislation that would provide newspapers with a limited antitrust exemption to experiment with innovative content distribution and cost savings arrangements. This limited antitrust relief, with proper but expedited review at the Department of Justice, would enable newspapers to reduce costs and achieve other efficiencies that, in turn, would help them maintain the high-quality journalism that is so important to our democracy. Such legislation also would provide newspapers with some essential breathing room to share ideas and jointly explore innovative business models that will help newspapers transition for the future.

Fair Compensation for Newspaper Content: Third, aggregators, search engines, and other online news forums routinely receive a free ride on the investments that newspapers are making in local journalism. Newspaper publishers should be able to obtain reasonable compensation from Internet companies that reproduce newspaper content for a commercial purpose. Many of these operators copy or summarize a link to newspaper content in order to drive search or audience to websites, then sell advertising wrapped around this newspaper content. The concern here is not the personal use of newspaper-generated content, which the majority of newspaper publishers willingly offer for free to individual Internet users, but the use of newspaper generated content for someone else's commercial gain. Perhaps it is time for Congress to establish a principle of "consent for content" for breaking news—similar to the "hot news" doctrine recognized by a few states. Such a principle bears an interesting similarity to the system of retransmission consent adopted by this Committee and the Congress in the 1992 Cable Act. There, cable systems and others that carry, and profit from the carriage of, local broadcast signals need permission—that is, "retransmission consent"—to carry the signals. This system serves as a critical means for broadcasters to get a fair return on their content, and its underlying rationale could seemingly be extended to serve as a financial bulwark for local journalism.

V. Conclusion

Once again, I appreciate the opportunity to appear before you today. Hopefully, these discussions will lead to practical actions that will help maintain the type of journalism that local communities deserve and expect.

Senator KERRY. Thanks, Mr. Moroney. And thanks for referencing the retransmission concept, which I think does have some relevance in the conversation. So, we'll talk about it.

Ms. Huffington, thank you.

**STATEMENT OF ARIANNA HUFFINGTON, CO-FOUNDER AND
EDITOR-IN-CHIEF, THE HUFFINGTON POST**

Ms. HUFFINGTON. Thank you, Chairman Kerry and Members of the Committee, for inviting me to be part of today's discussion on the future of journalism.

Like any good news story, let me start with a headline. Journalism will not only survive, it will thrive. But, the discussion needs to move from, "How do we save newspapers?" to "How do we save and strengthen journalism, however it is delivered?"

Despite all the dire news about the state of the newspaper industry, we are actually in the middle of the Golden Age for news consumers who can surf the Net, use search engines, access the best stories from around the world, and be able to comment, interact, and form communities.

Journalism plays an indispensable role in our democracy, but it's important to remember that the future of journalism is not dependent on the future of newspapers. The great upheaval the news industry is going through is the result of a "perfect storm" of transformative technology, the advent of Craigslist, dramatic changes in consumer habits, and the dire impact the economic crisis has had on advertising. And there is no question that, as the industry moves forward, we will need to have an enormous amount of experimentation with new revenue models and new devices, like the Kindle that you, Senator, mentioned at the beginning.

But, what won't work, and what can't work, is to pretend that the last 15 years never happened, that we're still operating in the old content economy, as opposed to what Jeff Jarvis has called "the link economy" and that the survival of the industry will be found by protecting content behind walled gardens. We've seen that movie, and consumers have given it lousy reviews.

As the Greek philosopher Heraclitus said 2,500 years ago, we cannot enter into the same river twice, despite Mr. Simon's wishes. No, the future is to be found elsewhere. It's a link economy. It's search engines. It's online advertising. It's citizen journalism. And the foundation-supported investigative funds. That's where the future is. And if you can't find your way to that, then you just can't find your way.

Many online video providers are showing us how. Instead of sticking their finger in the dike, trying to hold back the flow of innovation by hoarding their content, smart companies have begun providing embeddable players that allow content to be posted all over the Web, accompanied by links and ads that help generate additional traffic and revenue, which is why many, many more people, millions more, saw Tina Fey impersonate Sarah Palin elsewhere, and not on *Saturday Night Live*.

As advertising executive Linda Kaplan Thaler put it, "We never know where the consumer is going to be at any point in time, so we have to find a way to be everywhere. Ubiquity is the new exclusivity."

When I hear the heads of media companies talking about restricting content, I can't help feeling the same way I did in 2001, when I was one of the co-founders of the Detroit Project and watched as the heads of the auto industry decided that, instead of embracing the future, they would rather spend considerable energy

and considerable amounts of money lobbying the government for tax loopholes for gas guzzling SUVs and fighting back fuel efficiency standards. And we saw, Mr. Chairman, how well that turned out.

So, instead of similarly trying to hold back the future, I suggest that media executives read “The Innovator’s Dilemma” by Harvard professor Clayton Christensen, and see what he has to say about disruptive innovation and the futility of resisting it instead of seizing the opportunities it provides.

And that’s why it’s imperative, Mr. Chairman, that Congress and the FCC make sure they have in place smart policies that bridge the digital divide and protect innovators and consumers from attempts to undermine Net neutrality or impose, as we’ve recently seen, unjustified charges, like metering, on Internet users, and why it’s also very important to update the press gallery credentialing rules.

Digital news is a classic case of disruptive innovation. Even so, I think all the obituaries for newspapers are premature. Many papers are belatedly, but successfully, adapting to the new news environment. Plus, until those of us who came of age before the Internet all die off, there will be a market for print versions of newspapers, because it appears to be in our collective DNA. That’s why I firmly believe in a hybrid future, where all the media players embrace the ways of new media, especially transparency, interactivity, and immediacy. And new media companies adopt the best practices of old media, especially fairness, accuracy, and high-impact investigative journalism.

So, to conclude, this hybrid future will include nonprofit/for-profit models, like the investigative fund that *The Huffington Post* recently launched, which is backed by nonprofit foundations and provides both staff reporters and freelance journalists who have lost their jobs the opportunity to pursue important stories. There are many other models like that—ProPublica, the Center for Public Integrity, the Center for Investigative Reporting—and I’m sure there’ll be many more to follow.

And let’s not forget that our current media culture failed to serve the public interest by missing, with many honorable exceptions, the two biggest stories of our time, the runup to the war in Iraq and the financial meltdown. We’ve had far too many autopsies and not enough biopsies. And online news is particularly well suited to obsessively follow a story until it breaks through the static.

So, we need to also remind ourselves that the mission of journalism has always been truthseeking, not, as it has too often become, striking some fictitious balance between two sides.

So, we stand on the threshold of a very challenging, but very exciting, future. Indeed, I’m convinced that the best days of journalism lie ahead so long as we embrace innovation and don’t try to pretend that we can somehow hop into a journalistic way-back machine and return to a past that no longer exists and can no longer be resurrected.

[The prepared statement of Ms. Huffington follows:]

PREPARED STATEMENT OF ARIANNA HUFFINGTON,
CO-FOUNDER AND EDITOR-IN-CHIEF, THE HUFFINGTON POST

Chairman Kerry, Ranking Member Ensign, and Members of the Subcommittee. Thank you for inviting me to be a part of today's discussion on the future of journalism.

Like any good news story, let me start with the headline: Journalism Will Not Only Survive, It Will Thrive.

Despite all the current hand wringing about the dire state of the newspaper industry—well-warranted hand wringing, I might add—we are actually in the midst of a Golden Age for news consumers.

Can anyone seriously argue that this isn't a magnificent time for readers who can surf the net, use search engines, and go to news aggregators to access the best stories from countless sources around the world—stories that are up-to-the-minute, not rolled out once a day? Online news also allows users to immediately comment on stories, as well as interact and form communities with other commenters.

Since good journalism plays an indispensable role in our democracy, we all have a vested interest in making sure that our journalistic institutions continue producing quality reporting and analysis. But it's important to remember that the future of quality journalism is not dependent on the future of newspapers.

Consumer habits have changed dramatically. People have gotten used to getting the news they want, when they want it, how they want it, and where they want it. And this change is here to stay.

As my compatriot Heraclitus put it nearly 2,500 years ago: "You cannot step into the same river twice."

The great upheaval the news industry is going through is the result of a perfect storm of transformative technology, the advent of Craigslist, generational shifts in the way people find and consume news, and the dire impact the economic crisis has had on advertising. And there is no question that, as the industry moves forward and we figure out the new rules of the road, there will be—and needs to be—a great deal of experimentation with new revenue models.

But what won't work—what can't work—is to act like the last 15 years never happened, that we are still operating in the old content economy as opposed to the new link economy, and that the survival of the industry will be found by "protecting" content behind walled gardens.

We've seen that movie (and its many sequels, including TimesSelect). News consumers didn't like them, and they closed in a hurry.

And the answer can't be content creators attacking Google and other news aggregators.

No, the future is to be found elsewhere. It is a linked economy. It is search engines. It is online advertising. It is citizen journalism and foundation-supported investigative funds. That's where the future is. And if you can't find your way to that, then you can't find your way.

Online video offers a useful example of the importance of being able to adapt. Not that long ago, content providers were committed to the idea of requiring viewers to come to their site to view their content—and railed against anyone who dared show even a short clip.

But content hoarding—the walled garden—didn't work. And instead of sticking their finger in the dike, trying to hold back the flow of innovation, smart companies began providing embeddable players that allowed their best stuff to be posted all over the web, accompanied by links and ads that helped generate additional traffic and revenue.

When I hear the heads of media companies talking about "restricting" content or describing news aggregators as "parasites," I can't help feeling the same way I did in 2001, when I was one of the cofounders of The Detroit Project, and watched as the heads of the auto industry decided that instead of embracing the future they would rather spend considerable energy and money lobbying the government for tax loopholes for gas-guzzling behemoths, fighting back fuel efficiency standards, and trying to convince consumers through billions in advertising that SUVs were the cars that would lead America into the 21st century.

Instead of trying to hold back the future, I suggest that media executives read *The Innovator's Dilemma* by Clayton Christensen, and see what he has to say about "disruptive innovation" and how, instead of resisting it, you can seize the opportunities it provides.

And that's why it's imperative, Mr. Chairman, that Congress and the FCC make sure they have in place smart policies that bridge the digital divide, ensure competition among Internet service providers, and protect innovators and consumers from

attempts to undermine net neutrality or impose unjustified charges—like metering—on Internet users.

Digital news is a classic case of “disruptive innovation”—a development that newspapers ignored for far too long.

Even so, I think all the obituaries for newspapers we’re hearing are premature. Many papers are belatedly but successfully adapting to the new news environment. Plus, it’s my feeling that until those of us who came of age before the Internet all die off, there will be a market for print versions of newspapers. There is something in our collective DNA that makes us want to sip our coffee, turn a page, look up from a story, say, “Can you believe this?” and pass the paper to the person across the table. Sure, you could hand them your Blackberry or laptop . . . but the instinct is different (and, really, who wants to get butter or marmalade on your new MacBook Pro?).

I firmly believe in a hybrid future where old media players embrace the ways of new media (including transparency, interactivity, and immediacy) and new media companies adopt the best practices of old media (including fairness, accuracy, and high-impact investigative journalism).

This hybrid future will include nonprofit/for profit hybrids, like the Investigative Fund the Huffington Post recently launched.

As the newspaper industry continues to contract, one of the most commonly voiced fears is that serious investigative journalism will be among the victims of the scaleback. And, indeed, many newspapers are drastically reducing their investigative teams. Yet, given the multiple crises we are living through, investigative journalism is all the more important. For too long, whether it’s coverage of the war in Iraq or the economic meltdown, we’ve had too many autopsies and not enough biopsies.

The Investigative Fund is our attempt to change this—backed by nonprofit foundations interested in giving freelance reporters, many of whom have lost their jobs, the ability to pursue important stories. Others, like ProPublica, The Center for Public Integrity, Spot.US, and The Center for Investigative Reporting are pursuing different not-for-profit investigative models. More will follow.

We will also see more citizen journalism—not as a replacement for traditional journalists, but as a way of augmenting their coverage.

“Citizen Journalism” is shorthand for a collection of methods for producing content by harnessing the power of a site’s community of readers, and making it a key element of the site’s editorial output. These engaged readers can, among other things, recommend stories, produce raw data for original reported stories, write original stories themselves, record exclusive in-the-field video, search through large amounts of data or documents for hidden gems and trends, and much more. By tapping this resource, online news sites can extend their reach and help redefine newsgathering in the digital age.

In the process, they will also expand their online community—which, in turn, will attract more users and help build a more viable business model.

For too long, traditional media have been afflicted with Attention Deficit Disorder—they are far too quick to drop a story—even a good one, in their eagerness to move on to the Next Big Thing. Online journalists, meanwhile, tend to have Obsessive Compulsive Disorder . . . they chomp down on a story and stay with it, refusing to move off it until they’ve gotten down to the marrow.

In the future, these two traits will come together and create a much healthier kind of journalism.

The discussion needs to move from “How do we save newspapers?” to “How do we strengthen journalism—via whatever platform it is delivered?”

We must never forget that our current media culture led to the widespread failure (with a few honorable exceptions) to serve the public interest by accurately covering two of the biggest stories of our time: the run-up to the war in Iraq and the financial meltdown.

That’s why, as journalism transitions to a new and different place, the emphasis should not be on subsidizing what exists now but on how to rededicate ourselves to the highest calling of journalists—which is to ferret out the truth, wherever it leads. Even if it means losing our allaccess-pass to the halls of power.

Unfortunately, this is a concept that has fallen out of favor with too many journalists who, like Pontius Pilot, wash their hands of finding the truth and instead are obsessed with a false view of “balance” and the misguided notion that every story has two sides. And that the truth can be found somewhere in the middle. But not every story has two sides and the truth is often found lurking in the shadows. The earth is not flat. Evolution is a fact. Global warming is real.

The most exciting thing for both journalists and news consumers, is the fact that technology will continue to give readers more and more control over what kind of

information they get, and how that information will be presented. The days of publishing pooh-bahs dictating what is important and what is not are over. And thank goodness. As the legendary journalist I.F. Stone once said of a leading newspaper of his time: it's a particularly exciting paper to read because "you never know on what page you will find a page-one story."

We stand on the threshold of a very challenging but very exciting future. Indeed, I am convinced that journalism's best days lie ahead—just so long as we embrace and support innovation and don't try to pretend that we can somehow hop into a journalistic Way Back Machine and return to a past that no longer exists and can't be resurrected.

Senator KERRY. Thank you very much, Ms. Huffington. Very important testimony.

And we engage an interesting conversation, I think. Mr. Simon, you said, in the course of your testimony, you, interestingly, noted that some of these newspapers stripped away their capacity prior to—you know, over a number of years; and, as a consequence of that, they didn't have an entity that was fundamentally able to deliver and compete. But, is that, in fact, really true? I mean, the *Wall Street Journal*, others, have tried to model a for-subscription product that's been a pretty good product, by all accounts, competitive and still up to a high standard, yet they weren't able to make it. So, what it is about the current business structure that prohibits even a, you know, quality operation with a known reputation, with top-level reporters and columnists, from being able to make it on that?

Mr. SIMON. Well, I would argue that the newspapers, at a critical moment, when the money was there, traded away their birthright, tragically so. When I was in journalism school in the 1970s, they told us that—and the immediate threat was television and the loss of immediacy in our news coverage, the—we were going to have to cede the ambulance-chasing and overnight news to television—they told us we were going to become more sophisticated, more like magazines, that specialized beat reporting was going to become more important, that we were going to become more essential by explaining things in greater detail and with greater sophistication. That didn't happen, because when the money was there, when chains like the Tribune Company were earning 37-and-a-half-percent profit, the money went to CEO salaries and big-money investors, and it went right out of the profession. And this was—you know, Wall Street called the tune.

And if you look at that 37 percent as the R&D money that any healthy industry might have applied, looking forward, contemplating the Internet, I mean, the naivete with which newspaper management perceived the Internet in the 1990s, as merely advertising for the product, when it was the product, is incredible.

Senator KERRY. But, those who did go online and tried to sell the product that they had—

Mr. SIMON. If they don't do—

Senator KERRY.—were not able to succeed.

Mr. SIMON. Right. If they don't do it industrywide, it can't work, because ultimately if everyone's an AP member or a Reuters member, and if the aggregators have membership in AP or Reuters, you know, for a paper like *The Baltimore Sun* or *The Boston Globe* or any individual to try to swim against the tide and maintain copy-

right when there—when, you know, at that point, it's not even a leaky glass; there's no glass at all.

Senator KERRY. Well—

Mr. SIMON. Ultimately, the industry as a whole had to look this square in the eye and say, "Wait a sec. If we don't have control over our product, if it's going to go elsewhere, if we can't bring people to our tent, what are we doing?"

Senator KERRY. And that is the nub of the—I think that's really the—a major place of focus here. I'm interested in this concept of limited antitrust exemption, and I wonder, those of you who are on-line particularly, what you—what you think about what that does, in terms of creating some equilibrium here. I mean, I think—if you're the aggregator, if you're out there—excuse me, not the aggregator—if you're out there doing the footwork and you've got a top-level reporter in a bureau somewhere in the world, or you're doing a major investigative story, and you put the pieces together, that takes money, it takes time, it takes skill. And once they've put it together and they've put their story up, if somebody comes to Google, for instance, and hits the subject matter, and they get various outsources, places where they can go, it's completely dissipated. They're not going to get remunerated for the level that they put into that, but everybody's going to have access to it. So, is there a fairer way to try to spread the cost, here?

Ms. Mayer?

Ms. MAYER. Well, I think it's important to recognize that snippets alone—what we show on Google, the—either in Google News or in Web Search, aren't a complete picture, and users do need to click through to actually read the story; and, in fact, they do; they click through at the rate of at least 1 billion clicks per month. And I do think that the benefit of the aggregation—

Senator KERRY. But, once they click through—let me just go through this with you—they find it through you; they click through, through you; they come up with the story, which is currently free, so they're still not getting paid for it.

Ms. MAYER. Well, there are usually advertisements on the page when they land there. So, in a free model, usually the page with the story on it will have advertisements that, in fact, do pay for the viewing of that article.

Senator KERRY. But, they have not been able to find that that provides—they're not getting—in many cases, I don't think they're getting that advertising revenue, and it certainly isn't covering the cost of doing business.

Ms. MAYER. My view is that it's still very early and that in—if you look at many mature business models, they often end up in a hybrid approach, where there's both either a subscription or a direct payment, in addition to advertising. Cable television, magazines, newspapers all operate on that model, where there's direct payment from the consumer and advertising.

Senator KERRY. Well, when you say it's early—

Ms. MAYER. The motive—

Senator KERRY.—it's not early for the *Denver Post* or the *Seattle Intelligencer* or a bunch of folks who are facing bankruptcy today.

Ms. MAYER. But, I do think it's early, in terms of the situation reaching an equilibrium and us having a product online that fills

the needs of both the users and the monetization needs on—of the reporting.

Senator KERRY. Ms. Huffington, you've been perhaps the most single successful person on the Internet, in terms of presenting an entirely new product, in almost newspaper form, which has become its own destination site. Share with—first of all, how many people put that together, at this point. How many people on staff are working, would you say, a part of your—

Ms. HUFFINGTON. Right now, *The Huffington Post* employs 60 people, and the investigative fund that we launched last month will employ 10 full-time people, and then hundreds of freelancers who will be assigned specific stories.

But, a follow-on on Ms. Mayer's point, first of all, there are already laws in place, Mr. Chairman, fair-use laws. So, no aggregator can actually just take a story, they have to take a small part of the story to give a taste to the consumer of what the story is about. But, in order to read the full story, they would have to go to the content creator. And monetizing that is really the future as video producers, as many networks have done, cable companies have done, through embeddable players, where they put advertising, they put links to other stories on their network or the cable company.

Senator KERRY. But, what you've done, essentially, is create a nonprofit entity under the umbrella of your for-profit entity, and the nonprofit entity will go out and do the investigative piece. Is that correct?

Ms. HUFFINGTON. But the not-for-profit entity will be open-source, which means that the content that the not-for-profit entity produces will be available to anybody at the same time as it is available to *The Huffington Post*. So, *The New York Times* could take it at the same time, anybody could. And the way we would all monetize that is, again, through advertising. And in a way, it is absolutely true that advertising has not moved online as fast as eyeballs have moved online. But, that's the period of transition that we are at, at the moment.

Senator KERRY. Well, let me—this'll be my last question, then I want to turn to—if we can—clearly, the folks who are in what has been dubbed the legacy side of the industry are struggling, because they're not getting the revenue that they used to get to pay for the overhead for their type of operation. Now, admittedly, things are changing. And things change in the business world, and they have to change their business model. But, even assuming they adjust and change the business model and move, there's still a certain level of skill and quality and experience and standard and so forth that Mr. Simon and others have referred to, and deployment—I mean, putting people into Kabul, putting people into Islamabad, having people on the ground, building relationships. The—there's not evidence, yet at least, of a—I mean, this parasite issue is real in the—to the degree that people feel that the Internet is providing their work without an adequate level of compensation for what it costs them to produce it.

Ms. HUFFINGTON. Well, that's why, Mr. Chairman, I talked about a hybrid model. At *The Huffington Post*, for example, we have a licensing agreement with AP. We pay for that. We pay for the AP

stories that we post on *The Huffington Post*. We also have over 3,000 bloggers on the site. You have kindly blogged on *The Huffington Post*. There's a lot of original content on the site.

Senator KERRY. In my case, it—

Ms. HUFFINGTON.—which is available—

Senator KERRY.—was very original, but that's—

[Laughter.]

Ms. HUFFINGTON.—which is available to others to link to without charge.

Senator KERRY. Well, I'm sure we're going to pursue this more. I want to let my colleagues have a chance.

Senator Kay Bailey Hutchison is the Ranking Member of the entire Committee, so, in deference to her, if you don't mind, Claire, I want to allow her an opportunity to have her opening statement/questions, and then I'll come back to you.

**STATEMENT OF HON. KAY BAILEY HUTCHISON,
U.S. SENATOR FROM TEXAS**

Senator HUTCHISON. Well, thank you very much, Mr. Chairman.

This is such an appropriate and timely subject for us to discuss, especially after the newspaper of your State has just made an agreement at the very—4 o'clock this morning, I understand—to try to stay in business. But, the fact of the matter is, we're looking all over the country at newspapers that are going under, struggling, or making drastic cuts in order to continue service. And I asked that Jim Moroney be one of the witnesses, and I appreciate that you had him here. And I was chairing another hearing; that's why I'm late.

But, I would like to just take your line of questioning and go forward and ask for the newspaper response, because I still have the same skepticism that you are exhibiting about how you can really do the in-depth necessary reporting and pay for that in any kind of a business model and continue to have that service, whether it is from a legacy newspaper or Associated Press or any other entity.

But—and let me say I think that what has happened in the Internet world and *The Huffington Post* and Google and all of the new things that have exploded in the news business are fabulous. They are fabulous for so many different types of news-gathering and also the different types of people who are getting their news in different ways. But, I would like to also make sure there's a level playing field so that the investments that are made for the in-depth reporting and all of the costs of bureaus have the capability to succeed so that we continue to have that main outlet that we have had through the years of newspapers.

So, I would like to ask Mr. Moroney if he would take the argument about how you can, with a business model, do the in-depth reporting when you are not able to get what I assume is a sufficient revenue for your online versions, which you also have. And also how you would be able to get the fair return for the investment you're making so that a newspaper has a fair chance.

Mr. MORONEY. Well, as I mentioned in my oral testimony, *The Dallas Morning News* invests 30—over \$30 million each year in its news-gathering operations. The idea that there might be a non-profit model to support that is a little difficult for me to come to,

quantitatively. I think about most charitable organizations that give out 5 percent of their income a year. To support \$30 million of annual investment, it would take a corpus of \$600 million dedicated nothing but to supporting the scale of news resources we employ in the Dallas/Fort Worth area. So, there may be some limited opportunities for nonprofit help, and I believe there are, but, at the scale of news resources, which is what I believe this is really about—not about saving newspapers, *per se*, but saving the scale of the newsrooms that newspapers employ across this country—is what we’re trying to do.

And the online model, the *DallasNews.com*, attracts over 50 million page views a month and 6 million unique visitors a month, and it can’t pay for two-thirds of the cost of the newsroom that the newspaper supports. The financial facts are just that the newspaper model today, the ink-on-paper print model is the one that can support the scale of these newsrooms we employ. So, finding a way for us to be able to get a fair return on the investment we’re making on the content that we publish digitally, I think, is very important.

I would agree with Ms. Mayer, there has been a different atomization of news. And she said it was down to the article level. I believe it’s down to the first-four-lines-of-the-article level, and that’s why what she calls a fair use of our content, I don’t believe is a fair use. They’re making plenty of money off of those first four lines, and we have, as established in the “hot news” case that was done in the early part of the 19th century—of the 1900s, and reaffirmed in the New York State courts in the last year, that there is a quasi-property right to breaking news, and I believe we need to look at that standard as for what it is that newspaper companies and how they can get a fair return for the investment they’re making and the journalism we’re publishing digitally.

Senator HUTCHISON. Let me just ask either—anyone else on the panel who would respond, that—if there is a property right and some proprietary right for all of this investment, if there are other ideas about how there could be a fair compensation. Because you can’t say that the advertising online would pay for that kind of investment. There’s just—that just can’t be said with a straight face, I don’t think. So, what would be the fair way to compensate, then, for what would be used online that would be obtained either cheaply or free, so that you could keep that level playing field and continue to have the full array of news sources?

Ms. Huffington? Ms. Mayer?

Ms. HUFFINGTON. Well, already we see that advertising, because of this drop that everybody has mentioned here today at the print level, cannot by itself support newspapers. So, what needs to happen is to monetize traffic. And anytime Google or *The Huffington Post* or any news aggregator or news curator links to a story, it does drive traffic that can be documented. Hundreds of millions of page views are generated because of linking.

So, what all the different content creators need to experiment with—and it’s absolutely true that this is a transitional period—is monetizing that traffic. And those who are using embeddable players have found a lot of ways to do that, because they are actually following where the consumers are. Already we heard Senator

Kerry talk about how many hundreds of thousands of friends *The New York Times* has on Facebook. These are real consumers of news. So, that content is free on Facebook, but it can be monetized through advertising.

Ms. MAYER. I also would like—oh, I was also—I also wanted to chime in the fact that in 2008 more than \$5 billion was earned through Google AdSense alone on publisher sites. That's not Google revenue, that's revenue that the publishers earned on their site. There's a lot of revenue that can be earned through online advertising. And when you couple that with a hybrid model, where consumers may pay directly or subscribe online, I think that monetarily we can get there.

I think it's also important to point out that—I really need to push back on the notion that, with the first 200 characters of a story, you get the complete information. And, in fact, the 1 billion clicks per month that we sent on to newspapers show that people need to click through to really get the full context.

It's also important to point out that there are industry-standard opt-outs. It's very easy to opt out of a search engine or opt out of Google News with a robot.txt file that simply says you don't want this content to be displayed there.

Mr. MORONEY. It would be helpful if Ms. Mayer could come back and tell us what percent of that \$5 billion is going to newspaper publishers. I believe when she uses the term "publisher," she means anybody who's publishing any kind of content on the Internet, including bloggers and so forth. I don't think very much of it is coming back to newspaper publishers.

Senator KERRY. Senator McCaskill?

**STATEMENT OF HON. CLAIRE McCASKILL,
U.S. SENATOR FROM MISSOURI**

Senator McCASKILL. Well, I want to hone in—first of all, I'm going to try not to gush, Mr. Simon. I'm a huge fan of *The Wire*. I—my son—I used to—I'm a former prosecutor, and I've always looked down my nose at crime drama on the television, and my son said, "Mom, you've got to watch this, because I think you might appreciate it." Other than the fact that I had to translate most of it for my husband—he kept saying, "Now, what's a package?"

[Laughter.]

Senator McCASKILL. I had to—but, it—

Mr. SIMON. It can mean different things.

Senator McCASKILL. Yes, it can mean different things.

[Laughter.]

Senator McCASKILL. That's an understatement.

[Laughter.]

Senator McCASKILL. You know, two things that I think were missing in this discussion so far that I think Mr. Simon is very pained about, and I'm pained about, and that is the investigative journalist that is local.

Mr. SIMON. Right.

Senator McCASKILL. I understand, Ms. Huffington, that you are working on an investigative model, but for your audience there's not going to be a lot of stories about the cop that has been running the dice game on the side, or the cop who has been, you know, tak-

ing a hit of money from various people. The way you get those stories is by investing in people, because it's very labor intensive and it's about building relationships at a local level.

I—it's like naming the good teachers that I had in my life. I can sit here right now and name the good journalists that I respect and that I fear and that I know that they'll continue asking the questions and building the relationships and hanging out in the places where the people that know the facts will ultimately give them to them. And, you know, it is incredibly important to our democracy, it is incredibly important to our local communities and to our States. And right now, where the journalists are fleeing, it's in courthouses and it's in police departments, and it's in State capitols. We still have a bunch around here, and that's great. We don't have as many as we used to. But, that's where there really are endangered species, the investigative journalist.

And the other thing—and I—and, Mr. Simon or Ms. Huffington or Mr. Moroney—the editor. I mean, I know you hate them, journalists, good journalists. And I know—but, also there are good ones that you love. And I just had something happen to me, while we're sitting here, where someone published a story online in St. Louis, and they called me at 1 o'clock, called my press shop at 1 o'clock.

We hadn't called back in an hour. They called again at 2:30. And they had already put it up online 10 minutes earlier, without a response from me. Now, that wouldn't have happened in a newspaper, because an editor would have said, "You've got to try again to get ahold of them before we print it." It wouldn't have happened. But, it happened, because—and, you know, obviously we think they've got the story wrong that they put up online, and we've yelled at them. And this all happened on my BlackBerry while I'm sitting here. And I'm approving quotes as I sit here, trying to correct the story.

And so, the—there are two things I'm worried about, the local investigative reporter and the editor. And how does this new model—how do we deal with that?

Mr. SIMON. I'd really like—I'd like to affirm that in every possible way. There has been an equivocation up here between people philosophizing about what's going to happen with journalism at the high end, covering Washington, covering—

Senator McCASKILL. Right.

Mr. SIMON.—national and international issues. There are—there's already an economy of scale that allows for a politico online. What is dying and what is not being addressed up here by the people supporting new media is the fact that, at the State and local level, it's America's regional newspapers that are—

Senator McCASKILL. Right.

Mr. SIMON.—collapsing, that are imploding faster. And that—you know, and in some ways the industry itself has been oblivious to it, because—it's sort of like the shark was eating everybody from the bottom, and *The New York Times* and *The Washington Post* felt it last. When they have a buyout of 100, 200 people, and they have a newsroom of 1300 people, it doesn't feel the same as 200 people walking out of a newsroom of 400 in a regional area. That means that all of a sudden there's nobody covering the cop shop, nobody covering the zoning board. The day I run into a *Huffington Post* re-

porter at a Baltimore zoning board hearing is the day that I will be confident that we've actually reached some sort of equilibrium. You know, there's no glory in that kind of journalism, but that is the bedrock of what keeps—

You know, the next 10 or 15 years in this country are going to be a halcyon era for State and local political corruption. It is going to be one of the great times to be a corrupt politician.

[Laughter.]

Ms. HUFFINGTON. Well—

Mr. SIMON. You know, I really envy them. I really do.

[Laughter.]

Senator MCCASKILL. You know, I—and I know we giggle about it, but I've got to—I think it's very serious.

And I—you know, Mr. Chairman, I'm glad you're having this hearing. And, you know, it's not that these reporters are expensive, in terms of what they make a year, it's just—it takes a long time for them to produce something. And if we could come to a not-for-profit model that was focused on that, the investigative journalism at the State and local level, I think that might be way more important than a not-for-profit model that's going to make sure we've got somebody else following Presidential politics.

Ms. HUFFINGTON. Well, Senator McCaskill, actually if you look at, for example, *Voice of San Diego*, which is a not-for-profit site that is exposing precisely what you and Mr. Simon are talking about, local corruption, and actually having real impact that is investigative journalism on the local level and it is beginning that is to happen around the country. And that is happening in precisely the way that you would like it to happen. And *The Huffington Post* is expanding into 12 cities, and we're going to make sure that Baltimore is included, Mr. Simon, for your sake.

[Laughter.]

Mr. SIMON. Can't wait.

Ms. HUFFINGTON. And in these cities, citizen journalists are incredibly important. I'm sorry to hear Mr. Simon dismiss them, because I'm sure you're familiar with the attorney general scandal. That was revealed because of citizen journalists working together all around the country. Josh Marshall, in *Talking Points Memo*, helped put it together, provided the platform, but the work was done by citizen journalists. They love that work. We can post all kinds of documents—a document dump, as we are calling it—to thousands of community journalists on *The Huffington Post*, and we get amazing stuff back.

For many reasons, people want to participate in exposing what is happening. That's the case, for example, with the bank bailout. The tape that we put out on *The Huffington Post* of the Morgan Stanley executive who talked about bonuses being called "retention awards," came from a citizen journalist. The *Mayhill Fowler* story about President Obama's comments at a fundraiser came from a citizen journalist. So, the importance of the citizen journalist cannot be overestimated.

Senator MCCASKILL. Is there—are there editors in that model?

Ms. HUFFINGTON. Absolutely—

Senator MCCASKILL. Is there—

Ms. HUFFINGTON.—there are editors. And that—

Senator McCASKILL. And who's paying the editors?

Ms. HUFFINGTON. We are paying the editors. The online providers, the newspapers, we're all paying editors. It's called the "ProAm" model, professionals and amateurs working together.

Mr. IBARGÜEN. Yes, there are—if I may, Senator, there are a number of similar kinds of local and mission-driven organizations that are set up as nonprofits. The *Voice of San Diego* is one of them. *MinnPost* in Minneapolis is another. *ChiTown Daily News* in Chicago—*Gotham Gazette*, in New York, *Village Soup*, in Maine. Those are just a handful that our foundation happens to support.

We also have offered, to community foundations, to match dollar for dollar—whatever contributions they make to this sort of organization.

I really do agree with Marissa saying that this is early. You're right, Senator, it's late for a newspaper that's gone into bankruptcy, but it's early in the evolution of this technology and early in our figuring out how this is going to work at the local level, where most journalism in America actually happens, not at *The New York Times* or at *The Washington Post*, it seems to me.

So, I think we need to look for ways to encourage innovation locally. If it's a nonprofit organization—if it's enhancing the capacity or the ability of a chain to unload one of its papers and turn it over to a community group as a nonprofit, if there are ways of encouraging that sort of thing, I think you ought to look at it.

I think there are already lots of people who are innovating and surviving. The five that I just mentioned have been around, each of them, for a couple of years. Is that as long as my old paper, the *Miami Herald*, 110 years? No, of course not. But, I think they're serious, and I think they will get more serious, they will get better, they will develop their practices and, I think, eventually they will answer something.

I just have a terrible feeling that what we mustn't do, it seems to me, is to try to figure out the opposite of what Yogi Berra said, "If the fans don't want to come to the ballpark, nobody can stop them." And if people are going to give each other information, digitally, on mobile, I think our efforts ought to be on figuring out how you deliver that kind of information, how you facilitate that kind of information, and, as I said in my remarks, how you make sure that you don't leave out the 40 percent of Americans who are divided on the other side because they live in a rural area, because they're poor, or because they're elderly.

Senator McCASKILL. Thank you, Mr. Chairman.

Senator KERRY. Thank you very much.

Senator Cantwell?

Senator CANTWELL. Thank you, Mr. Chairman. Thank you for having this important hearing.

And I have to say that, having listened to the many witnesses, I'm not sure that there is much, actually, I disagree with, in the sense of—I'd like to see some of the things that maybe I could have witnesses answer, where I can understand whether you are in disagreement. I guess that is to say, you know, it seems to me that there was probably, in the early days of radio, a proclamation that maybe the newspaper industry was going to go under, and I'm sure there was with television, that the newspaper industry was going

to go under. And now, I'm sure, with the Internet. But, as much as the Chairman, I know, is—I think, in your comments, said that newspapers are an endangered species, I actually like going to *The Huffington Post* on my mobile BlackBerry and seeing that headline and seeing the Chairman there, and reading that story, and having the ability to have access to that.

So, to me, this is about having the best of both worlds. And I can't wait till somebody offers me a subscription to a newspaper that gives me full access to their Internet site without jumping through a bunch of different hoops, and probably also gives me a discount on something else, either the coffee I drink or the next airline ticket I buy, or gives me something, you know, for being a good customer. I mean, I think that really this is about new business models and how long it's going to take for those new business models to develop. And what are we willing to do to help, in the meantime, the industry as those new business models develop?

Now, I, for one, am willing to do something. I certainly support the carryback provisions for Net operating costs for a longer period of time. I'm not—I need to know a little more about the antitrust provisions to understand that, exactly what—but, I'm for supporting that.

So, I guess I wanted to start with you, Ms. Huffington, about what do you think about the antitrust provisions, and would you—whether you would support those and would be favorable toward some of the tax breaks that have been talked about, as well.

Ms. HUFFINGTON. I would not, Senator Cantwell. It seems to me that antitrust provisions would create more organizations that are too big to fail. And again, we've seen how that has not worked in other areas of our lives. So, let's not create any more behemoths that will be treated as too big to fail.

I would suggest that if we allow this process of innovation to unfold and support the nonprofit investigative efforts, and also support the hybrids that we've been discussing here, we will get there, and we will get there in a way that will be better than what we've had, because I don't think we can underestimate these big stories that we have missed. If journalism was working out so well, how come so many financial journalists missed the economic meltdown? There is a way in which many journalists who are working the same beat begin to basically sell their journalistic credentials for access. And we see that happening every day, including now, in the way that the bailout and the banking crisis have been covered.

Senator CANTWELL. I agree, there could be much more attention to that, as somebody who suffered through the Enron crisis and now the credit default crisis, I guarantee you there would have been, with better coverage of those issues, more knowledge for the public, everybody, maybe, would have avoided some of that.

But, what's wrong with Mr. Moroney or Mr. Simon getting the ability to become better aggregators? And if they need the ability to talk to other news organizations to become those aggregators, what's wrong with that?

Ms. HUFFINGTON. Well, of course they can already talk to each other. What we are discussing is whether we give them antitrust protections so that they can actually implement policies that would make it impossible for others to aggregate content online.

Senator CANTWELL. Mr. Simon or Mr. Moroney, do you want to address that?

Mr. SIMON. Listen, this comes down to a very fundamental thing, which is, Does intellectual property have value, does content have value? Everything else that is dealing with the online digital world has had to fight this battle. You know, publishers—and I'm an author, so I know—have been contending with Google and other aggregators as to how much of their work can be online. I mean, I'm getting a settlement from some lawsuit that was over this very issue. The recording industry has had to struggle with Napster and other things. Ultimately, it's a leaky cup, and that's inevitable, but there has to be some kind of cup.

If it has no value, then explain to me why the Little Rock paper and the Albuquerque paper, which are two of the few in this country that do not allow their websites to be public without subscription—why their circulation is actually up and the rest of the newspaper world is down.

Senator CANTWELL. Well, can I—could I—because I want to get to the specific here and make sure I understand, because I think what Ms. Huffington is arguing is that fair-use laws cover—that she's only using that content within the—

Mr. SIMON. Right—

Senator CANTWELL.—confines of fair use. And so—

Mr. SIMON. And right now—

Senator CANTWELL. So, how does—

Mr. SIMON. Right now, the newspapers have—and I believe they butchered this, going back 10 years—right now they have signed off on fair use, and they are hurling their stuff out onto the Internet for free. It's insane. And I think it's been proven insane, and it's heralded this incredible implosion of journalism.

If I think—if I thought they had a chance to do it over again, I think they would look hard at that decision, and they would say, "You know what? It's a lot better if we say, if you want to subscribe to *The Baltimore Sun* and get it at home and have us cut down a tree and bring it to you doorstep and do it the old anachronistic way, it's \$17, \$18 a month. If you want to get *The Baltimore Sun* online, we'll only charge you \$8 a month, but we get the \$8."

Senator CANTWELL. No, I'm—

Mr. SIMON. "We get the \$8 for our"—

Senator CANTWELL.—I'm willing to pay \$12, and I want the choice of getting—picking the newspaper up on any stand that I want, and I want to—

Mr. SIMON. That's a world—

Senator CANTWELL.—get it on—

Mr. SIMON. That's a world that—

Senator CANTWELL. And I want to get it on—

Mr. SIMON. Exactly. That's a world that—

Senator CANTWELL. And I want to get it online—

Mr. SIMON.—should happen.

Senator CANTWELL.—when I want it. Right. So, I'm saying there is a—

Mr. SIMON. Well, right now the horse is out of the barn door, and it's been out of the barn door for 10 years. And there are people who say, "Oh, you can't get back what you made free. It's never

going to happen.” I don’t believe that, because I work in television now, and no American, for the first 30 years of television, paid anything for their rabbit ears.

Senator CANTWELL. But—

Mr. SIMON. Now they pay \$60, \$70 a month for better content.

Senator CANTWELL. But, that’s my point about the business model. I mean, technology shows, over and over again, that technology can be there one day, but sometimes it takes 25 to 30 years before the business models develop. That’s how long sometimes.

Mr. SIMON. In that—

Senator CANTWELL. Mr.—

Mr. SIMON. In that—let me just say—

Senator CANTWELL. That’s—

Mr. SIMON.—and I’ll end this. In that window, the talent pool and the institutional memory that was the journalism that we saw over the last 50 years, the modern American newspaper, is leaching out, it’s gone.

Senator CANTWELL. Which is why I’m supportive of things to help it in the meantime.

Mr. MORONEY, on the—

Mr. MORONEY. I think Mr. Simon is—

Senator CANTWELL.—on the antitrust issue, specifically.

Mr. MORONEY. Mr. Simon is exactly right, this horse is out of the barn for 10 years. To try to bring it back one website at a time, one daily newspaper website at a time, will not work. If *The Dallas Morning News* today put up a paid wall over its content, people would go to the *Fort Worth Star Telegram* to get a lot of information about what goes on in Dallas/Fort Worth. And if they put up a paid wall, they’d go to the AP, and so forth and so on.

If we could have a limited antitrust exemption to have conversations—and some of those conversations are not permitted even within the context of antitrust today—if we start talking about pricing and so forth, we are in violation of laws. You can’t even have that discussion. We need to be able to have that discussion, with a limited exemption, and then be able to take action, and do it as quickly as possible, because, differently than many of my colleagues here, time is not on our side with this, from the newspaper standpoint. Yes, there’s going to be a long evolution of how content gets consumed and how journalism gets done over time. But, for those newsrooms and those employees in those newsrooms of newspapers, time is not on our side. We need help in this way today.

Senator CANTWELL. I know my time is expired, Mr. Chairman, so—

Senator KERRY. It’s all right. Go ahead, take a little—do you want to—

Senator CANTWELL. Well, I just—so, you’re saying, about the specific information. Like this example I just came up with, of saying—you know, offering to your readership that you could have both an online and print—

Mr. MORONEY. Sure, we can—

Senator CANTWELL.—membership—you’re saying, right now the competition—

Mr. MORONEY. Because so much of our information is already out there for free, because we are part of the AP, for instance, because

there's a competitor in the marketplace, because there are other papers in Texas covering the statehouse, there are a lot of places to go today for free. If the newspaper industry acted in concert, there might be an opportunity then for all of us to have, sort of, our own intra-industry level playing field and then be able to go to—en masse, as an industry, to the Googles and so forth, and say, "We want to be paid for consent to take our information"—again, not unlike what the broadcast television stations did with cable to have retransmission consent. If we do that as an industry, we have some clout, we have some leverage. If we do it a newspaper at a time, it just won't work.

Senator CANTWELL. Yes, I—yes, I'm not sure—I think brand accounts for a lot. I think it's something you have. I think it's something Ms. Huffington is building. And I think it's about, again, a limited amount of time. But, perhaps we can go to a second round.

Senator KERRY. We'll come back to it. We're going to—I want to continue this conversation, because it's very important, and I—and one of the obvious questions is, How do you, if you did that, prevent an abuse of that conglomerated clout so that you don't squeeze out what massive numbers of people have come to believe is also their right, which is this ready access to what they want, where they want it, and how they get it? And there could be a very anachronistic consequence, which is, you sort of go backward and create a status quo that actually prevents our technologies and the open architecture and all the virtues of this from taking off. We need to talk about that.

Let me recognize Senator Pryor first.

**STATEMENT OF HON. MARK PRYOR,
U.S. SENATOR FROM ARKANSAS**

Senator PRYOR. Thank you, Mr. Chairman.

Let me follow up, if I may, with Senator Cantwell and the Chairman's questions and comments with you, Mr. Moroney. And if we're talking about an antitrust exemption, I think you said it should be limited. Do you think it should be limited in scope and duration?

Mr. MORONEY. I think both.

Senator PRYOR. And tell me the limits on the scope. If you can articulate those today, that'd be great.

Mr. MORONEY. Well, I wish I could tell you that I have had enough time to think this through and have a perfect solution, but I don't. I just know that if we could get together as an industry and have this conversation, and if there were some limits around what that conversation or where it could go or what actual business model we could come up with, it would be better than what we have today, and something will definitely, in this case, be better than the nothing we have today.

So, I don't have an answer for you, but I'm confident there is one, if we were given the opportunity to work together.

Senator PRYOR. Mr. Coll, do you have any comments on that, on an antitrust exemption?

Mr. COLL. I don't, really, Senator, thank you for asking, though.

Senator PRYOR. Let me ask, if I can, with you, Mr. Moroney again, staying with the issue of antitrust and Department of Jus-

tice and, you know, that legal realm that you have to deal with—as I understand it, one of the questions that the journalists are asking about the industry is, Should we change the definition, have a more modern-day definition about the advertising market? In other words, maybe back in the old days, your newspaper basically just competed against other newspapers in advertising, but in today's world, you do have a lot of other entities out there, on the Internet and otherwise, that you are competing with, even maybe radio and TV. I mean, we could talk about that, as well. But, tell me about—if you think we should have a new definition for, you know, the advertising market.

Mr. MORONEY. I do believe there should be one today. Newspapers are competing with all kinds of other media in the local market for impression-based advertising. There's impression-based advertising with television, there's impression-based advertising with outdoor boards.

Senator PRYOR. What do you mean by "impression"?

Mr. MORONEY. Meaning someone is paying me a certain amount of money in order to put somebody's eyeballs in front of an ad that appears on some kind of media. Cost per thousands, cost per points, it's all the same idea, that, for the number of people that are watching that commercial or that ad, there is a formula for paying them, and that's the basis today of most of the advertising revenue in traditional media. It's impression-based. And that is the model that we initially took to the Internet to be paid on a CPM, cost per thousand, impressions basis. And then, when you take local media and you put them online, the technological distinctions that—or, the technology that at one time distinguished television from newspapers from a radio station, has disappeared. We're all playing with exactly the same technology. And so, now that marketplace is not only not just newspaper against newspaper, it's newspaper against all other local media.

And then, 40 percent of the traffic to *DallasNews.com* comes from outside of the, you know, 26-county Dallas-Fort Worth DMA. So, we are having audiences come in from, you know, not only all over the United States, but all over the world. So, this idea that there is a defined market for newspapers that is really geographic and newspaper against newspaper, I just don't believe holds in the world we live in today.

Senator PRYOR. Let me ask this, if you know. In terms of changing that definition, does that require statute or—who does that? Department of Justice do that when they look at—

Mr. MORONEY. Well, I mean—

Senator PRYOR.—antitrust issues?

Mr. MORONEY.—today, I guess, the FCC has defined, at least in some ways—and Department—well, the Department of Justice, number one, and then there's, of course, FCC issues around cross-ownership, which I think fall—come out of that DOJ statute.

Senator PRYOR. OK.

Mr. Chairman, that's really all I have. Thank you.

Senator KERRY. Thank you very much, Senator.

Senator Klobuchar?

**STATEMENT OF HON. AMY KLOBUCHAR,
U.S. SENATOR FROM MINNESOTA**

Senator KLOBUCHAR. Thank you very much.

Senator KERRY. Who comes from newspaper stock.

Senator KLOBUCHAR. Thank you very much, Mr. Chairman. It's true, to the panelists, that my dad, while he first was a reporter and then he was a columnist, and now, at age 82, he's a blogger. [Laughter.]

Senator KLOBUCHAR. So, I've kind of seen the whole world, and the differences in the world. He doesn't get paid as a blogger.

And I will say he came up in sort of the golden times of journalism. He actually was writing for the AP, and Minnesota was still out on the Kennedy Presidential race, and he wrote the story, because he knew that the Iron Range of Minnesota would go for Kennedy, and he called it for Kennedy, and Kennedy won. And he came up at a different time. And so, growing up, I knew that he had a lot of exciting things he did, from interviewing Ronald Reagan to Ginger Rogers to Mike Ditka. And I saw that he was a witness to history, and that he did a good job of it.

And I also see that we still need that role in our society. And I'm still, despite—I do read your blog, Ms. Huffington. I read it, in fact, 2 days ago. But, I still don't see that we're going to get that—and maybe you say we're in transition, Ms. Mayer, but I don't think we're going to get that quite yet from some of the blogs. And that's why I'm very concerned about what's going on, in terms of society.

I know that Senator McCaskill covered the issue that I was focused on, on local coverage and how important that is, the local courthouses, the local mayors, and making sure that we have watchdogs over the activities of local government. And I know we can set up these nonprofits and do these things, but I am afraid we're going to lose that watchdog and that check if we don't figure this out.

And so, I wanted to ask some questions just to follow up on what's going on. We know we're having an advertising decline—Is that correct, Mr. Moroney?

Mr. MORONEY. That's correct.

Senator KLOBUCHAR.—of great proportions. And do you see any hope for that with the economy improving for our newspapers?

Mr. MORONEY. There is cyclical dimension to it, but there is also a very secular dimension to it. So, as this economy improves, which it will, there will be some rebounding back, or that cyclical part of this downturn. But, the secular issues, particularly in the classified advertising space, aren't going to turn around. They are secular and permanent.

Senator KLOBUCHAR. And then, many of the newspapers are in bankruptcy. The *Star Tribune* in Minnesota is in bankruptcy, even though it's, I think, the tenth biggest newspaper for daily circulation; similar to what you've been talking about, that readers are there. And do you think there's anything that can be done with bankruptcy proceedings—anyone have any thoughts on that—to ease it? I'm trying to look at every angle, here.

Mr. MORONEY. Well, I would say that there are some newspapers that—whose parent companies are in bankruptcy, but those newspapers themselves are still, as operating companies, profitable. And

it is the amount of debt that was taken on, the interest that has to be paid, that has forced these companies into bankruptcy. And so, if the creditors, which is not the purview of Congress—but, if the creditors of these companies would be willing to reduce the debt, take a haircut on the debt that they have, these companies could come out and continue to operate, at least for some period of time, profitably. But, again, if advertising revenues are down 25, 30 percent this year, even those companies that were operating profitably in 2008 may find it very difficult to be operating profitably in 2009.

Senator KLOBUCHAR. And then——

Senator KERRY. I won't take this out of your time——

Senator KLOBUCHAR. OK.

Senator KERRY.—but I just want to—what was the debt taken on for? Does that vary according to——

Mr. MORONEY. You—every different company had a different reason. Some were for consolidation purposes, some were for other reasons. It really would vary by company.

Senator KERRY. Any sense of how much of it was taken on for the, sort of, bad judgments that Mr. Simon referred to earlier?

[Laughter.]

Senator KLOBUCHAR. Oh, there's a good question.

Mr. MORONEY. No, I don't—Senator, I don't—I don't—I can't—I can't speak to that.

Senator KERRY. But, you claim to be immune from that.

Mr. MORONEY. Well, we have very, very little debt at the company that I work for, and I'm grateful for that, because it makes it easier for us to weather this storm. But, as we reported, first-quarter earnings for our company, which has three newspapers not far from you—the *Providence Journal*, and the *Press Enterprise*, in Riverside—we lost money as a company, including all expenses. The operations, the EBITDA, of the three newspapers was at a margin of 1 percent in the first quarter. So, just virtually break even.

Senator KERRY. Thanks, Senator. Appreciate it.

Senator KLOBUCHAR. Good. Thank you.

That almost was as good, Senator Kerry, as the question I decided not to ask Ms. Huffington, that someone had gave me, of, What percentage of your blog is opinion and what percentage is factual? I think those are tough questions, but maybe you'd want to get at that.

Ms. HUFFINGTON. I would love to answer it, because, first of all, opinion needs to be fact-based. So, at *The Huffington Post* we put a tremendous premium on that. Our rules are that if there is any mistake that a blogger makes, they have 24 hours in which to withdraw it and correct it or their password is removed. We also have hired 30 comment moderators who are working around the clock to make sure that we maintain a civil atmosphere on the site so that we don't have *ad hominem* attacks, we don't have trolls. And last month alone we had a million comments. So, there is a lot we're doing to adopt what I said in my testimony are the best parts of traditional journalism—accuracy, fact-checking, fairness, and making sure that there is a civil environment in which the debate takes place.

Senator KLOBUCHAR. I just still, though, think—and I think, Mr. Ibarгүйen—did I say your name right?—maybe you can get at this with some of the work—I know you’ve helped with *MinnPost*, which is a fairly successful—I think we have 1,300 subscribers, sort of Internet-based news in our State. But, I just still don’t understand how that is, on a national level, going to get to the kind of investigative reporting. And when my dad went undercover as a prison inmate for a week or when we have these intricate issues in our police department that people want to report on—I just don’t know how that model can be brought down, city by city.

And if I could ask you that, please.

Mr. IBARGÜEN. I suppose if I had to give you the exact answer to that, I’d be home, clipping coupons. So, I really don’t. But, it seems to me that *MinnPost* is very small compared to the *Star Tribune* at this point. But, if you look at the trends, and if you look at media usage and look at the increasing use of media, the younger the person, the higher the likelihood is of using digital mobile media. I think you’re kind of whistling past the graveyard to expect that that’s not going to be the way of the future.

I think the focus ought to be on ensuring universal access. I think the focus ought to be on experimenting with organizations like *MinnPost* so that, a year, 5 years, 10 years from now, those organizations will have developed the expertise to do the kind of reporting that you still want.

Senator KLOBUCHAR. Senator Kerry, I’m going to come back, if you could—the is what happens when you’re the single Senator. I have a call with our Governor, but I will return. You’re—you do, you’re literally doing two things at—all the time. All right. Thank you.

Senator KERRY. Amy Klobuchar never misses an opportunity to say, “We need Al Franken here.”

[Laughter.]

Senator KERRY. Let me, if I can—first of all, you all have been terrific, but I want to get you to sort of dig in a little more, if you can. So—I enjoy doing these as roundtables, to be honest with you, and I’ve done that a lot on the Foreign Relations Committee lately—so, I’d love you to think—if you want to interact a little bit and ask each other a question and sort of rebut and come back, I think it would engage us a little bit in some of the real issues here that are on your mind, because I’m confident, when you get into a little private conversation outside of here, you’re going to be a little more adamant about your side, what you need, what’s missing. And I’d like to have a little of that take place here, if we can, so we can—you know, have it—to that end, let me just sort of ask something that I think is at the center of this.

Google’s relationship with the content providers, sort of, what I’m hearing, obviously, from you, Ms. Huffington, is that this is exciting and that this is the new frontier of journalism. And I agree with you. I think it is. This is an enormous transformation taking place. And actually, you are correct. I mean, I wanted to signal that—when you say it’s early, obviously it’s not, for those who are really feeling the pressure right now, but, in terms of the evolution of what we’re going through now, I understand that. I don’t think any of us can sit here today and absolutely predict what shape this

is going to take, completely. But, part of that is going to depend, folks, on how this intellectual property right is either respected or not, and how we sort of do wind up fairly sharing the cost of providing this news content that people are getting.

Let me give you an example. It's my understanding—I mean, that you, as an aggregator, you pull together—let's say, for today's hearing, somebody went in and they pulled in "Senate newspaper hearing." I think some 134 different articles came up. If we chose to go to those articles, each hit that we go to, you're going to get something like 40 cents, as I understand it. You correct me if I'm wrong. Or you get something out of that. But, with a single hit to the article that I—that we go to, the provider of that article, the people who put together the intellectual content of that, wind up getting only for the one time it went to their particular article or not. So, you might get ten to their one for something that they have produced. Is that accurate? Is that fair?

Ms. MAYER. That's not quite right.

Senator KERRY. All right, so——

Ms. MAYER. So——

Senator KERRY. Help me.

Ms. MAYER.—disentangling a few of the different products that are in play here, there's Google Web Search, which is our general search, where you might get blogs, Web pages, news stories, videos; there's Google News, where people go to search for and view news stories; and then there's the actual publisher's site, where Google AdSense can run, or there are other competitive alternatives there.

And the purposes that users have when they go to those sites is different. So, for example, someone, say, typing "Portuguese water dog" on Google's main search may want to see a video of it, they may want to buy one, or they might want to read the news. On Google News, we know they want to go and read the news. It's possible that, after reading several stories, if they keep coming back—click—result coming back, they may ultimately click on an ad for a Portuguese water dog. But, I think the argument can easily be made that that same advertisement on the publisher site, where you see the full story, you see the full picture, that——

Senator KERRY. Well, help us——

Ms. MAYER.—that the ads tend——

Senator KERRY.—help us——

Ms. MAYER.—to perform better there.

Senator KERRY. Help us to understand who gets paid where, how.

Ms. MAYER. Sure. So, on the publisher site, the publisher gets paid. And on our site, if we get a new click on, say, an ad on news or an ad on Google Web Search, we get paid. There are many—there are many searches that are done, though, where there is not a click on an advertisement, because the user intent is different.

Senator KERRY. Is it only on the click-on of the ad that there's any kind of registration on payment?

Ms. MAYER. That's right.

Senator KERRY. Only on the click-on of the ads. So, if you simply go through you as the aggregator, they have simply been directed to the site of the host.

Ms. MAYER. That's right.

Senator KERRY. And, in fact, they're then using the host content. And what would happen to you if there was this limited antitrust exemption, limited in time, scope, duration, but which allowed them to at least get to the table to have some kind of negotiation to see if you could get the horse into a barn without becoming restrictive? Arianna, I'm particularly interested in your reaction to this. I mean, I don't want to see us do anything that hurts the openness and innovation and, sort of, creativity which has taken place. And I think, in many ways people have greater access because they can go anywhere and can choose, and there's a freedom in that, and so forth. We can make a lot of arguments about that.

But, the folks putting together—Mr. Simon is correct, and Mr. Moroney's correct—the folks who have got this huge newsroom investment, which provides a lot of local accountability, which we don't want to lose, gets—is being driven out of it because they're not being—they're losing their revenue base from forces out of their control. Help us with that.

Ms. HUFFINGTON. Well, but, first of all, Senator Kerry, they're not losing their revenue base because of the Internet, they are losing their revenue base because of Craigslist, because advertising is down due to the economic crisis, and because of the changes in consumer habits. They are not losing it because of other aggregators. In fact, we're getting hundreds of requests every week from newspapers to link to them. And I'm sure they love being linked to from Google, because it drives a lot of traffic.

Senator KERRY. Isn't there a greater synergy that could be found between you and this? I mean, I agree with that. I don't think they are losing it because—they are losing it because of, you know, any number of things—eBay—well, Internet Yellow Pages; I mean, there are other ways in which people are losing them, but it's mostly because there are quicker, easier, simpler ways people are choosing to get information, and we don't want to do anything to tamp that down. That's healthy. But, with respect to their content—you're dependent, in effect, on some of their content. Won't you do better, in the long run, if you help keep that content capacity alive?

Ms. HUFFINGTON. Oh, absolutely. We want to see the content capacity expanded in multiple ways. We don't want it just to survive, we want it to expand. It is my understanding that Rupert Murdoch is already taking the lead in having a lot of these conversations among different content providers about how to be able to make agreements of the kind that Mr. Moroney was talking about. Nobody, at the moment, is prohibiting content providers to have these conversations, which are ongoing.

Senator KERRY. Would you find it onerous—Google and *Huffington Post* or anybody else—would you find it onerous to be in a position where you have to sit down with them as a—as an aggregate and negotiate something where they're more able to provide this content on a sustained basis, or would you find that that would be an interruption in the marketplace that sort of disrupts where this ought to go on its own?

Ms. MAYER. We think that journalism is very important and that we need to find business models that can sustain it, because it is very important to our users. So, we would welcome something that makes the business model more robust.

I think the real issue that I see is that, in the print newspapers, the advertisements weren't intrinsic to the product. The classified could be segmented off. And when you look at online, advertisements tend to be much more integrated, they're much more relevant, they're targeted, they're measurable. That ultimately holds a great potential to increase the value of those advertisements, because people can tell exactly what they're getting from it.

I think the other piece that's been missing in this discussion is around fair use. All newspapers and all publishers right now can opt out of aggregation. There are standard industry practices, files that you can put in place to say, "Please don't collect my content."

It is true, though, that most newspapers, in fact, prefer the distribution. The distribution is better for them, it's also better for users. I would argue that it's much more powerful to read the article from a paper in Texas, where—in the actual community where someone died of the swine flu than actually reading one of the duplicate articles down the line. And so, that amazing distribution that comes through the Internet and through inclusion in aggregators is very powerful. And I think we need to find a way to sustain that, as well.

Senator KERRY. Yes, Mr. Simon?

Mr. SIMON. There's an equivocation here, in terms of what the existing revenue stream is for newspapers and why it's diminishing and what the potential revenue stream is. And that's the problem in some of these discussions.

Yes, advertising is going down, and it may not come back, to the degree it ever did. Craigslist certainly seems to have a permanence that is dramatic and fundamental. But, what was the problem for newspapers perceiving the Internet at the key moment was that—you have to understand the culture of newspapers—circulation for the entire modern run of the American newspaper was a cost center. It cost money—it cost more than it—it cost more than they got from your circulation dollars to get the paper to your doorstep. So, with every new circulation, they were making no money. All the revenue stream was in advertising. And that might have stayed the same, and that might have made newspapers indifferent to the idea of content and pricing content and receiving remuneration for content, except we've entered this brave new world. And now the only chance, I would argue, that newspapers have is to retain their content.

And I will give you what I imagine to be the only viable solution for the—for a regional news product in my town. And when I say "newspaper," by the way, I mean online, I don't—you know, I don't think we're going to be cutting down trees very much longer. But, if *The Baltimore Sun* were able to charge \$10 a month, and you could only know what happens in the region in Baltimore by subscribing for \$10 a month, that's \$10 a month of pure profit. No trucks, no newsprint, no delivery cost. That is a new revenue stream that might be able to support a metro desk of 40 reporters, 50 reporters, give them benefits, let their families live in houses with mortgages.

I mean, the wanton destruction of the source of all this news that the aggregators are enjoying is, in a way, self-defeating, but I think we've had—for the last 20 years, we've seen that people—you

know, if there's a short-term profit to be made, somebody'll figure out how to make it, at the expense of the actual industry.

Senator KERRY. What do you say to that, Ms. Huffington?

Ms. HUFFINGTON. Actually, Senator Kerry, I was not around when the printing press was invented, but if I were around, I would imagine that the scribes working with stone tablets would be making a similar argument, saying, "You know, if you just left us alone and just forgot about that printing press, we could really go on making a living." The argument that *The Baltimore Sun* could charge for content that would only be available to those paying a subscription to *The Baltimore Sun* seems to me so antiquated and flying in the face of all consumer habits. And, as Eric Schmidt, the CEO of Google, said during a recent speech——

Senator KERRY. Let me——

Ms. HUFFINGTON.—you know——

Senator KERRY. Let me just interrupt you there for 1 minute. It's a product.

Mr. SIMON. Yes.

Senator KERRY. It's created by somebody. It is—it's intellectual property, which we recognize as having a value, correct?

Ms. HUFFINGTON. Absolutely.

Senator KERRY. Why do they not have a right—why is it antiquated to believe they have a right to be paid for their product?

Ms. HUFFINGTON. No, no, no. The fact that they wish that was the case is not antiquated. The fact that it cannot happen makes it antiquated, because that's not how people are consuming——

Senator KERRY. Now, is it——

Ms. HUFFINGTON.—news.

Senator KERRY.—that it cannot happen because they have decided to provide it free, and you can't put the horse back into the barn, or is it because it can't happen anyway, no matter what our rules were? For instance, if you sat down—I mean, you said, a moment ago, Ms. Mayer, that you were prepared—you—I think you were saying that it's important to have these folks capable of doing this. They're not going to be capable of doing this if they can't have a revenue stream that comes to them directly for doing it. Do you—I mean, do you agree with that, or not?

Ms. MAYER. No, because I think it's a false dichotomy.

Senator KERRY. OK.

Ms. MAYER. I think you could say, "Well, with the product we have today, it's not working." But, you could try and preserve the business model as it exists today, or you could attempt to change the product in a way that maintains the core of what's wonderful about journalism but ultimately becomes more engaged and adapt online, generating more——

Senator KERRY. We've got to give some——

Ms. MAYER.—generating more in demand.

Senator KERRY. How do you get——

Ms. MAYER. So——

Senator KERRY. Look, I'm an old prosecutor, too, as Claire McCaskill was, and I remember those reporters sniffing around the DA's office and the courthouse, and, man, they held people accountable, and they got stories, and they did everything else. Is that going to happen?

Ms. MAYER. I think it can. But, it does mean that—and actually some of what’s going wrong, I think, right now in the newspaper industry, isn’t about the actual act of journalism, it’s about—in the structure of the product and the way that it’s delivered. Right? For example, when a new update comes into play, do you publish a whole new Web page with one new sentence and five paragraphs that someone read yesterday, where they’re going to look at the article and say, “Well, I’ve already read that”? When you get to the bottom of an article—it’s interesting, in the print version, when you finish an article, there are ten other articles in view, any one of which you could begin. When you get to the bottom of an article online, often just a static version of it was printed in the paper, and there’s nowhere else to do things. That’s not the way online works. Right? When you buy something on Amazon, there are products you can buy. When you watch a video on YouTube, there are other videos you can watch. When you finish reading an article online, what should you do next? A lot of the websites will just say, “Well, you can leave a comment,” and there’s really no other link in view, there’s no concept of what to do next if you want to be engaged and informed. And if we can come up with a product that can increase engagement, increase engagement the way social networks have, for example, ultimately there will be——

Mr. SIMON. Well, news is a product.

Ms. MAYER.—a lot of demand for other products.

Senator KERRY. I think everybody is all for doing that, but you still have the initial question—I mean, that’s after you’ve read their product.

Mr. MORONEY. Wait.

Senator KERRY. You’ve still got to get their product in order to get there.

Mr. MORONEY. Well, Senator, also——

Senator KERRY. Sorry, go ahead.

Mr. MORONEY. Well, Senator, you know, the *DallasNews.com* doesn’t put up PDF pages and attract 50 million page views a month and 6 million unique users who are Web-savvy. I think Ms. Mayer may have an antiquated view of what newspaper websites are doing. We’re doing very many of the things that she’s talking about.

We want to link in. We want to link out. We want to provide more context and analysis from other sources. We’re not against that whatsoever. The problem is that that model today, for about 60 percent of the inventory we generate, is monetized at 40 cents a thousand. I can’t make a living at 40 cents a thousand. That’s a million dollars a year to *The Dallas Morning News*. That’s one-thirtieth of the cost of my newsroom. So, we’re——

Senator KERRY. So, what would it take——

What would you need to be able to do that?

Mr. MORONEY. Well, I mean, multiply the number up. I guess I have to have 30 times 50, so about a—I don’t know, what is that? A billion-five—a billion 500 million page views a month, and that isn’t going to happen for the—for *DallasNews.com*. We don’t want to pull out of the digital ecosystem. We’re not against what Ms. Huffington does, and we’re certainly not against what Google does. We just simply want to have a fair compensation for the content

that we publish that becomes available digitally for other people to use in what ways they want to use it. We're not getting paid fairly for that across our industry.

And I think you're exactly right, by the way, Senator—I agree with you, and I don't think they're going to argue—they should want my \$30 million worth of investment in news resources to continue to be at 30 million or more, because I provide the kind of content that helps drive traffic to Google—for Google AdSense to monetize or to Ms. Huffington's website, and so forth. So, in one way, I do believe we have a mutual interest in this. We may just have a different way of how we need to go about it.

Senator KERRY. Ms. Huffington?

Ms. HUFFINGTON. Absolutely we have a mutual interest. And what I had begun to say is that Eric Schmidt, the CEO of Google—and Marissa, you can talk to that more—has already begun to speak about an application that Google is developing which will actually help newspapers, because it will be able to identify subscribers' wants and tastes in a much more granular, directed way, which will be easier to monetize.

And, Marissa, I don't know if you want to address that any further. I know that it's not available yet, but I understand it will be available pretty soon.

And one more thing: there are really two different ways to approach that, Senator Kerry. One is the way *Time* selects, which did not work, involved putting specific content behind walls, and they had to acknowledge that it did not work, and they pulled the walls down. And the other approach is what *The New York Times* is considering doing now with the new Kindle that, as you mentioned—

Senator KERRY. Right.

Ms. HUFFINGTON.—was announced today. And they are considering getting new subscribers to buy, at a much reduced rate, a new Kindle on which they can read the newspaper and then also get a long-term subscription to the newspaper. So, there are many innovative ideas like this, that newspapers need to experiment with, instead of coming here and asking for antitrust legislation in order to protect their legacy business.

Mr. MORONEY. Senator, the Kindle, which I think is a marvelous device—the best deal that Amazon will give *The Dallas Morning News*—and we've negotiated this up to the last 2 weeks—they want 70 percent of the subscription revenue. I get 30 percent, they get 70 percent. On top of that, they have said, "We get the right to republish your intellectual property, anything you do, to any portable device." Now, is that a business model that's going to work for newspapers? I get 30 percent of the subscription price and they get the right to license my content to any portable device? Not just ones made by Amazon. That, to me, is not a model. Now, maybe what Plastic Logic comes up with or what Hearst comes up with, with E Ink—might provide a good model. But, today, Kindles are less than 1 percent penetration in the U.S. market. They're not a platform that's going to save newspapers, in the near term.

Mr. SIMON. I'd also like to speak to the time-select experiment. I think that actually points up the need for the entire industry to have an open discussion about content and copyright, because what

it showed was that the *Times*, acting alone, without *The Washington Post*, without other competitors, could not go it alone. And furthermore—

Senator KERRY. Because people simply went elsewhere for the—

Mr. SIMON. Right. I mean, unless everybody looks upon this as—unless the news has value, unless it is a product, and unless it's treated as a product, and unless it's treated as an intellectual property, it's over, this thing is over, this is all over but the shouting.

Senator KERRY. Senator Klobuchar, we interrupted your session there for a moment. And then—

Senator KLOBUCHAR. That's fine.

Senator KERRY.—we'll go to Senator Nelson.

Senator KLOBUCHAR. OK. Thank you very much, Mr. Chairman. Thank you, again.

When I was—before I left, we were talking about these steps that we can take. We have the ad issue, which maybe could improve some as the economy improves; the bankruptcy issue—didn't seem like anyone thought there was much to do there. Senator Kerry has been exploring this idea of how the newspapers get paid for content. And I just wanted to go back to the antitrust one, just for 1 minute, because I know that Speaker Pelosi had written a letter urging the Attorney General to take a broader view of newspaper competition.

And again, I know we went over this a little, but there is this issue of the competitors and viewing that differently, obviously. But, I want to get a sense of how this would help you, vis-à-vis as you talk about your negotiations, Mr. Moroney, for *The Dallas News*, as you're trying to negotiate something where you're getting paid for your work of your reporters. How would that change this, if there was some change to the antitrust exemption?

Mr. MORONEY. Well, again, there are two things. One, if the industry can come together, there's a whole different discussion that is had with aggregators as large as Google and even smaller. For instance, I'm quite confident that somehow we could go to Kindle and strike a deal—I could strike a deal better than 70 percent of the revenue going to Kindle—if we all acted together. But, as a single newspaper in a single town in the United States, I don't have any leverage with a company as large as Amazon.

So, those are—

Senator KLOBUCHAR. Right now, you're prohibited from talking to newspapers in what way?

Mr. MORONEY. Well, I mean, we can't come together and talk about, you know, pricing, for instance. I couldn't get together with other newspapers and say, "Let's go to Kindle and talk about what kind of price we want from them, what kind of share we would like to have, together." We're prohibited from doing that, understandably, you know, in the way the markets have been regulated over time. But, I think some limited exemption for the industry to come together for a period of time could allow us to really find out what Mr. Simon's been talking about, which is, What is the value of this content that we did let out of the barn? It's out there for free. Could we get back control of it as an industry and determine what the value of our intellectual property is?

Senator KLOBUCHAR. And, Ms. Huffington, you talked about how you don't want to go back in the way-back machine. And it sounds like Mr. Moroney is struggling to go forward. He wants to try to do something differently by working with the other newspapers to get some leverage. Do you have a problem with that?

Ms. HUFFINGTON. No, but it is my understanding that newspapers are already having these conversations. I mean, that's what I've been told by Rupert Murdoch himself, that these conversations are ongoing.

Mr. MORONEY. But they're limited conversations.

Ms. HUFFINGTON. No, and that—

Senator KLOBUCHAR. OK.

Ms. HUFFINGTON. But, they are ongoing—

Senator KLOBUCHAR. You want to finish and then—Mr. Simon was nodding his head no, and I'm curious—

Ms. HUFFINGTON. Well, there are definitely ongoing conversations. And—

Senator KLOBUCHAR. Mr.—

Ms. HUFFINGTON.—nothing prevents, or should prevent, that.

Mr. MORONEY. Those conversations are so limited in scope, we really can't come to some sort of business model, describe it, and then go forward with trying to enact it. So—

Mr. SIMON. My understanding is, Mr. Murdoch is talking to his own people within his own institutions, and he has been floating a few balloons over to the other side, but there can be no conversation. That—the problem is—

Senator KLOBUCHAR. But it—

Mr. SIMON.—the industry has been unable to protect the sanctity of its copyright and its product by talking to each other and by deciding what to do about new media.

Senator KLOBUCHAR. So, the trial balloons get out there, but you can't actually—

Mr. SIMON. Yes, and as Mr.—

Senator KLOBUCHAR.—have the leverage of—

Mr. SIMON.—Moroney says, when you—

Senator KLOBUCHAR.—working together.

Mr. SIMON.—negotiate individually, as the Dallas paper, as the Des Moines paper, as the Minnesota paper—

Senator KLOBUCHAR. Well—

Senator KERRY. How many aggregators would you have to negotiate with?

Mr. MORONEY. Well, I assume the—you'd start with Google and AOL and the Yahoo!, to begin with, and you would probably go to Amazon and some of the other e-reader developers, and—I'd have to think more through it, but that would be a good start.

Senator KLOBUCHAR. Mr. Coll, do you want to comment? You've been kind of quiet over there.

Mr. COLL. Well, I don't—

Senator KLOBUCHAR. On this idea of negotiation and the antitrust exemption as—

Mr. COLL. I honestly don't have a view about the antitrust exemption, but I would offer a little bit of historical perspective about the newspaper industry's collective efforts to deal with the rise of the Internet.

I was present at some of that when I was managing editor of *The Washington Post* between 1998 and 2005, and the industry did attempt to collaborate to defend classified advertising through classified ventures online. It did at—through the AP cooperative, wrestle with the challenge of the rise of online news, and it failed. It failed again and again to anticipate and to manage the challenge of the World Wide Web. And it was very frustrating, in those early years, to argue that the AP, for example, should be careful about selling proprietary content by its cooperative members for subscription to rising online publishers without considering what this might do to the business model.

And so, I'm—I have no objection if the newspaper industry is finally able to corral the intellectual property that it managed so poorly, in my opinion, during those years. But, I'm not optimistic that this is going to provide the solution to the question that you've been asking, and Senator McCaskill and Senator Kerry earlier, which I think is critical, which is, Where is the public interest in this crisis? And the public interest is not located in the business competition between big, well-funded corporations. The public interest is located in the reporting on public matters, on government, on private power, on public institutions, on international affairs, particularly at the local level.

And we're in a period of transition, and, while I don't share Ms. Huffington's optimism about citizen journalism and fact-based opinion, I applaud her innovation, and I hope that she proves me wrong. We're in a period of experimentation, a period of transition. The question is, How do you protect the public interest during this transition? And I think you've surfaced a lot of possibilities. I think there is a kind of civic-marketplace function, as well as an actual marketplace function, that will sort out some of the answers over the next 5 to 10 years.

But, I just wanted to add one element to the discussion about how you get those reporters into the police stations and how you get them into the zoning hearings and account—watching the mayors and the governments that are administering a public trust over the next 5 to 10, 15 years. We have an infrastructure in this country, in public broadcasting, that is embedded in every one of these communities. Now, none of—no single solution is the answer, but in the mix of solutions that includes small experiments funded by foundations like *MinnPost* and *Voice of San Diego*, which are terrific and important—I hope they flourish—and *Huffington Post* investments in investigative reporting—I applaud them, I hope they flourish—but, we already have a nationally distributed public broadcasting infrastructure that could be revitalized and adapted to send reporters down to local and State government and sustain some of the civil-service-modeled professional reporting that is what we all think we're in danger of losing, and which is where public interest lies.

So, I just—I wanted just to add that thought in. It complements, in my view, all of these other approaches, but its absence in the discourse worried me, because I do think it's a opportunity where the—this—the wiring is already there, you just have to go to work on reform and revitalization.

Senator KLOBUCHAR. OK. Last word for—

Mr. SIMON. I'd also——

Senator KLOBUCHAR.—Mr.——

Mr. SIMON.—like to second that. And this is where I'm going to have to part company with Mr. Moroney. I have no faith that if a new revenue stream were established and newspapers began to thrive again, that the chain journalism that was not locally based, that was not committed within the communities that it was covering, that was basically a creature of Wall Street and of the profit margin—I have no faith that that new revenue stream would not be cannibalized into CEO salaries and the price per share, and it would not be transformed into new reporters, new hires, better coverage.

You know, the reason we all pay \$50, \$60 a month now for our television, which used to be free, is that the content expanded and became more complex and more sophisticated. And we're willing to lay out money for something which was free for 30 years. Newspapers actually shrunk prior to the arrival of the Internet, and they did so because they were not nonprofit. They were—the public's interest and the public—the public interest, in their essence, was not the priority.

So, I am absolutely with Mr. Coll on this—you know, to the extent that the nonprofit model can be brought to bear, that probably is the only future that's going to get you there.

Senator KERRY. Senator Nelson?

**STATEMENT OF HON. BILL NELSON,
U.S. SENATOR FROM FLORIDA**

Senator BILL NELSON. Thank you, Mr. Chairman. And thank you for having this hearing.

And I apologize for being late. I've been in a highly classified hearing, which I had to chair, and I apologize to the panel and thank you for your contributions.

I particularly think that what is in the public interest is to have unfettered freedom of the press and all that that brings to a democracy. And since I have here in front of us, not only one of my personal friends, but one of, I think, the most sage observers of America and its trends, I want to posit a situation where we will be in 10 years, and you tell me, Mr. Ibargüen, whether or not you think that the public interest will be served.

We will have only a few newspapers that are actually printed in 10 years, perhaps one like *The New York Times*. It will also be online, and it will be charged online. That local newspapers, printed, will be a thing of the past, and they will be online versions. How they will be financed, I can't say at this point, but, in addition to the local newspaper, which may have gone out of business or may have a remnant of an online version, there will be other local venues that will come up online, offering news. That this diminished capacity will lessen the number of students in journalism school, and that, for—that the entertainment kind of news will continue to proliferate on the cable television stations. Is that where we're going to be in 10 years?

Mr. IBARGÜEN. Well, first of all, I'm flattered by your recognition of our friendship. I don't accept the mantle of "wise man," however, I appreciate it.

I don't know, Senator, where we are in 10 years, but, in the scenario that you describe, I don't think we're better off. I'm not sure that that's the scenario that we actually get to, though.

The discussion that we've had today—and I think Steve and I have not participated in it because it's been a discussion about the preservation of a business. The thrust of our presentation here today was to suggest to the Committee that an appropriate Congressional activity ought to be looking forward. That's said with some pain, because, as a former publisher, I lived through many of the things that have been described here.

But, I go back to what I said before, "if the fans don't want to come to the ballpark, nobody can stop them." I think there is an inevitability about the use of digital media so that the kind of focus that we had on the existing business of newspapers honestly doesn't seem to me to be very productive.

I do agree that there should be inquiry into whether you can preserve the intellectual property. I think whatever you can do to extend the life of these organizations—of these organizations, meaning the newsroom, I think is probably a good thing. But, I don't think that's where we're going. And I think in 10 years, this is going to feel like a reasonably anachronistic kind of conversation.

I think we need to look at enabling all Americans to have access. I think we need to look at figuring out what the models are going to be on the new media that are going to be able to pay for the kind of journalism that we'll require.

Maybe, as I listened to Mr. Moroney, maybe you need to allow newspapers to negotiate all together, or at least to negotiate—well, I guess the first thing you'd have to do is to get the AP not to sell the content, which they've been doing for quite a long time, in representation of their members, who are all newspapers. But, I don't know how you—even if you did something like that—how you then would answer Mr. Simon's concern about local, because, in the end, maybe not in Mr. Moroney's company, but certainly the other publicly held companies are accountable to institutional shareholders, they're not accountable—never mind to the original families that may have started them; the pressure is from institutional shareholders who not only don't care, but cannot care. They have a different kind of responsibility.

In a very local operation, you have a different view of your responsibility to the community, and that's actually one of the reasons why I said in my statement that I thought the idea—I don't know that it's necessarily nonprofit, maybe it should be some sort of hybrid, but the idea of a local, mission-driven organization that is community-based, that is dedicated to that community first and to profit second, has, it seems to me, a great deal of appeal. But, I don't think that's necessarily going to happen, by some of the things that we've heard today.

I wish I could tell you a quick answer to a 10-year scenario, but I don't think that a scenario based on watching cable reruns is a really good civic model.

Senator BILL NELSON. And if you had that local model dedicated to the news, then presumably you would have the resources to do investigative journalism at the local level.

Mr. IBARGÜEN. Well, and that's the big presumption. I don't know that—I don't know that you can make that presumption. I remember when I was publisher of the *Miami Herald*, asking the fellow who was the head of Comcast for South Florida, and I told him, "I think what I need to figure out is how I become a utility, just like you have." If you could figure that out—I mean, I don't know if you have, but if you could figure that out, then that would provide a way of paying for these things.

I mean, Macy's and classified advertisers didn't particularly care. And I shouldn't use any brand name, but department stores and classified advertisers were not especially interested in our foreign bureaus in Latin America. They paid, because they got value. When they stopped getting value or when they got better value or more efficient value someplace else, they moved someplace else. So, I don't think you can assume that they would necessarily continue with the paper.

But, if you could combine that in some fashion so that there is the feeling of a utility, like a cable operation, then you'd have enough revenue, in general, to support it. *The Washington Post* is famously able to do a lot of what they do because of Kaplan Educational Services, a different kind of business that throws off a lot of money within the same company.

Senator BILL NELSON. May I say, Mr. Chairman, just in conclusion—and thank you, again, for being visionary yourself in holding a hearing like this—I, as an observer, to see this thing fast changing in front of our eyes on a daily basis, I get so concerned, because I see local newspapers that are becoming thinner and thinner and thinner, and, as a result, to attract readers, get more sensationalistic in their reporting, as opposed to what we think of as gumshoe investigative reporting. Likewise, you and I most often each night don't get home until a quarter of 8, 8, and I want to turn on the TV—

Senator KERRY. How do you get home so early?

[Laughter.]

Senator BILL NELSON.—and I want to get a quick summary of the news, because we've been doing this all day. And I turn it on, and it's a bunch of shouting at each other on the cables. And I literally have gotten to where I turn it off. And I don't think this is serving—if it's having a negative reaction in me, someone who absolutely lives on this stuff, then just think what it's doing to the casual observer.

Thank you, Mr. Chairman.

Senator KERRY. Well, thank you for that observation, Senator. I agree with you completely.

I think—before we wrap up, here, let me just ask a couple of quick questions, and then we will wrap up. You've all been very, very patient. It's been a long hearing.

Mr. Ibargüen and then Mr. Coll, I want to make sure you leave us with your sense of what the priorities are that you think the Committee rightfully might consider here that would make a difference. I mean, what has come out, to each of you, in terms of looking to the future and preserving the larger interests that you've expressed?

Mr. Coll?

Mr. COLL. Well, I think the totality of the questions and discussion has answered that important question by describing where the priorities lie. They lie in creating pathways to sustain independent public-minded reporting, particularly at the local and municipal level, but also at the State level, and with, also, cognizance of the potential loss of American-originated reporting from abroad at a time that the United States is making large and risky investments around the world. So, that's the mission.

And I think the other thing that's come out from the hearing in totality is that there's no one way there, it's going to have to be all in, including trying to facilitate the kind of innovation in entrepreneurship that's represented at the table, including reviewing every instrument that's available to preserve the newsrooms that are contracting at newspapers primarily, creating support for philanthropic innovation of the sort that the Knight Foundation represents, but also, I think, taking a hard look at the infrastructure that already exists with the public service mission, and not just accepting its role, but looking to reform and revitalize it purposefully, with this set of priorities in mind. And I think that may take some time to get it right, but there is an opportunity that could have a lasting impact on a whole generation of American public life there, I believe.

Senator KERRY. I would agree with that.

Mr. Ibargüen?

Mr. IBARGÜEN. Well, I would second what Steve just said. I've—this is a time for experimentation, and, to the extent that government, through intermediaries—because you don't want to be in the position of being the direct funder, I think, for First Amendment kinds of reasons—but, government supporting innovation, government promoting the evolution of Public Media 2.0, and absolutely pushing as hard as possible for universal digital access, affordable digital access for all Americans.

All that said, I think the discussion today, which was primarily about the newspaper business, shows just how difficult it really is. But, I think it's worthy of your attention. I think if you could actually cause to happen—I don't know whether the lunch that you seem to be setting up between Google and newspapers is actually where it's going to happen, but I think if you could cause those two forces to come together in a way that allows for the preservation of the kind of journalism that we all respect, I think that would be a very good thing.

Senator KERRY. Ms. Huffington?

Ms. HUFFINGTON. Senator Kerry, first of all, since there was so much emphasis here today on local coverage, it's really urgently important to look at the fact that 27 states no longer have a reporter covering the congressional delegation here, so updating the credentialing process, I would say is really important. And we heard here about a lot of good work being done by sites like *Voice of San Diego* or *MinnPost*, that, under the current credentialing rules, would not be allowed to have someone here.

And one last thing. I really appreciated Mr. Coll's distinction between newspapers surviving as a business and the public good, because these are two very different concerns. And I can completely empathize with newspapers wanting to survive as a business, but

I don't think that's where the government needs to come in, especially since if you look at, for example, the latest earnings report by *The New York Times*, you see that while they've asked the guild to take a 5-percent cut, while they demanded that columnists, who don't belong in the guild, take a 5-percent cut, which they've already taken, they have given bonuses to senior management of the kind that is very offensive to those who claim that it's all about reporters producing content.

And that is related, also, to the other problem with contemporary journalism, which is how much it has been driven by access. Which is why I would love to provide you with a list of sites that are covering the economic meltdown in a way that is very significant, which are not attached to newspapers, but which don't have to deal with the problems that come with access, which often mean that business magazines and newspapers that cover Wall Street have not been as good, either at predicting the meltdown or at covering, right now, what is happening.

Senator KERRY. Well said. And I think it's a good segue into closing out the hearing in this way. I said, at the opening of the hearing, that we came here, you know, without a specific, sort of, legislative agenda, but with an agenda, with respect to our responsibilities to the country, in terms of our oversight of television, obviously, broadcasts, but also print media and the rules we have made with respect to cross-ownership and other things. And all of those things happen for the simple reason that we have always guarded the—not just the First Amendment rights, which you alluded to earlier, but the criticality, the importance of the free flow of information, of people being able to hold us accountable, corporations, special interests, others in the process. It's accountable only to other degree that there's sunshine and sunlight on it.

And I quoted Paul Starr and his *Columbia Journal Review*, at the beginning, about how newspapers have always been the eyes on the State and the check into our lives.

Now, that, let me emphasize—and I think Ms. Huffington just said this—we certainly don't have a right to come here and have some vested interest in keeping a newspaper, *per se*, as a business, alive because that's the way it's always been. And we have to not think about this locked into a sort of pattern of thinking because that's the way it's always been. That's—life changes, and the marketplace changes, business models change. And we're seeing that with enormous upheaval in green energy, in alternative energy, in different demands on automobiles, Detroit, what's taking place, not to mention what we've gone through in the last 25 years with globalization and the transformation of the marketplace.

I suspect this is probably no different, in a lot of ways, but I want to guarantee that it doesn't leave behind that precious difference that we have in our country from almost every other place on the planet, and that is that unbelievable ability of a couple of beat reporters on the police beat in Washington to hold a President of the United States accountable for a crime. That was local reporting that translated into something national.

Now, that is not to say that you're not going to fill this void. And I think we have to be very, very careful here not to get involved in a way that—you know, we've always had this winners-and-losers

debate around here—we have to be very careful that, whatever we decide to do, if anything, is strictly in keeping with this larger public interest. That’s what brings us to the table.

Americans are increasingly—have more information available, but it doesn’t mean that they’re processing it or that they actually access it all, or that it becomes part of our national dialogue. And I think this is an increasing challenge to all of us. It is harder and harder to build consensus around any issue in this country. And it is harder and harder to separate fact from opinionated something and so forth. And there are less entities to create accountability nowadays, for whatever reasons.

Hopefully, this transformation is going to see that emerge, and it may be that there’ll be a corps of citizen reporters and other kinds of ways and means by which that’s going to happen. I don’t see it yet, I will tell you. I see a sort of cacophony without standards and a conglomeration of different sources and—but, I see more and more people operating in public life with snippets, and I think that’s dangerous. I don’t have a complete answer to it, but I think it’s dangerous, and we’ve got to think about, sort of, where and how this plays out.

Some of what’s appearing is very partisan, and some of the sites adopt—you know, attract people by virtue of their partisanship, not by virtue of their provision of neutral, sort of, fact-based news or people—I mean, I suppose any entity has its biases, and people draw their distinctions and they learn how to do that. But, some of them are, you know, very clearly in one place or another, and the only people who go to them are people who already have that affinity.

So, we need to encourage—you know, we want to have a standard, we want the professionalism, we want experience, we want all those virtues to somehow rise to the surface in this process. It may well be that Ms. Huffington has created the new model and that, as it grows, it’s going to provide more of this standard and more of these professionals, and more of a sort of structure, as we’ve known it. I don’t know the answer to that.

But, this is worth our, sort of, thinking through more. This is a first conversation, a first brush with it all. And I hope it elicits further commentary from people, and input.

We’re going to keep the record of the Committee open for a week, for the purpose of other colleagues being able to submit questions, if they want to.

Senator KERRY. And I think we will absolutely continue the conversation with the Rules Committee with respect to the accreditation. I think that’s a very important way to augment this accountability, certainly in terms of the national scene.

We’ve still got to think about what’s going to happen and how we’re going to fund and how we’re going to keep what happens in States and in localities, because I think it’s going to take a while for this new model to fill that. And, you know, in 2, 3, 10 years, who knows what happens in that vacuum. I hope Mr. Simon isn’t correct, you know, that it’s an opportunity for, you know, nefarious efforts, but we’ll see what happens.

Did anybody want to ask anybody on the panel anything, or say anything that was unsaid, at this point? I think we've had a good discussion.

Senator Nelson, anything else?

We thank you very much for joining us today, and we stand adjourned.

[Whereupon, at 6:03 p.m., the hearing was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF HON. JOHN D. ROCKEFELLER IV,
U.S. SENATOR FROM WEST VIRGINIA

For centuries, journalism has been a pillar of our democracy and a watchdog the public relies on. Newspapers and broadcasters have been a check on the excesses of government, business and individuals. When investigatory journalists have uncovered truths and scandals, their work has often brought people together, motivated the public to be guided by our better angels, and push for change. But more than that, on a daily basis, dedicated reporters work around the clock to filter the news gems from the dross, and provide us with the knowledge we need to conduct our lives as well-informed citizens. Put simply, good journalism is vital to our democracy.

But what happens when our watchdog grows mute and can no longer bark? When newspapers, slice their staff and slash their news operations? What happens is that we all suffer.

The numbers alone tell a chilling story. During roughly the last 6 months, daily newspaper circulation has declined 7 percent. During roughly the past year, media companies have cut a heartbreaking 41,000 jobs. The inevitable result is less reporting, less news, and less coverage of our communities and interests at home and abroad.

From these facts we can infer that the newsgathering model that served us so well in the past is now in trouble. The future of journalism is digital. We are fast migrating from a world where news is cranked out daily over a regional printing press to one where news is distributed digitally over the infinite networks of the Internet. There is much to celebrate and explore in this change—access to an endless array of ideas and opinion and minute-by-minute updates on newsworthy events—but there is also cause for concern.

In this new evolving world, trusted sources, adhering to the fact-checking mores of traditional journalism, are often too few and far between. The important and time-consuming work of investigative reporting may lack the institutional support it needs to thrive. Uneven access to the Internet in some communities is a trouble that needs to be addressed. And then there are the unquantifiable losses. The daily promise of unfolding a newspaper, rustling its pages, and letting your eye dance across the page and survey its offerings is a pleasure, I fear, our next generation will not know.

In the near term, we must seek ways to make sure that our existing news entities find a firmer financial footing. In the long term, however, we face more fundamental concerns. From the very beginning our approach to media policy has been informed by a set of core values—encouraging competition, ensuring a diversity of voices, and fostering localism. Despite the changes all around us, I believe we should strive to make sure that these values continue to inspire our media policy in the digital age.

The dialogue only begins with today's hearing. We are undoubtedly in a transformational period for the newsgathering business. Though the challenges before us are many, sustaining quality journalism is a cause that is worth the fight. By working together we can bring focus to the difficulties news entities are facing and identify ways to make sure that the future of good journalism is as bright as its past.

PREPARED STATEMENT OF CARL SHAPIRO, DEPUTY ASSISTANT ATTORNEY GENERAL
FOR ECONOMICS, ANTITRUST DIVISION, U.S. DEPARTMENT OF JUSTICE

I appreciate the opportunity to submit a written statement to the Committee on behalf of the Department of Justice, to discuss the future of journalism, the challenges facing the newspapers, and the important role of antitrust in protecting and preserving competition during these troubled times.

I was recently appointed as Deputy Assistant Attorney General for Economics in the Antitrust Division; I previously held this same position during 1995–1996. I

have been a Professor of Business and Economics at the Haas School of Business at the University of California at Berkeley since 1990.

I am an economist who has been studying competition, antitrust, and competitive strategy, for over thirty years. One strand of my research and applied work has focused on the antitrust treatment of mergers between competitors. Another strand has focused on the competitive strategies of firms in markets that have been transformed by information technology. As the title of this session indicates, with the advent of new technologies and the proliferation of online content, the newspaper business is entering a new age.

During the course of our Nation's history, newspapers have been considered the keystone to the proper functioning of our democracy. An informed electorate helps to ensure a responsive government of the people, by the people, and for the people. However, over the years the newspaper industry has not been static; rather, it has faced various pressures from new technologies and changing tastes. Within my lifetime, it was common for many communities to have at least two daily newspapers: a morning paper and an afternoon paper. With changes in American lifestyles and the ways in which information is shared and transmitted, afternoon papers generally were eclipsed by morning papers. In response, seeking to preserve independent voices in the community, Congress passed the Newspaper Preservation Act in 1970, which I will discuss below.

Today, newspapers are once again facing significant pressures, most notably from the current sharp recession on top of the challenge posed by the Internet. Newspapers are experiencing a painful and ongoing decline in circulation and advertising revenues. According to the Newspaper Association of America, weekday newspaper circulation declined from 55.2 million in 2002 to 50.7 million in 2007, an 8 percent drop, and this was before the onset of the current recession. Similarly, total print advertising decreased from \$44.9 billion in 2003 to \$34.7 billion in 2008, a 23 percent decline. Newspaper revenues from classified advertising has been declining much faster, dropping from \$15.8 billion in 2003 to \$10.0 billion in 2008, a 37 percent decline. For many newspapers, declining revenues have been accompanied by heavy debt incurred by owners of newspapers before the current economic challenges. As a result, the continued viability of many newspapers has been put in serious doubt.

How does antitrust enter into this rather gloomy picture? While newspapers have served as a keystone to democracy, for over a century sound competition policy has been the cornerstone of our Nation's economic foundation. Vigorous antitrust enforcement promotes and protects a robust free-market economy, thus harnessing the power of competition to pressure businesses to lower their costs, improve their products, and generally find ways to better serve consumers in order to stay in business. Ensuring that anticompetitive agreements, exclusionary conduct, and mergers do not distort market outcomes has helped American consumers obtain more innovative and high-quality goods and services at lower prices. For this reason, antitrust enforcement has rightly enjoyed substantial bipartisan support through the years, and this support has in turn greatly enhanced the effectiveness of antitrust enforcement.

Antitrust is critical to ensure that the public obtains the full benefits of competition. This is especially true in industries experiencing technological change, where competition spurs innovation, including innovative business strategies and business models. In the newspaper industry, major changes are taking place in terms of the creation and distribution of content and in terms of the business models adopted by those who incur the costs necessary to create content, especially content that is relatively costly to provide, such as investigative journalism. A wide-ranging and healthy debate is taking place about the future of the newspaper industry, with different participants adopting different strategies for survival and success. Among the many possibilities being considered are new revenue models for traditional newspapers, user-supplied online content including blogs, open-source approaches like wikis, crowd-sourcing, and non-profit news organizations. This is the essence of the competitive process that the Division is dedicated to protecting.

Congress passed the Newspaper Preservation Act in 1970. 15 U.S.C. § 1801. The opening sentence of the NPA articulates the "public interest of maintaining a newspaper press editorially and reportorially independent and competitive in all parts of the United States." The NPA exempts from antitrust liability certain types of joint newspaper operations, so long as two or more newspapers (owned or controlled by two or more owners) remain in a given locale, and so long as these newspapers maintain separate staffs and independent editorial policies. 15 U.S.C. §§ 1802–1803. However, the NPA does not grant an unlimited antitrust exemption. It expressly states that antitrust immunity shall not apply to any joint operating arrangement ("JOA") or party thereto "[e]xcept as provided in this chapter" and it specifically

enumerates those activities on which JOA newspapers are permitted to collaborate. 15 U.S.C. § 1803 (c). Thus, for example, there is nothing in the text or the legislative history of the NPA suggesting that Congress intended to immunize the acquisition by one JOA partner of the other partner's newspaper. Indeed, that would be directly contrary to Congress's goal of ensuring independent and competitive editorial and reportorial voices.

In reviewing mergers, the Antitrust Division applies Section 7 of the Clayton Act, which prohibits the acquisition of stock or assets "where in any line of commerce or in any activity affecting commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly." Section 7 reflects the Congressional judgment that merger enforcement should be able to arrest anticompetitive transactions in their incipency, to forestall the harm that would otherwise ensue but be difficult to undo. Thus, merger enforcement standards are forward looking and, while we often consider historic performance in an industry, the primary focus is to determine the likely future competitive effects of a proposed merger.

The Division, and the Federal Trade Commission, with which we share merger enforcement authority generally, have jointly developed Merger Guidelines that describe the inquiry the agencies will follow in analyzing mergers. "The unifying theme of the Guidelines is that mergers should not be permitted to create or enhance market power or to facilitate its exercise." Merger Guidelines 0.1.

There are a variety of issues the Division grapples with in analyzing the facts of any newspaper merger. For example, besides the two local daily newspapers seeking to merge, there may be a national daily newspaper and a local community weekly available in a particular community. The Division needs to collect and examine the facts to determine whether these offerings are sufficiently competitive with each other, both for advertisers and readers. If a significant number of readers highly value yesterday's sports scores, for example, a community weekly is not likely to be considered a viable competitive option for a daily for these readers. At the same time, if many readers highly value information regarding local issues, such as a local school board vote or policy, a national daily is not likely to be considered a viable competitive option for those readers. We ask similar questions with regard to advertisers.

We also take into account the fact that newspapers generally receive revenues from both subscribers and advertisers. Since advertisers are willing to pay more to appear in a newspaper with more readers, newspapers, like other media, have an additional incentive to attract subscribers. If advertising revenues decline, newspapers may have an incentive to raise their subscription prices. Competition with another newspaper can prevent such increases of subscription prices, especially as regards traditional readers who are in the habit of reading a local daily newspaper, to the benefit of the reading public.

Ultimately, following Section 7 and our Guidelines, our analysis of a proposed merger of two local daily newspapers will depend upon the extent to which subscribers and advertisers would shift to other media in response to a price increase. Measuring substitution patterns of this type requires a detailed, fact-intensive inquiry. As technology advances, and as demographics shift, that inquiry could lead to a different result in the future than it would have in the past, in a given locale. Newspapers are hardly unique in this respect. Technological change and shifting consumer preferences over a period of decades have altered the competitive landscape in other media as well; for example, in video programming, some consumers have shifted over time from broadcast television to basic and pay cable television as well as direct broadcast satellite.

In past newspaper merger investigations, the Division has performed a factual analysis to determine whether other media outlets, such as radio, television, and new media, are in the same relevant market as local daily newspapers. In those past investigations, we have found sufficiently strong competition among local daily newspapers to define these products as a relevant market. These conclusions are perfectly consistent with the observation that newspapers have been losing subscription and advertising revenues to other media. A relevant market consists of products that could profitably be monopolized; some degree of competition across market boundaries is the norm. But changes in technology, and in consumer preferences for their sources for news and entertainment, may well make it possible that the facts surrounding a particular future merger or acquisition involving two local newspapers could lead us to conclude that consumers' preferences are such that other media outlets provide a sufficient competitive constraint to alleviate concerns raised by that merger.

Even if we find that local daily newspapers form a relevant antitrust market, that conclusion certainly does not end the analysis. Before concluding that a merger be-

tween the two remaining local daily newspapers in a given community should be enjoined, we still need to investigate further to determine if the merger will significantly harm competition. The Division is in general receptive to the argument that a proposed merger generates sufficient synergies to benefit consumers, notwithstanding the resulting loss of competition. That receptivity certainly applies to newspaper mergers.

Especially in today's economic environment, we may be faced with the contention that the newspaper being acquired is a failing firm and thus the merger should be allowed to proceed. In that case, we would analyze the extent to which the assets of the weaker local newspaper, including reporting staff, innovative features, or other valuable attributes of the paper, would exit the market if not acquired by the stronger local newspaper, or whether they could go to other competitors, or support a new competitor.

The Division has considerable experience evaluating claims by merging parties that one of them qualifies for the failing firm defense. Strict requirements must be met for that defense to be invoked, and rightly so. For a free market economy to work to harness the power of competition, rivals must not be able to short-circuit the competitive process, to the detriment of consumers, unless the alternative is imminent exit, which would also involve a loss of competition. Unfortunately, this type of "tough love" may come into play with increasing frequency during the current economic challenges, simply because we are likely to see an uptick in the number of mergers in which the acquiring firm asserts that the acquired firm (or division) is failing.

Newspapers play a vital role in our society. The Antitrust Division continues to work to protect competition in the newspaper industry. We believe that antitrust analysis is forward-looking and flexible enough to take into consideration the economic and technological pressures facing newspapers as we continue to make market-by-market and case-by-case factual determinations pursuant to the antitrust laws. Vigorous antitrust enforcement will guarantee that this important industry will be as competitive as possible, and that American consumers will have available to them more, rather than fewer, options for getting news and information.

PREPARED STATEMENT OF GEORGE TEDESCHI, PRESIDENT, GRAPHIC COMMUNICATIONS
CONFERENCE, INTERNATIONAL BROTHERHOOD OF TEAMSTERS

On behalf of the International Brotherhood of Teamsters (IBT), I am pleased to submit this statement for the record. The membership of the Teamsters remains one of the most diverse in the world—there are 1.4 million members in a wide range of sectors, including the newspaper industry. There are nearly 1,900 Teamster affiliates throughout the U.S., Canada, and Puerto Rico. In the newspaper industry, the Teamsters represent nearly 30,000 workers through the Graphic Communications Conference and the Newspaper Drivers Conference.

Our members include workers both in production and delivery, as well as reporters. It is an understatement to say that we support a viable newspaper industry and measures that would help this struggling sector. For example, we represent workers employed at well-known newspapers in major metropolitan areas that have either filed for or face bankruptcy, such as the *Chicago Tribune* and *The New York Times*. Both of these newspapers date back to the 1800s and the possibility of two major cities without a viable newspaper is troublesome, not only for our workers but for civic engagement and democracy. We also represent workers at institutions such as *The Boston Globe*, *Minneapolis Star-Tribune*, and the *Cleveland Plain Dealer*.

We recognize that the country has shifted technologically with the Internet and Web-based search engines, blogs, and other form of media; however, we also recognize discrepancies in how advertising revenues are distributed in the print media, which creates an uneven playing field for newspapers and the workers they employ.

In this digital age, we must figure out how to maintain the vast amount of news and information we receive coupled with how we pay those who create the content. Web companies, such as Google, are able to utilize search engines, aggregate information, and then charge advertising dollars, while newspapers from which the content is derived receive no revenues from this.

This practice dates back to what we call the "fair use" doctrine, which allows the limited use of copyrighted material without permission from the owner. The unintended consequence in the digital age has been the shift of advertising revenue from newspapers to search engines with little going to the content providers. In 2008, Google's annual revenue totaled \$21.7 billion, while the newspaper industry lost advertising revenue, going from \$47 billion in 2005 to nearly \$36 billion in 2009.

While we applaud innovation and Google's business model has been a success, we recognize the shift in advertising revenue, and believe there must be some way to address this for the preservation of the newspaper industry short of a bailout. We also recognize that the newspaper industry must re-examine its business model. That model, based primarily on circulation and advertising revenue, no longer works.

However, there can be another approach in how the revenue is shared and distributed. For instance, content aggregators such as LexisNexis, a popular service, pay royalties to use content. Congress can examine this approach. However, time is of the essence, and we hope that Congress can work with the newspaper industry on viable options for its future.

Many newspapers have instituted staff cuts, wage freezes, and other cost reductions in order to remain viable. Our own members have also made sacrifices. We support the concept of legislation that would treat newspapers as tax-exempt organizations under the tax code.

Legislation introduced by Senator Ben Cardin (D-MD), S. 673, the Newspaper Revitalization Act, would exempt the advertising income of a tax-exempt newspaper corporation or organization from taxation as unrelated business income and would also allow a charitable tax deduction for contributions to newspaper organizations. The measure is designed to protect newspapers serving local communities. We believe this offers an immediate solution to a long-term problem, while the issue of fair use is dealt with among many stakeholders. Congress may also want to re-examine anti-trust laws governing the industry, so that newspapers can collaborate on ways to preserve and protect their content.

Thank you for the opportunity to submit this testimony.

PREPARED STATEMENT OF THE NATIONAL NEWSPAPER ASSOCIATION (NNA) BY JOHN W. STEVENSON, PUBLISHER, THE RANDOLPH LEADER, AND NNA PRESIDENT, 2008–09 AND REED ANFINSON, PUBLISHER, SWIFT COUNTY MONITOR-NEWS, AND NNA GOVERNMENT RELATIONS CHAIR, 2008–09

Mr. Chairman and Members of the Committee, National Newspaper Association appreciates the interest of the Subcommittee in the future of journalism. NNA attended the Committee's May 6 hearing and found the questions of the Members provocative and thoughtful. One major missing element in the hearing, however, was the role of the community newspaper in supporting American journalism. Therefore, on behalf of NNA's 2,500 community newspapers across America, we would like to provide supplemental views for the record.

First, we want the Subcommittee to understand that newspapers in America are not dead.

Attached to this testimony is a map of NNA's membership. Represented on this map are hundreds of small daily, weekly, semi-weekly and tri-weekly newspapers that cover America's small towns, suburbs, inner city and niche markets. (By some counts, there may be eight thousand or more weekly newspapers in the country, but definitions of "newspaper" differ, and some may be basically editions of one main title.)

As publishers of two of these newspapers—which are 117 and 124 years old respectively, we find ourselves borrowing from former newspaper reporter Mark Twain, "reports of our death are exaggerated." We are concerned that perceptions of the death of newspapers are misleading Americans to believe our own quite successful newspapers are no longer viable.

In fact, most of America's newspapers are closer to the sizes of our community papers than to the respected *Boston Globe*, *Seattle Post-Intelligencer* (now only online), or the late *Rocky Mountain News*. We are all affected by the economic downturn in America—principally by the decline in real estate and automotive advertising—but some of us had our best years ever in 2008. We are now sustaining our businesses in the throes of the recession and preparing for better times ahead.

Second, while the typical NNA member newspaper has a well-used website and business strategies for these sites, our newspapers are not being put out of business by the Internet. Readership surveys in 2008 of community newspaper markets by Belden Associates found that:

- 86 percent of adults over the age of 18 read a newspaper every week.
- 75 percent of those readers read most or all of their paper.
- On average, readers spend 45 minutes reading an issue of their paper, compared to 42 minutes from the 2007 survey, and 38 minutes in the 2005 survey.

Third, the family-owned franchises whose passing was lamented by former reporter David Simon at your hearing are also still alive. We are most often found in America's community newspaper franchises. In fact, of NNA's 23-member board of directors, 14 represent family-owned newspapers. Several others are or have been executive managers for family-owned newspapers. We are typically in smaller communities, and our news is very, very local, at a time when local news is holding together the fragile economies of many of America's small towns and communities. At NNA's March 19–20, 2009, Government Affairs Conference, NNA celebrated the emergence of the next generation of owners as we watched our sons, daughters, grandsons and granddaughters present to Members of Congress their intent to inherit and operate the family business.

Finally, the local journalism that witness Alberto Ibargüen of the Knight Foundation believes may be rediscovered only in non-profit supported enterprises, and Arianna Huffington of the *Huffington Post* hopes to gather from volunteer reporters is going on, daily and weekly, from within the professional ranks of our newspapers. Our journalists regularly cover the school board, high school athletics, city council news, the chicken dinners at local nonprofits and, yes, even the zoning board.

We speak out now for two reasons.

1. As Congress laments the decline of metropolitan newspapers, it could affect our own futures, if the nature and breadth of the threats to journalism here are not understood. A perception can become a reality if it is not combated with the truth. There have been many forces that led to the demise of some beloved metropolitan newspapers and with our industry, we mourn their losses. But some of the factors that have nothing to do with the Internet—including assumption of excessive debt in the alluring era of low interest rates, loss of mass market retailer advertising as the likes of Federated Department Stores consolidated and shuttered stores, and the pure size and weight of metro papers trying in vain to cover sprawling suburbs—are factors that are now in our rear view mirrors. Congress can do little about them now. We do not wish Congress to undertake a “rescue” of newspaper journalism without a thorough understanding of its nature and provenance. Congress could do more harm than good unless it keeps in mind the businesses that are very much alive and, if not well in this economy, committed to slugging through this recession and keeping our focus on sound journalism and its principles. While NNA has taken no position on the prospect of relaxing antitrust laws to permit the larger newspapers to negotiate in consortia with Internet aggregators, we would be concerned if the redefinitions of relevant markets, or the scope or length of antitrust exemptions led to competitive disadvantages for existing, healthy community newspapers.
2. There are things Congress can do, and should do, if it wants to keep community journalism alive, even as continuous exploration for Internet business models goes on. These are some of the issues NNA addresses daily through its Congressional Action Team and its Washington office. Our members are willing and able to meet with any member of your subcommittee at your request to discuss the positive tools in the hands of this Congress for supporting newspapers that provide the journalism that, as Chairman Kerry said, enable our democracy.

a. *Reliable 6-day mail delivery and affordable postal rates* are at the top of our list, as the U.S. Postal Service contemplates serious financial strains. Most of our newspapers are delivered through the mail, and more small dailies are abandoning their own carrier forces for the mail each year. NNA supports a proposal that we believe to be forthcoming from the Senate Homeland Security and Governmental Affairs Committee to recalculate the aggressive pre-funding of postal retirees' health benefits. And we vigorously oppose a retreat to 5 day mail delivery. There is a newspaper delivered in the mail from Monday to Saturday every week in America. And cash payments delivered by USPS Monday through Saturday can be vital to the survival of a small business during tight times.

b. Family owners should be encouraged to keep their businesses in the family through *an exemption in the estate tax*. Without commenting on the ongoing discussion of the impact of this tax on small business generally, NNA has seen many good family papers end up in indifferent hands, mismanaged and bled of their commitments to local news. If we have heirs interested in this business, they should not be required to take on substantial mortgages to pay a 45 percent tax on an intangible asset.

c. Finally, we would like to call to your attention the important role of *government as advertiser*. Congress has recently watched the Federal Government blithely remove the public notices of asset forfeitures—usually carried

out by U.S. Attorneys or the Federal Marshals Service—from local newspapers. These are being published on a government website that cannot achieve the transparency and awareness that newspapers bring. According to the U.S. Census bureau's 2008 statistics, an average of 13 percent of Americans with Internet access visit a government website daily—and there are no available data on whether any of those are visiting the agency websites that seem to some in government to be cheaper than newspaper notices. We do not believe a newspaper public notice constitutes a government bailout, as the newspaper remains the best and most durable venue for this advertising. But if Congress wishes to direct revenue to newspapers going through tough transitions, this Federal spending would be one highly promising venture to explore. In addition, the government is a heavy advertiser for procurement, military recruits, Social Security benefit information, and other messages and services that could be directed to newspaper pages. We might also add that the senators' own campaign consultants might consider the value of coherent and informative messages available in newspaper ads.

The Subcommittee's inquiry into the future of journalism is welcome, and timely. We agree with your witnesses, and with many on your Subcommittee whose probing questions led to thoughtful answers that the future of journalism lies at the root of our sustained democratic government. While Congress must respect its traditional hands-off role in direct oversight of print journalism, it must also be aware of its power to influence the marketplace that supports this journalism. We welcome the Subcommittee's interest and stand ready to provide additional information if the Members or staff would find our assistance useful.

NATIONAL ASSOCIATION OF BROADCASTERS
Washington, DC, May 5, 2009

Hon. JOHN F. KERRY,
 Chairman,
 Senate Committee on Commerce, Science, and Transportation,
 Subcommittee on Communications, Technology and the Internet,
 Washington, DC.

Hon. JOHN ENSIGN,
 Ranking Member,
 Senate Committee on Commerce, Science, and Transportation,
 Subcommittee on Communications, Technology and the Internet,
 Washington, DC.

Re: HEARING ON "THE FUTURE OF JOURNALISM"

Dear Chairman Kerry and Ranking Member Ensign:

On behalf of the Nation's local broadcasters, I want to thank you for holding a hearing this week on the timely and important issue of the future of journalism. In light of the serious economic and other challenges currently facing America's electronic (as well as print) news organizations, Congress must be careful not to take any actions that would inadvertently undermine the ability of broadcast stations to serve their communities. In particular, Congress should avoid changes to the law that would threaten the viability of local stations by allowing the importation of duplicative programming from out-of-market television stations, or by imposing unnecessary burdens on the only locally licensed and oriented members of the electronic media.

Television and radio broadcasters provide a free, over-the-air service that reaches virtually every household in America, keeping local communities—your constituents—informed and connected. NAB's more than 8,300 member stations serve viewers and listeners throughout the country with entertainment and informational programming, including news and public affairs and vital emergency information. Television and radio stations are unique among electronic media, as they are the only outlets licensed to and focused on serving local listeners and viewers.

The transition to digital television and radio broadcasting is enabling local stations to improve their service to communities large and small. Stations are now able to offer multicast streams with additional diverse programming, including local news, sports and weather. Radio and television broadcasters are providing their programming to consumers over the Internet and are exploring ways to offer their programming via a range of mobile devices.

As representatives of the newspaper industry will also attest, competition in the 21st century digital media marketplace is relentless. Technological advancements and the explosion of media outlets have created an increasingly challenging economic environment for the production of quality news and information, especially local. The current economic crisis has only exacerbated the difficulties that broadcast stations face. Double-digit percentage declines in advertising revenue threaten to undermine the ability of television and radio stations to offer locally oriented services, including costly services such as local news.¹

Obviously, in today's very difficult economic environment, there should be no changes in law and regulation that would further undermine the financial viability of local broadcast outlets. In particular, Congress must take care not to approve changes in the law disrupting the current structure of the television marketplace by permitting the indiscriminate importation of duplicative programming from out-of-market stations.

Proposals have been made that would allow subscription television providers (such as satellite or cable) to bring into local markets programming from distant broadcast stations located in other television markets (called designated market areas or DMAs). The importation of duplicative national programming (including network and syndicated programming) from out-of-market broadcast television stations would undermine the local, home-market stations' ability to attract viewers and advertisers. As a result, local stations would have fewer resources to serve their communities and provide local programming, such as news, weather alerts and other emergency information, and additional public affairs content.² Such a radical restructuring of the local television marketplace is not only unnecessary, it would be devastating to the financial viability of local stations—and their capability to serve local viewers—particularly given current economic conditions.

As your hearing this week will doubtless demonstrate, the continued production of high-quality local news and information is increasingly difficult due to serious and growing competitive and financial challenges. Particularly in light of current marketplace conditions, Congress should refrain from making changes to existing law and policies—including rules impacting the structure of local television markets—that would harm the ability of local broadcast outlets to serve their audiences. Undercutting the economic foundation of local stations by permitting pay television providers to import indiscriminately duplicative national television programming would in the end harm communities that depend on local broadcasting.

If you have any further questions on these matters or any other issues affecting local radio and television stations, please let me know. NAB is ready to assist you and other members of the Subcommittee in its consideration of these important questions.

Best wishes,
Sincerely,

DAVID K. REHR,
President and CEO.

cc: Chairman John D. Rockefeller
Ranking Member Kay Bailey Hutchison

PREPARED STATEMENT OF BERNARD LUNZER, PRESIDENT, THE NEWSPAPER GUILD,
COMMUNICATIONS WORKERS OF AMERICA

The Newspaper Guild of the Communications Workers of America is deeply concerned about the crisis in American journalism. The loss of newspapers represents the loss of significant news organizations, and a steep drop in the number of jour-

¹NAB has shown, in detailed studies submitted to the Federal Communications Commission (FCC), that the costs of providing local news continue to rise, while the cash-flow and profits of a number of television stations decline, especially in medium and smaller markets. *See, e.g.,* NAB Comments in MB Docket No. 06-121 (Oct. 23, 2006), at 89-97 and Attachment J; NAB Reply Comments in MB Docket 06-121 (Jan. 16, 2007), at 60-70 and Attachment; Smith Geiger, *Newsroom Budgets in Midsize (51-100) and Small Markets (101-210)* (Dec. 2002), attached to NAB Comments in MB Docket No. 02-277 (Jan. 2, 2003). The FCC has expressly recognized that "the ability of local stations to compete successfully" in the video marketplace has been "meaningfully (and negatively) affected in mid-sized and smaller markets," in large part due to the more limited advertising revenues available in smaller markets. *Report and Order and Notice of Proposed Rulemaking*, MB Docket No. 02-277, 18 FCC Rcd 13620, 13698 (2003).

²NAB notes that subscription television providers are already able, under existing law, to import the local programming (such as news and sports) of stations in distant DMAs. Thus, pay television providers, for example, may import the local news of a station located in a state capitol (such as Sacramento, Austin or Richmond) into other television markets in those states, even if hundreds of miles away.

nalists. The net effect is a huge loss of information that normally feeds the news cycle across all platforms, including radio, television and the Internet. We have already seen a decline in investigative reporting, and an even steeper loss of local and government coverage.

We are embroiled in five bankruptcies of major newspaper companies. Most of these severe problems are due to over-leveraging—too much debt taken on by those who viewed the industry as an infallible cash machine. But the failure of U.S. markets, with rising unemployment and less advertising, has resulted in a precipitous drop in profitability. Even iconic companies like *The Washington Post* and *The New York Times*, which had been stable, are now facing serious problems.

With current market conditions, companies have been shedding staff at a dramatic rate. We have lost an estimated 10,000 journalists in just the past 2 years, and the erosion appears to be accelerating as publishers engage in a death spiral of job cuts, a shrinking product, loss of readers and ever thinner revenue streams.

There is no question that the Internet has contributed significantly to the problems facing journalists and the newspapers for which they work. Although the amount of revenue earned via Internet advertising has grown, it remains at roughly 10 percent of print revenues. We are left with a quandary of how to pay for the type of journalism that protects our communities from political and corporate over-reaching, tackles systemic problems of the environment and the economy and chronicles the every-day lives of our neighbors. Start-up operations on the web typically are small in scope. Most rely on the newspapers within their region to provide the bulk of news coverage. Hence, as the newspaper industry contracts and responds by furloughing and laying off journalists, Americans will be left painfully uninformed about the issues facing their communities, the Nation and the world.

The goal of those who care about quality journalism is not to protect newspapers. Although many of us believe that print will not truly disappear, there is no question that just as the advent of television changed radio forever, the Internet will change our industry, too. The irony is that much of the news accessed on the web today is gathered and edited by print journalists. The problem is that the collapsing newspaper industry is evidence that this model is not sustainable.

There is a legitimate public interest in maintaining a level of quality journalism within the U.S. A democracy is not possible without a substantial sharing of information amongst its citizens. Much of what has arisen to replace newspapers is actually opinion-based information, including most of what's seen on cable news and published in blogs. While there is an important place for such communication, if it is not buttressed by objective journalism our culture will become increasingly polarized.

Additionally, there currently is a substantial digital divide in the U.S. Internet "haves" and "have-nots" have been created by the steep cost of broadband and Internet access, as underscored by a recent poll finding that 50 percent of Americans who want good broadband access would not be able to afford it even if it were available. This means that even if the web provided quality information in the absence of newspapers, many communities would not be served. This digital divide is unacceptable, not least because it further exacerbates racial and class conflicts in the U.S. Just as Franklin Roosevelt set out to create universal access for phone service in the 1930s and 40s, we must set similar goals for Internet access.

The Newspaper Guild and the Communications Workers of America are pursuing multiple strategies in light of the current crisis.

Our first approach is to seek alternative ownership models. Although ownership changes won't fix current revenue problems, returning ownership to local communities—along with employee-based ownership—reduces the relentlessly high profit expectations generated by today's prevailing ownership structures. Such changes also would tether news organizations to the communities they serve, rather than to Wall Street.

Consequently, we are seeking better access to employee-stock ownership, cooperative ownership, and improved corporate structures. We are pursuing legal changes that would allow for mixing non-profit foundation money with for-profit companies, as is contemplated by the L3C model. This new class of limited liability corporations would permit commingling of foundation money with low-profit entities that would be required to meet stated social purposes and provide annual reports on their progress. Foundation investors in an L3C corporation would receive only low levels of returns, and if such an enterprise should become strongly profitable it would be required to convert to a standard limited liability corporation.

Other remedial approaches include allowing alliances across platforms so that broadcast, print and Internet companies can share information—but we believe substantial caution is needed in doing so. Our goal is not to create new monopolies that stifle innovation. TNG-CWA currently opposes relaxation of anti-trust laws for ex-

isting media companies, because doing so would only result in additional job cuts and a continued decline in real information. To put it simply, this model has been tried and it has failed miserably, as evidenced by the current crisis in the newspaper industry. The banking and finance sectors have amply demonstrated that bigger is not always better. Still, as media platforms converge, there should be structural ways to share information without diminishing journalistic quality.

In addition, tax credits should be considered for subscriptions to media, which would create a market-based benefit for both traditional and new media outlets. A parallel approach to supporting news media would be the creation of tax credits to offset the cost of employing journalists. While we recognize there is a reflexive antipathy by many people to the idea of tax subsidies of any kind for news-gathering, in fact the United States has a long history of providing such breaks, starting with subsidized mail delivery for newspapers and other periodicals. Such subsidies date back to the 1700s because of the Founding Fathers' appreciation of the central importance of journalism to the proper functioning of a democracy.

We believe that Congress should be as concerned today about the substantial—and negative—effects the loss of vigorous quality journalism will have on our country. The Newspaper Guild of the Communications Workers of America is committed to working closely with anyone who is dedicated to strengthening the media industry. We ask Congress to take the lead by convening all stakeholders to ensure the continuation of sustainable, strong news organizations. Thank you for allowing me the opportunity to submit this written testimony. I look forward to your reply.

PREPARED STATEMENT OF JENNIFER TOWERY, PRESIDENT, PEORIA NEWSPAPER GUILD

Chairman John F. Kerry, Ranking Member Ensign and Committee Members, it's with great appreciation that I submit a summary of Peoria Newspaper Guild's work looking at alternative ownership models for newspapers and our hope for an emerging business model that has great promise for newspapers. Much has been made in the media about the importance of disassociating government from the newspapers that monitor and chronicle its proceedings. But the fact is, government has long protected the interests of the information industry, and vice versa. Journalism is the only industry protected in the U.S. Constitution. Through legislation, court rulings and tradition, journalists are free to fulfill the role of watchdog of the government and private industry, and the practice of releasing the activities of taxpayer-funded bodies to the public through the media is called "sunshine." What's more, our government cares about what is essential to our citizens, and that is free and abundant information. Through legislation and other means, government acts to protect industries vital to the country. In fact, every time the landscape has dramatically changed in this country, on the local level or nationally, government has had a hand. It's true of the smallest TIF district, the railroad industry of our past, the agriculture industry that feeds us, the telephone industry and the airlines. This hearing is acknowledgement of the importance of newspapers and the real threat of their demise. It's time to change the landscape for newspapers, and government must be a party to that change.

Newspapers reflect their communities and provide a forum for the same. Their work is vital to a community's commerce and economy, to be sure. Newspapers fulfill a variety of functions, all of which are important and most of which have nothing to do with making money. When a community loses its newspaper, it loses its collective voice. Newspapers engage the community; analyze events; promote retail and services through advertising and news; and provide a record for posterity. A free and healthy media is one of the fundamental components of a thriving democracy.

It is appropriate to discuss the problems with and future of "newspapers" versus other media, but not because there is anything magical about information printed on newsprint or out of a sentimental appreciation for the historic tradition of the newspaper. Our work is neutral to the content delivery system, whether it's newsprint, the Internet or vehicles that have yet to be invented. Saving newspapers is about saving journalism. Newspapers are the only news outlets that remain rich in news gatherers. Radio and television news desks staff people to disseminate the news and even to produce it, and bloggers primarily discuss it, but the sum total of all of those folks in any given area will not equal the resources that community's newspaper devotes to collecting and disseminating the news. Newspapers also have had the competitive edge because of their depth. A lengthy news story is a miniscule fraction of the content of a day's edition. A lengthy broadcast piece on a local newscast—say, 2 minutes—is a significant chunk of time allotted to news that day, and will be aired at the expense of other stories. It's easy to mistakenly assume the Internet, with its limitless news hole, has given all media a level playing field in

this regard. But that's not the case, because there has been no commensurate increase in journalists to take advantage of the Internet's vastness—quite the opposite, in fact. All media are shedding journalists at alarming rates.

Two years ago, the University of Missouri released a 10-year study of newspapers similar in size to the *Journal Star*, our newspaper in Peoria, Illinois. They were looking at whether investing in the newsroom improves a newspaper's bottom line, and they found that absolutely to be the case. News quality affects profits more than spending on circulation, advertising and other parts of the business. The *Journal of Marketing* looked at the same thing recently. Here's what it found: "Disinvesting in newspapers leads to circulation declines, which leads to more disinvestments, more circulation declines and finally, more revenue loss." Cutting the news gathering starts what the study's authors call a suicidal spiral. But investing in the news product, through training and the addition of skilled journalists, doesn't mesh with the business model. Revenue comes from advertising. When advertising falls off, publishers instinctively reduce the side of the business that doesn't bring in money, and that's the news side.

In years past, as more advertising dollars have been lost to the Internet, newspapers have maintained enviable profit margins by reducing the news staff and the resources available to it. If debt payments became too much, or more money could be made through the sale of the newspaper, that newspaper was put on the market. It's a practice that has grown newspaper chains. Those chains have maintained considerable debt by making purchases that, while adding to the debt, also added to the revenue. It was an unsustainable business practice, and it allowed no margin for reduced revenue. When the economy tanked, business owners further reduced their advertising. The reaction of newspaper owners to this economic crisis has been to reduce content and employees, thus resulting in a double whammy to communities by reducing news coverage and failing in the newspaper's traditional role as community watchdogs. Newspapers are going bankrupt and even folding. And the industry has not hit bottom. More newspapers will fold, and soon. Merely putting some newspapers on the market to unload debt is now not an option. The chains that have long competed for newspapers that were being sold are mired in debt, and literally cannot take on more. Furthermore, there is no credit. And there is nothing to suggest that purchasing a newspaper and operating it with the same business model won't have the same result. We are an industry in crisis.

The Peoria Plan

The union journalists at the *Journal Star*, the newspaper of record in Peoria, Illinois, have been studying this industry crisis for several years, even before the *Journal Star* was purchased by its current corporate chain owner. We believe it is the duty of stakeholders in communities—employees, unions, business leaders and community organizations—to find new ownership models that will allow a community to invest in these community assets to preserve independent voices in a democracy. This is not a crisis that can be solved within the industry. We must pool the knowledge of many people and many industries, and we must have the support of those in office. We also are striving to create a business model that can be replicated at other newspapers. In fact, the *Journal Star* is not on the market. Nonetheless, its corporate owner may need to sell profitable newspapers such as the *Journal Star* to help meet its debt obligations. That would be an opportunity for the community to reclaim its newspaper, and we want to be ready if that happens.

Initially, we looked at a model that was a hybrid of employee ownership, community investment and a non-profit. The non-profit arm would be shares of the newspaper given to an educational institution, which would earn them by providing ongoing training and support to the employees of that newspaper as a way to ensure the quality of the product and thus increase readership. In that early model, the newspaper would be subsidized through an exemption on state and Federal taxes. It's a proposal similar to a measure recently introduced by the distinguished senator from Maryland, Benjamin Cardin.

But tax exemption should always be the model of last resort, particularly in an industry charged with oversight of the government providing the tax relief. While it would serve to help reduce the need for high profit margins, it would create additional problems such as the appearance of conflicts of interest. We continued to search for a better model, and find great potential in a corporation called L3C.

Low-profit, limited liability corporations, or L3Cs, are for-profit ventures that must have a socially beneficial or educational purposes as their primary missions. By definition, that relegates making money to a secondary role. That's not just a question of semantics. It means that an L3C enterprise must make business decisions based on how to better fulfill that socially beneficial purpose. L3Cs are allowed to make money, and profits returned to investors are taxed, but profits cannot be

the reason for operating. The L3C can now be used in all 50 states as a result of legislation signed into law in Vermont in April 2008. Since then, Michigan, the Crow Indian Nation, Wyoming, Utah and North Dakota have all passed L3C measures. L3C legislation is pending in some form in Illinois, Missouri, Arkansas, Montana, Oregon, Washington State, North Carolina, Massachusetts, Tennessee, California, Colorado and Georgia.

The concept of the L3C was intentionally written to dovetail with the Federal tax regulations relevant to Program Related Investments, or PRIs, by foundations. The L3C facilitates PRI investment and brands the organization as one that will put social benefit ahead of profit. It also facilitates tranching investing, with the PRI usually taking first risk position, thereby taking much of the risk out of the venture for other investors in lower tranches. The rest of the tranches become more attractive to commercial investment because the PRI has improved the credit rating of those tranches, thereby lowering the cost of capital. It is particularly favorable to equity investment. Because the foundations take the highest risk at little or no return, the model essentially turns the venture capital model on its head and gives many social enterprises a low enough cost of capital that they are able to be self-sustainable. Foundations that invest in L3Cs are essentially loaning money to an organization that shares its mission. Even with more of the risk assumed, the foundation is in a better position than if that money were granted, because that money is no longer available to be used again.

The newspaper industry is in need of a new business model and quality reform. An L3C newspaper would deliver both.

Some examples of how an L3C newspaper could meet its socially beneficial mission are:

- Ensuring professionalism. A community is entitled to expect quality work and accurate information from its newspaper. That means having a quality staff. An L3C newspaper could build ongoing training and education for staff into the operating agreement, ensuring quality news coverage.
- Offering transparency. An L3C newspaper could offer quarterly open meetings to readers and investors, much like publicly traded companies have shareholder meetings. Finances for the quarter could be presented by administrators. Editors could recap staffing levels, long-term goals and journalistic challenges and successes of the past quarter. Changes to advertising rates could be discussed. Most importantly, the newspaper staff could accept feedback from the community. That accountability, far more than the specter of a one-sentence correction, would steer journalists to act responsibly, as will the reflective nature of continued training in news judgment and other arenas.
- Creating and maintaining a scholarship fund to provide free and subsidized subscriptions to low-income people in the community. Newspapers are expensive to produce and purchase, but the information they contain, not to mention the educational value in the content, is most important to the people who can least afford it. Under the L3C model, such a scholarship fund could be operated through a community foundation, allowing citizens to make donations to the scholarship fund that would be tax-deductible to them.
- Ensuring a vibrant press to provide coverage of non-profit agencies' events and the programs available to help those in the community.
- Establishing a reduced advertising rate for the non-profit sector, and making in-kind donations to select charities in the form of ads.

An L3C newspaper can be a profitable, self-sustaining venture by expanding its role and restoring many services that have been reduced or cut at most newspapers. We expect it will be profitable enough to maintain and purchase equipment as needed and to explore and develop ways to use and integrate new media with the newspaper model. But as an L3C, a newspaper will not be under pressure to generate unreasonable level of profits or diminish services in order to increase profits or service highly leveraged debt. The L3C structure will permit the paper to direct its effort to providing the kind of community service the subscribers, advertisers and other stakeholders have a right to expect. It will be a public service vehicle, as the founding fathers envisioned. As an L3C, it will, by law, be charged with placing community service ahead of profit.

Federal Legislation

Peoria Newspaper Guild approached the creators of the L3C about the possibility of using the L3C as a newspaper model. It was their considered opinion that, based on the Internal Revenue Service's history of not allowing newspapers to operate as non-profit organizations, the Federal Government would first need to give its bless-

ing. While an L3C is a hybrid of a non-profit and a for-profit, we still feel very strongly that newspapers need to be clearly included under the umbrella of the L3C before we attempt to proceed with an L3C newspaper.

L3C Advisors, led by Robert Lang, along with the Washington, D.C., law firm of Caplin & Drysdale, have drafted a Federal bill that would provide that consent for a newspaper to operate as an L3C, among other things. The legislation's chief purpose is to create a registry of companies that are operating as L3Cs, and an approval process of same through the IRS that mirrors the one currently in effect for non-profit companies. When an L3C is formed, it would apply to the IRS to be included, laying out its social benefit and, more importantly, how it plans to fulfill its social benefit. The IRS would have 45 days to review the documentation and accept it as an L3C. A listing on the registry would signal to foundations that the L3C is a viable investment vehicle. The company would be required to release an annual report detailing how it is fulfilling its social benefit. The Newspaper Guild, other media organizations and L3C Advisors are currently lobbying Members of Congress to introduce and pass this measure.

More information on the L3C, in general and as a potential business model for the ailing newspaper industry, is available through myself and Robert Lang, CEO of L3C Advisors L3C of New York, at (914) 248-8443 and robert.lang@l3cadvisors.org. I can be reached at (309) 696-6592.

I remain grateful for the opportunity to share this information and appreciate the Committee's interest in exploring ways to save the very vital newspaper industry.

PREPARED STATEMENT OF BOB COHEN, PH.D.,
PRESIDENT AND CEO, SCARBOROUGH RESEARCH

Thank you for the opportunity to submit a statement to the Committee. I am Bob Cohen, President and CEO of Scarborough Research. Our consumer research firm, a partnership between The Nielsen Company and Arbitron Inc., measures the media usage, lifestyle patterns, shopping behaviors and demographics of American adults in over 120 localities (designated marketing areas or DMA's™) as well as nationally. We survey more than 220,000 adults on an annual basis. Our core measurement services are accredited by the Media Rating Council (the third party certification organization that verifies that research services are valid, reliable and effective).

As part of our standard service, Scarborough has been measuring newspaper audiences since 1974. We provide the ratings service for the newspaper industry. Our large and diverse multi-media clientele includes the overwhelming majority of the major daily newspapers operating locally as well as nationally in the top local U.S. markets that we measure.

I believe that our measurements and our long-term relationships with newspapers provide us with a useful and a unique perspective on the current challenges that newspapers are facing. Additionally, from 1989 to 1992, I served as Director of Marketing Strategy at the *Los Angeles Times* so my industry understanding, also comes from this first-hand experience.

An often cited metric for a newspaper's strength is "circulation," defined as the physical number of copies distributed on an average day. Somewhat less well known, but a metric which on a number of levels is actually more relevant is that of "audience." Newspaper audience is defined as adults (typically in a paper's local market) who report having "read or looked into" a given newspaper within a specified period of time, typically on a "read yesterday" or "past seven day" basis. The important difference is that "audience" takes into account that an average copy of a newspaper includes multiple (*i.e.*, more than one) readers. It also provides a more meaningful comparison to the audience ratings of electronic media, measured by companies such as Nielsen and Arbitron.

The notion of audience assumes even greater significance when considered in the current "digital" environment. This is because there is a fundamental need to measure and report several distinct groups of readers: citizens who are reading the more "traditional" print editions of newspapers, those who go online for newspaper content, and those who are engaging in *both* of these activities. This manner of measurement is changing the (often stereotypical) portrait of newspaper readership, and one which is often lost in circulation statistics alone, or in newspaper online-only readership statistics provided by online measurement companies. Understanding print readership in relation to the online audience provides a more complete perspective on the total newspaper readership phenomenon.

Currently, Scarborough is measuring all three components of newspapers' audiences, which we have referred to as "integrated newspaper audience" (INA). The

concept of INA has been embraced widely within the U.S. newspaper industry and is routinely used in their sales, marketing and related efforts.

Forgive me for getting somewhat technical, but our expertise is measurement and the statistics that I cite are relevant to our testimony and germane to the issue at hand.

In the United States in 2008, close to half or 45 percent of adults (18 years and older) have read a (printed version) newspaper on the “average weekday”; 50 percent on Sunday, and 71 percent within the past 7 days. Correspondingly, 19 percent of all adults read an online newspaper in the past week—with 19 percent of this group doing so exclusively and 81 percent reading a newspaper online in addition to their readership of the traditional printed edition.

When we analyze adults who read the printed paper exclusively by demographics, we find that adults who read newspapers exclusively in print are much more likely to be older Americans (40 percent are age 55+ and 23 percent are age 65+). We would at least ask: in the absence of the availability of a printed newspaper, would older Americans lose a key source of news and information? Based on the patterns that our research has identified, it is unclear whether these older Americans would “migrate” to the Internet, to the extent necessary to compensate for this potential lack of availability of a printed paper.

On the other hand, adults who read the newspaper exclusively online tend to be younger Americans. Over one-third (39 percent) are between the ages 18–34 and 47 percent are age 35–54. Newspaper websites appear to be viable for younger adults who turn to this industry for news and information but do not necessarily rely on the printed vehicle.

When viewed in total, almost three-quarters or 74 percent of American adults are newspaper readers. That statistic sounds astonishing given much of the negative publicity that newspapers have ironically endured over the past several years regarding their loss of readership. Also, it is important to recognize that newspaper readership, as with most consumer behavior and media usage patterns, varies on a local level.

Let me offer a recent example, to illustrate this concept.

In the Washington, DC area (DMA), 58 percent read *The Washington Post* weekly, 23 percent visited the *Post*’s various websites weekly, resulting in a total readership, or INA weekly audience, of 63 percent of all Washington, D.C. area adults.

In fact, the need to examine readership locally is underscored by our findings that the INA metric ranges from a low of 59 percent in Bakersfield, CA to a high of 87 percent in Syracuse, NY (national statistics often obscure these important local market differences). This local variability is due to a number of factors including the demographic composition of a local population, the competitive media situation (the mixture of more traditional/established media as well as digital/online media), the local business and economic base, geographical proximity to specific industries, colleges or universities, as well as the organizational wherewithal (including unique and interactive content, promotion and other executional features of their websites) of local newspapers.

My intent here is simply to point out that there are success stories, at least selective ones. All is not lost. It is likely that some, perhaps many, newspapers will overcome the well known challenges with readership. We should be very careful not to paint the entire country, or newspaper industry, with one “brush.”

This broader and more comprehensive portrait is important, because it demonstrates that while the more traditional audience for print newspapers continues to decline, an audience for online newspapers exists and can be nurtured and grown. This online audience is gradually increasing for newspapers in some cities and the integrated audience is larger than is often realized, especially outside of the newspaper industry.

At a minimum, this manner of viewing newspaper audiences also suggests a somewhat different perspective on American citizens’ interest in and appetite for news and information. There is some “migration” of readers from the print to the online version of newspapers. And online seems, perhaps disproportionately, to have the ability to capture the attention of younger people—many of whom have been elusive, not regular readers of printed newspapers, and a group that newspapers have historically been challenged to appeal to and reach. Consequently, the newspaper website audiences, to some degree, are offsetting and compensating for the decline in readership of the printed newspaper. So newspaper audience dynamics are shifting and not just in one direction.

At the same time, these findings do not negate the business challenges that newspaper are confronting in “monetizing” their online audiences, that is, their efforts to attract advertising revenue and support for the online component of their newspaper audiences, especially to compensate for the significant decreases in adver-

tising revenue of their printed editions. My point is that the inability to sufficiently monetize these audiences, while certainly a critical business issue that challenges or changes newspapers' business model (and even economic viability), should not be confused with, and should not obscure, the continuing and sustained interest that Americans have in the content of newspapers, regardless of the delivery mode—print or electronic. Somewhere here there is a greater sign of hope for an informed and motivated citizenry. Leaving aside people's willingness to pay for online content, newspapers have an important role in the democratic processes that leaves citizens hungry for the details and the journalistic style that newspaper offer. One of the key challenges becomes how they can maintain their brand differentiation and avoid becoming perceived as commodities? This challenge, of course, is not unique to newspapers, and has begun to impact most established information purveyors.

Lastly, I would like to make a couple brief points about other media.

As I noted at the outset, Scarborough measures and provides audience profiles for all major media. All established media, including broadcast TV, cable TV and radio are challenged in today's environment. People are exposed to many more information and entertainment choices, and consequently the audience dynamics for all of these sectors continue to shift. As is well known, more and more options are entering the marketplace, fueled by the digitization of information content and the increasing mobility of distribution channels. Not that this perspective necessarily offers any consolation, but one must recognize and appreciate that newspapers are part of a broader phenomenon. While there is a tendency to define people in a singular manner—as newspaper readers, or radio listeners, or TV viewers, or website visitors, most of us are “multi-media” consumers and need to be understood in this broader and more holistic context. The issue may be recast, not necessarily as a “newspaper problem” per se, but rather as a more collective challenge of the media industry, to inform, educate, and entertain citizens in today's increasingly fragmented and dynamic society.

Thank you.

Data Source: Scarborough Research USA+ R2 2008 (Current 6 Months)
Scarborough Research Washington, D.C. R2 2008

30 April, 2009

MICHAEL LANGLEY,
Sacramento, CA.

Re: THE FUTURE OF JOURNALISM

Senator John Kerry,

Good morning. I hope this letter finds you well and in good spirits. Though you do not directly represent me in the Senate you will represent me and all American journalists next week by your leadership on the Subcommittee on Communications, Technology and the Internet.

I am a journalist who has worked for several media companies in several cities across the United States and I wish to add my voice to those you will hear on 6 May, 2009, during the hearing on “The Future of Journalism.”

I am relieved that you are convening to discuss the future of journalism and believe the issues you are dealing with are of critical interest to the American people, though they may not now recognize that. I hope you will include the following statement in the official record of these proceedings.

For the record, my name is Michael Ellis Langley. I have been an online, broadcast, print and radio journalist for more than 15 years. I have served the people of the San Francisco Bay Area, the California capital of Sacramento and in our Nation's capital, Washington, D.C. I currently participate in and help moderate a weekly online forum for journalists and write a weekly online article for the Poynter Institute in Florida.

I have, for some time, felt a growing dismay about the current state of journalism in America and the public attitudes toward the press. Moreover, the dismay I feel is not only shared by many of my peers, it is driving far too many of our most experienced members from journalism.

My own personal dismay reached a critical level in January 2008. I learned that the newspaper that served my home town in California for more than 110 years was about to curtail circulation to 3 days a week and severely cut staffing. The editors announced they would now not cover every meeting of city officials because of those limitations. The reasons are obvious to anyone who is even remotely familiar with the state of journalism in America today: a steady decline in advertising revenue and falling subscription numbers. The latter reason concerns me the most. The

Tracy Press, like so many small town newspapers, is the only way most people check on the actions taken in their name by their elected and appointed government officials. This is the basic promise and responsibility of journalism. The fact that a dwindling number of Americans get information from local journalists is troubling.

If community newspaper reporters did not attend city council meetings, school board meetings, meetings of parks and recreation departments and other such events, few people would know either the details of city activities or the context in which they occur. I now work for a television station and tell you honestly we will not, and could not, cover every such meeting in every community we serve. If broadcast journalism is the broad brush of what is happening within a region, community newspapers are the pencils, etching every detail upon the canvas of history.

To get such information, community members would have to, one by one, come to city hall to physically read the record and minutes of such meetings. Fewer still would have the time and ability to directly question their elected and appointed government agents about the decisions made in their name.

The founders of our nation, in their wisdom, knew when they forbade Congress from making any law "abridging the freedom of speech, or of the press" what so few seem to grasp today: Someone must watch our government. People dedicated to the premise of informing all of us about what is going on within the context of our community. Journalists.

I will admit that too many media companies, and even journalists, abuse the protection our Constitution affords members of the press. I offer no excuse for bad business decisions or poor journalistic integrity. I recognize that much of the public perception of my calling and of journalists stem from these decisions. A fact underscored by how few Americans rise to prevent the collapse of newspapers like the *Rocky Mountain News* in Denver and other publications now teetering on the brink of failure.

I plead with this Committee and its members not to save media companies but to preserve and promote the role journalists fulfill in our Nation. Media companies will find a business model to make money in a variety of medium. The future of journalism lies not with any one medium or with the companies who profit from the work of journalists. The future is in the pens, pencils, recorders, cameras and keyboards of the journalists themselves.

Many have argued that community bloggers or other such activists can easily fill the role of journalists within their towns and cities. I would say to you that journalism is more than reporting. Journalism is fundamentally about a sense of shared responsibility and objectivity about the events journalists cover. Journalists operate within a system of checks and ethics to prevent biased reporting. I respect independent reporters, bloggers and others and believe they are part of balanced community reporting. But I would not want just these individuals, each with their own bias and interests, to be my only source of information about my community.

Imagine an America without professional journalists. Imagine our Nation with no organized group dedicated to finding and reporting upon graft, waste, fraud and social injustice. Our democracy is inherently good. It serves the will and want of every American. The American democracy provides a framework for success of the individual and of the Nation but only so long as everyone adheres to the purest intent of our founding. If one person abuses the system and is not exposed to the public, his or her actions will inspire others to act in their own interest and not the interest of the community they serve. The outside, objective scrutiny of journalists across this Nation is one of the few things that prevent such activities from becoming commonplace. I fear the tyranny that waits at the end of that path. There are already far too many examples of this within other nations in other parts of the world.

I come from a family dedicated to public service. My grandfathers served honorably in the Second World War and then served their communities afterwards as a physician and public utility worker. My grandmother, a pediatric nurse, rescued infants from the orphanages of India. My aunts are nurses. My uncles law enforcement officers. My mother built an arts center in Tracy, California when our schools cut art programs because of shrinking budgets. My father and brother served as firefighters. My wife has built a career working for legislators on behalf of the American people. This ethic of public service is so ingrained in me that I chose the most honorable profession for which I was suited: journalism. Journalists are no less than public servants dedicated to uncovering, understanding and spreading information to the communities they serve and it is my hope that you will see them as such.

I will conclude by reminding all of you that journalism is the only private profession specifically protected within the Constitution. That provision puts an enormous responsibility upon journalists that we daily serve the best public interest and earn that protection. I believe the first amendment of the Constitution is also a warning, passed down through history, about what could happen if journalists are not active

in our society. The United States is the only modern nation founded on the requirement of a free press. I am proud to be an American and a journalist.

You members of the Senate Subcommittee on Communications, Technology and the Internet, and your peers in both houses of Congress have the opportunity to reinforce the role of American journalism now and for future generations. I urge you with all the passion and patriotism in my soul to use these hearings, and your power and influence, to see that journalism survives economic upheavals and transitions to new medium, so that we and future journalists may continue to serve the American people.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. DANIEL K. INOUE TO
MARISSA MAYER

Question. If you knew that Congress could take only one legislative action in the next 6 months, what would you recommend as the single action that would most assist the newspaper industry?

Answer. Preserving robust and independent journalism at the national and local levels is an important goal for the United States. Google is doing its part by driving more than one billion clicks to newspaper websites each month, by helping online news publishers generate revenue through advertising, and by providing tools and platforms enabling them to reach millions of people. Though there are certainly many challenges to face in adapting the long tradition of journalism to the online world, at this point we believe that innovation and ensuring an environment in which journalists and news organizations can innovate will help preserve journalism and its vital function in our society.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO
MARISSA MAYER

Question 1. The industry structure for the metropolitan daily segment of the newspaper business has evolved over time from more local, independent ownership to almost exclusive corporate ownership. The fact that many newspapers enjoyed high-profit margins because of the quasi-monopoly they held in their local communities certainly made them attractive properties to investors. Do you believe that the publicly traded ownership model for newspapers has been good for journalism?

Answer. The rise of the Internet as a major source of information has allowed news organizations to reach more consumers than at any time in history. That said, we do not have the expertise to judge the impact of the publicly traded ownership model on journalism. However, Google is willing to work with news publishers to help them find bigger audiences, regardless of their business approach.

Question 2. Micro-billing is part of the wireless industry's business model. Consumers download games, songs, videos, ring tones, and other applications onto their wireless devices and appear to be willing to pay relatively small amounts. I know some newspapers have attempted micro-billing for content but with no success. One of the difficulties seems that when consumers are used to free content it is extremely difficult to put the genie back into the bottle. Do you believe that micro-billing has a future when it comes to the distribution of on-line content from newspapers?

Answer. We believe that advertising is critical to the future of journalism, as it has been for centuries. Today, online news publishers are experimenting with new ways to generate additional revenue from advertising through new and innovative products like Google's interest-based advertising, which helps deliver more highly tailored ads based on users' interests. In addition to advertising, subscriptions play a revenue role as well.

An analogy would be monetization on television. Today, there is advertising-supported, over-the-air television that involves no payment by viewers, there is cable television, and there is pay television. Generally, the smaller, niche markets—for example live sports events or concerts—generate the most revenue from viewers. By contrast, network television shows generate little to no revenue from viewers themselves because they reach broad audiences that are attractive to advertisers.

In the context of online news publishers, there is a category of information that can and should be distributed without cost to users with financial support from advertisers. By contrast, there are certain publications that can and will be sold on a subscription basis, either in whole or on the basis of particular articles or sections. Indeed, we see this today in the online world where publications like *The Wall Street Journal* charge subscription fees. We believe, however, that most readers will

continue to prefer the advertising-supported model. It is therefore imperative for on-line news sites to develop strong and innovative advertising models to complement evolving direct payment and subscription models. Google is willing to work with news publishers to help them find bigger audiences, regardless of their business approach.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. MARK WARNER TO
MARISSA MAYER

Question. I read a blog about a “Redesigning Journalism” effort at the Institute of Design at Stanford University. Students developed a variety of proposals, two involving iPhone applications and another was a computer application for newsrooms that would serve as a kind of dashboard to monitor a community’s activity online, both on the media organization’s website and beyond. What kinds of new technologies are newspapers and other media organizations developing to modernize journalism?

Answer. The structure of the Web itself requires the presentation of news in a way that’s fundamentally different from its offline predecessor. The Web has caused some parts of the news to be presented more easily and effectively. For example, Web pages can link to voluminous supporting materials without worrying about column inches. In addition, the always-on, always-updating nature of the Web means that real-time news updates can appear throughout the day without being tied to print production deadlines. However, other aspects are more challenging, particularly in regard to how users arrive at a news story and how authority on a particular topic is established. As I noted during the hearing, I have three observations that may be helpful: What I’ve called the “atomic unit of consumption” for online news, the prospect of creating living stories online, as well as a few simple steps online publishers can take to keep readers engaged.

The atomic unit of consumption for existing media is almost always disrupted by emerging media. For example, digital music caused consumers to think about their purchases as individual songs rather than as full albums. Digital and on-demand video has caused people to view variable-length clips when it is convenient for them, rather than fixed-length programs on a fixed broadcast schedule. Similarly, the structure of the Web has caused the atomic unit of consumption for news to migrate from the full newspaper to the individual article. As with music and video, many people still consume physical newspapers in their original full-length format. But with online news, a reader is much more likely to arrive at a single article. While these individual articles could be accessed from a newspaper’s homepage, readers often click directly to a particular article via a search engine or another website.

Changing the basic unit of content consumption is a challenge, but also an opportunity. Treating the *article* as the atomic unit of consumption online has several powerful consequences. When producing an article for online news, the publisher must assume that a reader may be viewing this article on its own, independent of the rest of the publication. To make an article effective in a standalone setting requires providing sufficient context for first-time readers, while clearly calling out the latest information for those following a story over time. It also requires a different approach to monetization: each individual article should be self-sustaining. These types of changes will require innovation and experimentation in how news is delivered online, and how advertising can support it.

The Web by definition changes and updates constantly throughout the day. Because of its ability to operate in real-time, it offers an opportunity for news publishers to publish on changing and evolving stories as they happen. Web addresses (known as URLs—uniform resource locators such as <http://www.google.com>) were designed to refer to unique pieces of content, and those URLs were intended to persist over time. Today, in online news, publishers frequently publish several articles on the same topic, sometimes with identical or closely related content, each at their own URL. The result is parallel Web pages that compete against each other in terms of authority, and in terms of placement in links and search results.

Consider instead how the authoritativeness of news articles might grow if an evolving story were published under a permanent, single URL as a living, changing, updating entity. We see this practice today in Wikipedia’s entries and in the topic pages at NYTimes.com. The result is a single authoritative page with a consistent reference point that gains clout and a following of users over time.

A much smaller but still important factor for online newspapers to consider in today’s digital age is the fundamental design and presentation of their content. Publishers should not discount the simple and effective navigational elements the Web can offer. When a reader finishes an article online, it is the publication’s responsi-

bility to answer the reader who asks, "What should I do next?" Click on a related article or advertisement? Post a comment? Read earlier stories on the topic? Much like *Amazon.com* suggests related products and YouTube makes it easy to play another video, publications should provide obvious and engaging next steps for users. Today, there are still many publications that don't fully take advantage of the numerous tools that keep their readers engaged and on their site.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TOM UDALL TO
MARISSA MAYER

Question 1. Ms. Mayer, a few years ago the music industry was in turmoil due to fears that their traditional business models could not adapt to the Internet. Yet now millions of Americans purchase songs online for their iPods and other digital music players. Do you foresee the development of any new technologies, such as those for reading e-books, that would save newspapers or the delivery of investigative journalism for readers in an Internet era?

Answer. Your question highlights the fact that the atomic unit of consumption for existing media is almost always disrupted by emerging media. For example, digital music caused consumers to think about their purchases as individual songs rather than as full albums. Digital and on-demand video has caused people to view variable-length clips when it is convenient for them, rather than fixed-length programs on a fixed broadcast schedule. Similarly, the structure of the Web has caused the atomic unit of consumption for news to migrate from the full newspaper to the individual article. As with music and video, many people still consume physical newspapers in their original full-length format. But with online news, a reader is much more likely to arrive at a single article. While these individual articles could be accessed from a newspaper's homepage, readers often click directly to a particular article via a search engine or another website.

Changing the basic unit of content consumption is a challenge, but also an opportunity. Treating the *article* as the atomic unit of consumption online has several powerful consequences. When producing an article for online news, the publisher must assume that a reader may be viewing this article on its own, independent of the rest of the publication. To make an article effective in a standalone setting requires providing sufficient context for first-time readers, while clearly calling out the latest information for those following a story over time. It also requires a different approach to monetization: each individual article should be self-sustaining. These types of changes will require innovation and experimentation in how news is delivered online, and how advertising can support it.

We see many technologies that can further enable the distribution of journalistic content, and we believe that more devices and greater access to and openness of the Internet will help provide the distribution infrastructure that will be critical to the success of online publishers and the journalistic content that they provide.

Question 2. Recent concerns about pandemic flu highlight the need to be able to communicate accurate information to the public about important events or problems. Yet the Internet can also spread inaccurate stories or unfounded rumors far faster than the any flu virus. In an era of online journalism, will a system of checks and balances that governed newsrooms and editorial boards eventually develop for new online media sources?

Answer. The lines between professional journalism and citizen journalism may continue to blur. The landscape is changing, and has already changed in ways that can't be reversed. For example, we're already seeing the impact of microblogging on journalism. Janis Drums from Sarasota, Florida, broke the story of the crash-landing of U.S. Airways flight 1549 into the Hudson. His now-famous iPhone photo posted on Twitter spoke 1,000 words. His Tweet read, "There's a plane in the Hudson. I'm on the ferry going to pick up the people. Crazy." His images were viewed by millions of people on the Web, on the front pages of newspapers and on TV news programs. In addition, citizen journalists have been critical to telling the story of the protests in Iran since the Presidential election on June 12 through videos available on YouTube and other online media.

As this type of real-time reporting continues, professional news organizations can serve an important role by using their trusted brands to verify information and help users separate fact from rumor. So too will the trend of journalism as a conversation as opposed to the one-way dictation of yore. As this engaging dialog becomes more pronounced, new opportunities for capitalizing on it will emerge too. The best local newspapers have long served as reflections of the communities they serve, and the web allows them to facilitate conversations about the news and trends they report.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. DANIEL K. INOUE TO
STEVE COLL

Question. If you knew that Congress could take only one legislative action in the next 6 months, what would you recommend as the single action that would most assist the newspaper industry?

Answer. Enactment of a version of Senator Ben Cardin's Revitalization of Newspapers Act would clear up confusion that may inhibit the conversion of at least some for-profit newspapers to a more sustainable nonprofit model. Efforts to refine that legislation should also examine tax and other incentives that might temporarily encourage such conversions.

More broadly, Congress should create a commission to review and make recommendations about the reform and revitalization of America's public media with the express aim of replacing some of the independent reporting on public institutions and public affairs at the local, municipal and state levels, as well as on international affairs.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO
STEVE COLL

Question 1. The industry structure for the metropolitan daily segment of the newspaper business has evolved over time from more local, independent ownership to almost exclusive corporate ownership. The fact that many newspapers enjoyed high-profit margins because of the quasi-monopoly they held in their local communities certainly made them attractive properties to investors. Do you believe that the publicly traded ownership model for newspapers has been good for journalism?

Answer. It's a mixed history. Some owners at some times used the high profit margins they enjoyed to reinvest in deep, independent journalism about their communities and the world. Too often, however, investors made ever-increasing margins their priority. Not only did they reduce funding for journalism in order to chase higher margins, but even more tragically, they failed to use their temporarily high profits to think and invest strategically so that they could continue to produce important journalism in the digital future—whose contours have been clear for almost two decades now. On balance, the publicly traded ownership model, driven by Wall Street's relentless focus on quarterly results and high margins, has not been good for newspapers.

Question 2. Micro-billing is part of the wireless industry's business model. Consumers download games, songs, videos, ring tones, and other applications onto their wireless devices and appear to be willing to pay relatively small amounts. I know some newspapers have attempted micro-billing for content but with no success. One of the difficulties seems to be when consumers are used to free content it is extremely difficult to put the genie back into the bottle. Do you believe that micro-billing has a future when it comes to the distribution of on-line content from newspapers?

Answer. The model has not been fully tested, but I'm doubtful that it will succeed. Even more unique intellectual property than news and journalism, such as popular music, has not yet found a sustainable business model through micro-payments. For news and journalism, the genie problem is a real one. Some financial news content—such as that which may have a direct effect on market prices for equities, bonds, currencies, and commodities—may attract enough buyers, micro or otherwise, to cover the costs of its production for many years to come. But there is no evidence as yet that Internet users regard general news, and particularly journalism about local government, state government, and general foreign reporting, as valuable or unique enough to thrive in this or similar models. The paradox for policymakers is that readers still see this reporting as valuable—as a public or civic good—and continue to consume it in large numbers, but the business model that has made its production possible for so long no longer works.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. FRANK R. LAUTENBERG TO
STEVE COLL

Question 1. In a recent article, you note that in the early 90s—when the Internet was just beginning to take off—reporters focused on readers' neighborhoods to sell papers. Has this trend of newspapers focusing on local issues continued as Internet competition has grown? Is this local emphasis an effective way for traditional media to distinguish themselves from their Internet competitors?

Answer. As Internet use spread, readership surveys showed that subscribers valued local news coverage from their newspapers above all. Indeed, when newspaper readers were asked, in effect, "What can you get from your newspaper that you can't get anywhere else?" they most often cited local news coverage of school systems, local government, local personalities, elections, and so on. The difficulty now is that the newspaper advertising model is under such pressure that the costs of producing this local reporting exceed the revenue that is available to pay for it. Readers still want the coverage—but the business model from which they received this coverage is now under severe pressure.

Question 2. With newspapers consolidating operations—as is the case in my state of New Jersey—what is the risk to independent editorial viewpoints?

Answer. The Internet has collapsed barriers to entry in publishing. Today everyone, in effect, can become a publisher by setting up a low-cost website. In that sense, there will be more independent editorial viewpoints than ever—a cacophony of voices. What is likely to be lost as newspapers consolidate, lose circulation, and cease publishing is the community-building common discourse and fact-based reporting that has been so much a part of American public life in recent decades.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TOM UDALL TO
STEVE COLL

Question 1. One of the ideas presented at the hearing was to transform newspaper businesses into nonprofit entities or charitable organizations supported by endowments. Would this work only for large national newspapers? Would having large endowments to support newsrooms be a viable option for smaller newspapers like those in New Mexico?

Answer. The nonprofit model may be easier to develop for smaller newspapers than for larger ones. It may not be prohibitively expensive to fund, through endowments and other nonprofit fundraising endeavors, the kind of local newsroom that can produce valuable reporting on community and local government. Community foundations, community leaders, businesses and other constituents, if they banded together, might find it easier to build such a model than would comparable groups in a very large city, where the community leadership is more dispersed and where the money required to support legacy newsrooms would be considerably greater.

Question 2. Mr. Coll, people across the globe read more news today than ever before thanks to the Internet. It seems to me that the news has value. I am puzzled why newspapers today have so much trouble selling their news, either online or in print form? Why has no viable for-profit business model emerged for journalism in the Internet age?

Answer. Fundamentally, the problem is not of readership, as you correctly point out, but of changes in the advertising marketplace, and how those changes relate to the cost structures of newspapers. In the heyday of the newspaper era, only about twenty percent of the cost structure of a typical newspaper was paid for by circulation revenue. The rest came from advertising. In the Internet age, advertisers have many, many more options for reaching their target customers than they enjoyed in the newspaper age. As a result, the cost of advertising per capita generally has been driven down. Even where newspapers are able to capture large numbers of readers online, they cannot command the kinds of advertising prices per reader that they enjoyed in the newspaper era. There are some successful for-profit business models emerging for journalism in the Internet age—but they tend to be concentrated in financial journalism, which is relevant to market prices, and some national cable networks that have built strong brands within the scarce spectrum of basic cable packages. But the independent reporting on local and public affairs that these profitable sources are producing is scant, and nowhere near sufficient to replace the reporting that is being lost at newspapers.

Question 3. Mr. Coll, good journalists try to protect their independence in order to do their work. How can Congress help a dying newspaper industry without eroding independent journalism?

Answer. My view is that rather than concentrating its efforts solely on the dying newspaper industry, Congress should concentrate on identifying and addressing where the public interest lies in the deepening loss of independent reporting on local, municipal, and state government, as well as international affairs—and then take steps to fill the gap.

A portfolio of policies framed by the pursuit of the public interest, rather than a single silver bullet, will be required. On the newspaper side, clearing up barriers to conversions to nonprofit status is one opportunity. More broadly, to support jour-

nalism per se, I highlighted a number of policy options in my written testimony, but I would particularly emphasize here the need to reexamine, reform and revitalize the country's public media infrastructure, while ensuring its independence, so that it can replace some of the independent reporting that is being lost as newspapers shrink. Every other of the world's industrialized democracies invests orders of magnitude more in its public media than does the United States and many of these democracies have developed systems to ensure that the journalism produced in these systems is free from political interference.

Question 4. As Mr. Simon mentioned, the *Albuquerque Journal* charges readers a fee for online as well as print subscriptions. Why is this business model not more frequently utilized across the country? What is essential for the success of this business model for newspapers?

Answer. Since the beginning of the Internet era, newspaper publishers have feared placing their content behind a pay wall would chase readers away, and thus reduce advertising revenue without generating sufficient circulation revenue to make up the difference. So far, many experiments of this type have indeed had that outcome. The problem, as stated above, is that the journalism produced in newspaper newsrooms, while attractive to readers, was never paid for by circulation revenue—it was paid for mainly by advertising. In effect, the news was always given away free, or mainly free, in order to attract eyeballs to advertisements. Even if newspapers are able to now charge some fees for their content (a big if, as Internet users have become used to free information on the Web) they are unlikely to be able to replace the levels of advertising revenue available at the height of the newspaper age.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. DANIEL K. INOUE TO
DAVID SIMON

Question 1. If you knew that Congress could take only one legislative action in the next 6 months, what would you recommend as the single action that would most assist the newspaper industry?

Answer. I would urge Congress to pass a limited exemption to the anti-trust statutes that effectively prohibit the industry as a whole from sitting down to discuss the wholesale destruction of its revenue stream, which was previously based on ad revenues, with circulation being a loss leader for newsprint. Online publishing has flipped that dynamic and as a whole the industry must move to create a revenue stream that is based not on advertising, but on the value of its content, whatever that value is.

This is not, as some would claim, an avenue toward monopoly in the news industry. Quite the opposite: If, as a whole, the industry can agree to take all of its intellectual property away from free distribution, then it will, as a whole, create a revenue stream through which additional locally based online ventures will be able to hire reporters and editors. They will then be more easily able to compete with large dailies for the fundamental reason that circulation costs—print, presses, trucks, gas, delivery personnel—are no longer the fundamental expense in high-end journalism.

The issue is not monopolistic price-fixing—the issue for which anti-trust legislation is designed as a counter. The price of an online subscription to *The New York Times*, *The Washington Post* or *The Baltimore Sun* will be what the market will bear, just as it will be set by any new publications that choose to hire and pay professional journalists and offer pay subscriptions. The issue is survival of the very model of professional journalism within the new construct of the Internet and whether journalism as an industry can be given a modest window to discuss whether as an industry, united, they might move to establish a new distribution model.

Because most major daily newspapers are inextricably linked by the wire-service collective, and because neither *The New York Times* or *The Washington Post*—our two national papers with comprehensive national and international coverage—cannot successfully go to a pay subscription model without knowing that the other, too, is willing to take the risk, a fundamental discussion about journalism's future needs to occur. That conversation is now, effectively, prohibited. The industry may get there without the help of Congress, true. We are hearing about discussions at both the *Times* and the *Post* about changing to an online pay subscription model. But that transition will happen more readily if there are direct discussions rather than simply trial balloons and feints. And the faster it happens, more of our regional newspapers and their newsrooms might be around to make the transition as well, leaving intact the institutional memory and professional integrity of what were once healthy news organizations.

Question 2. Mr. Simon, given that several recent studies have shown that a loss of news coverage in a community has an adverse affect on public participation in the political process, in your opinion, what is the worst case scenario?

Answer. I do not believe that our largest national newspapers, *The New York Times* and *The Washington Post*, will disappear. I believe they will survive the transition to online publication, moving their subscriber base from wood-pulp to digitization in a generation or two. But regional newspapers are dying and most, if not all, will succumb unless a revenue stream based on content is created.

I believe there will be plenty of national coverage and to the extent America has direct involvement in an international situation, there will be coverage of that as well through the *Times* and *Post*. But I believe we may well end up with only a couple national newspapers, with the *Times* and the *Post* competing online in major cities from Baltimore to St. Louis to Phoenix. Each paper will hire a small handful of journalists to report a few major stories daily from various regions and will publish, online, a zoned Baltimore or St. Louis version of *The Washington Post* or *New York Times* that suggests local coverage but does not go deeply into issues. It will be local journalism by implication, but not in substance, much in the manner that *USA Today* attempted to suggest its local relevance as a newspaper without much real justification.

Over time, pay subscription sites providing more detailed local news will arise to offer those few readers unsatisfied with the national paper's marginal local presence, but the impact of these sites—serving perhaps 30,000 readers where a major regional paper once served ten times that number—will be limited. Government at the state and local level will become less responsive and alienation of the citizenry, already somewhat pronounced in our culture, will increase. The worst case scenario is that we move from democracy to oligarchy at a rate faster than we have become accustomed.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO
DAVID SIMON

Question 1. The industry structure for the metropolitan daily segment of the newspaper business has evolved over time from more local, independent ownership to almost exclusive corporate ownership. The fact that many newspapers enjoyed high-profit margins because of the quasi-monopoly they held in their local communities certainly made them attractive properties to investors. Do you believe that the publicly traded ownership model for newspapers has been good for journalism?

Answer. As my testimony indicates, I believe the original sin of American journalism was in turning to Wall Street for investment in the first place. When newspapers were locally owned and in no way tied to the profit expectations of Wall Street analysts, they proved capable of providing legitimate, yet idiosyncratic coverage of different cities and communities and accepting profit margins proportional to their long-term health and public mission. Raw, unencumbered capitalism eviscerated newspapering for short-term profits, without returning any of that money to improve the product, to prepare for the transition to digitization and online subscriptions, and ultimately, to maintain a level of essential quality for which readers might be expected to pay online to read about their nation, their state and their community. This outcome is no different than what Wall Street has wrought with American manufacturing, auto-making, banking or any of the other myriad examples in which unregulated capitalism has been used to poor civic purpose. Make no mistake: I accept that capitalism is a powerful economic engine, perhaps the best ever loosed upon societies to create mass wealth. But how the United States spent the last thirty to forty years mistaking it as a singular framework by which to build a just and healthy society is a source of endless fascination to me. The purpose of every civic structure is not to make the most money. Profit might be a necessity to sustain that structure, but maximized profit is simply greed given form and substance. And for the last twenty years, newspapers have been run into the ground by men who had, if not indifference, then a basic contempt for the actual purpose of the newspapers they were operating.

Allow me to close with an anecdote. Shortly before I decided to leave journalism in 1995, I went to an employee meeting at *The Baltimore Sun* to hear the new CEO of the *Times-Mirror* chain address us on our future. This gentleman had, until a few months prior when he was named to head the newspaper chain, made his reputation improving the stock price and market share of a major cereal company. He spoke for about 40 minutes and never mentioned the mission, purpose or ethos of *The Baltimore Sun*. He talked of profit and cost centers, of market synergies and such. He did not mention news, or community service, or the role of a newspaper

in society. He closed by saying that reporters should cooperate more with the advertising department in order to help boost income. I left that meeting and got on an elevator with three other reporters who I had come to respect for their honesty, integrity and commitment to craft.

"It's over," one of them said. "We're done."

Prescient, he was.

Question 2. Micro-billing is part of the wireless industry's business model. Consumers download games, songs, videos, ring tones, and other applications onto their wireless devices and appear to be willing to pay relatively small amounts. I know some newspapers have attempted micro-billing for content but with no success. One of the difficulties seems that when consumers are used to free content it is extremely difficult to put the genie back into the bottle. Do you believe that micro-billing has a future when it comes to the distribution of online content from newspapers?

Answer. I claim no expertise with any of the billing models ultimately being used or considered for online distribution of intellectual property. I only know that I still believe that news has value for a certain limited, yet essential, portion of the public and that if this is news that they can't get anywhere else, then that public will pay for access to that news. Further, I do not believe that news that has real value—beat coverage, investigative work, consistent coverage of complex issues—will be achieved with any consistency or quality-control by people pursuing journalism as a hobby. Whether online or off, whether through traditional newsrooms or smaller Internet consortiums, a way must be found to pay good reporters to dedicate their lives and careers to the craft. Unless that happens, we are all going to be a lot more ignorant and disengaged, regardless of the unsupported claims that new media continues to make for its fledgling efforts. Understand that I accept that it may not be *The Baltimore Sun* that survives to pay reporters to cover Baltimore and sell that coverage online in some fashion, using some fresh billing structure to create revenue. *The Baltimore Sun* has shown itself over the last twenty years to be an enterprise that never misses an opportunity to miss an opportunity. But some entity will do this eventually, albeit it may take years, possibly a generation or two before enough institutional memory, talent and professional competence can be supported by a smaller revenue stream than what newspapers once enjoyed.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. FRANK R. LAUTENBERG TO
DAVID SIMON

Question. With newspapers consolidating operations—as is the case in my state of New Jersey—what is the risk to independent editorial viewpoints?

Answer. I don't mean to be flippant, but this is a question for 1982. The risk to an independent editorial viewpoint was there when newspaper chains, those hideous amalgamations of Wall Street ambition, began buying up the profitable, monopolistic survivors of the newspaper wars of the 1970s. When maximized profits and appeasement of the Wall Street analyst was the measure by which newspaper CEOs and board chairmen were judged—rather than by service to all the idiosyncratic and unique regions covered by their newspapers—the writing was on the wall.

In my city, when I started as a reporter in 1982 there were three newspapers, the Hearst afternoon daily and both morning and evening editions published by *The Sun*. There were also a string of independently owned weeklies covering various counties and communities in Central Maryland. To make itself attractive to a chain buyer, the family-owned A.S. Abell company brought in a publisher to firmly establish a monopoly, not for editorial reasons but for pure profit. After running the Hearst paper into the ground, *The Sun* folded its own evening edition and then bought all of the community papers, creating a monolith that reached an apex of 37 percent profits. Then they began cutting reporting positions and reducing coverage because, of course, one makes more money publishing a bad newspaper than a good one.

This is the story of regional journalism in America over the last twenty years. Greed, greed, and short-sightedness, followed, of course, by more greed. The risk to varied independent editorial viewpoints was there a generation ago, and it went unheeded. Now, the risk is of no systematic, professional coverage whatsoever in major American cities.

Less important than the editorial page—and whatever careful, centrist opinions flow from a single, monopoly paper that is trying to offend no one and maximize profits—is the fact that the news pages, the functional essence of journalism, are disappearing.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. DANIEL K. INOUE TO
JAMES M. MORONEY III

Question 1. If you knew that Congress could take only one legislative action in the next 6 months, what would you recommend as the single action that would most assist the newspaper industry?

Answer. Congress should pass legislation that provides the newspaper industry with limited antitrust protection to experiment with and implement ventures and new business models that support local journalism. Change is happening so fast that the industry cannot wait for Department of Justice approval of joint ventures which only comes after lengthy and costly antitrust investigations. Legislation could provide newspapers with the ability to propose innovative cost saving arrangements or new methods for content distribution under an expedited review process at the Department of Justice.

My colleagues and I in the newspaper industry know too well that newspapers compete with a host of other media for advertising and readership. To illustrate, the newspaper industry's share of the total advertising market is less than 15 percent—so competitors have the lion's share of the local market. Despite changes in the competitive landscape, antitrust enforcement is still mired in the outdated perception that the relevant market is limited to daily newspapers. The DOJ confirmed its current view of the relevant market in its recent testimony in the House of Representatives and indicated that, at best, it might be willing to change its views in a specific case after an investigation—that would undoubtedly be extensive, costly and time-consuming. The newspaper industry has neither the time nor the resources for such a burdensome process. It will be too late for some newspapers that might be close to shutting down or are faced with the difficult decision of further cutting back on newsroom operations.

Question 2. Mr. Moroney, in her testimony, Ms. Mayer suggests that micropayments for online content might be one way for newspapers to earn additional income. What is your opinion on the use of micropayments to charge for content?

Answer. Newspapers on their own are generally exploring ideas for charging for some portion of newspaper content that is provided online. There are a number of “pay for content” strategies that have been discussed within the industry from an annual or monthly subscription for non-subscribers to day passes to access the content from multiple publishers to micropayments for single articles. The micropayments concept may be more suited for national newspapers which undoubtedly will have the potential volume to cover administrative costs associated with a micropayments approach. Local newspapers might be able to use micropayments for the distribution of innovative news coverage and other information that is targeted to the specific interests of the consumer. Regardless, newspapers will need to experiment with these different models.

Importantly, it is my belief, that the newspaper industry will need limited antitrust protection to make a “pay for content” approach work across the industry so that newspapers can support local journalism over the long term.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO
JAMES M. MORONEY III

Question 1. The industry structure for the metropolitan daily segment of the newspaper business has evolved over time from more local, independent ownership to almost exclusive corporate ownership. The fact that many newspapers enjoyed high-profit margins because of the quasi-monopoly they held in their local communities certainly made them attractive properties to investors. Do you believe that the publicly traded ownership model for newspapers has been good for journalism?

Answer. A. H. Belo is a publicly-traded company, and I'm very proud of the journalism we do at our three newspapers, including *The Dallas Morning News* where we have won 8 Pulitzer Prizes since 1986. There are also privately-held newspapers with a long history of excellence in journalism. In my view, the ownership structure does not have a significant impact on the quality of the journalism.

The laws of economics are the same for the locally owned newspaper and the newspaper that may be part of a publicly held company. In fact, there are some economies of scale to newspaper groups that allows them to operate more efficiently and contribute more resources to their newsgathering efforts.

Question 2. Micro-billing is part of the wireless industry's business model. Consumers download games, songs, videos, ring tones, and other applications onto their wireless devices and appear to be willing to pay relatively small amounts. I know some newspapers have attempted micro-billing for content but with no success. One

of the difficulties seems that when consumers are used to free content it is extremely difficult to put the genie back into the bottle. Do you believe that micro-billing has a future when it comes to the distribution of online content from newspapers?

Answer. There is a lot of discussion about different models for charging for some content online. It may well be difficult to convince consumers to pay for content that—to date—has been provided for free online. However, in order to support local journalism at the scale that has been historically accomplished by daily newspapers, the industry will need to experiment with new business models—and will likely need antitrust relief to do so.

Micropayments might work if you are providing news and other information that is specifically directed at the consumer's interest. Because so much information is already out there for free, an individual newspaper will have a difficult time implementing a micropayment system or online subscription service on its own. That is why the industry is seeking antitrust legislation that would provide expedited Department of Justice review of joint ventures that will allow newspapers to implement innovative content distribution models without the threat of antitrust investigations which are too costly, too time consuming and may come too late for many newspapers.

Question 3. Mr. Moroney, does the Newspaper Association of America believe that mergers between a daily newspaper and a broadcast outlet in the same market would address the newspaper industry's long-term structural challenges? If so, can you explain why?

Answer. The Federal Communications Commission's modest relaxation of the cross-ownership rule is now under review in the courts. No one has suggested that eliminating the 34-year-old prohibition on newspaper/broadcast cross-ownership would solve all of the long-term, secular challenges facing the newspaper industry. However, in certain circumstances, elimination of the rule could facilitate the survival of at least one voice in a community when there is a danger of a newspaper closing down or a local broadcast station eliminating local news or shutting down altogether.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. FRANK R. LAUTENBERG TO
JAMES M. MORONEY III

Question. With newspapers consolidating operations—as is the case in my state of New Jersey—what is the risk to independent editorial viewpoints?

Answer. The newspaper industry is the least consolidated of all major media. Of the nearly 1,500 daily newspapers in the country, the largest newspaper company, Gannett, owns less than 10 percent of the titles. In addition, over the last few years a number of newspaper companies have put newspaper properties up for sale and many of these newspapers are still on the market—because the market for newspapers has shrunk.

In today's media landscape consumers have access to a wide spectrum of news and information and editorial viewpoints, particularly with the advent of self-publishing on the Internet—not to mention the editorial viewpoints available on local TV and radio.

Newspapers have made the largest investments in quality journalism to ensure there is a trusted source of accurate and balanced information for local markets across the country. Newspaper companies are deeply committed to the editorial autonomy of their newspapers. All of the research I've seen to date says that newspaper readers demand a local point-of-view for local, regional and state issues. To take away a local newspaper's prerogative to reflect its independent voice would undercut the very value proposition that has sustained local newspapers for decades.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. MARK WARNER TO
JAMES M. MORONEY III

Question. You recommend that we establish a right to protect a news organization's breaking news—akin to the “hot news” doctrine. Can you explain how that would work in the Internet age—how long is a scoop “hot” news?

Answer. There are many aggregators that take the guts of newspaper content and put it on a website to drive consumer traffic and sell advertising around the content. We question whether this is “fair use” under the Copyright Act, but “fair use” is often a difficult concept to define. What you describe looks to us like a misappropriation.

tion of commercially valuable property by individuals who hope to gain financially from the investment in journalism done by newspapers and other news services.

The “hot news” doctrine, which is only recognized in a few states, protects against the types of poaching of business property that the Copyright Act may not cover. It arises out of a Supreme Court’s decision in the early 1900s, which found that breaking news is the “quasi property” of a news-gathering organization and subject to protection against a competitor’s free riding on the newsgathering investment of another company. In that case, “hot news” was interpreted as information that is “time sensitive.” Case law over time or even a statutory definition could determine the definition of time sensitive information.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. DANIEL K. INOUE TO
ARIANNA HUFFINGTON

Question 1. If you knew that Congress could take only one legislative action in the next 6 months, what would you recommend as the single action that would most assist the newspaper industry?

Answer. I’m not in favor of Congress taking such legislative action.

Question 2. Ms. Huffington, as you continue to build *huffingtonpost.com*, do you have ideas on how you can make local content available to your audience? Is it reasonable to think that online-only content providers can step in and provide competition and diversity in communities that are now served by only one local paper?

Answer. As we roll out local versions of *The Huffington Post*, we’re impressed with the desire for local news online. It’s important to note that there are a number of local news sites—*Voice of San Diego* and *MinnPost*, for example—that are already doing strong local reporting. So while newspapers are undergoing a painful transition, it’s essential to focus on how we can save journalism, not how we can save the newspaper business.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO
ARIANNA HUFFINGTON

Question 1. The industry structure for the metropolitan daily segment of the newspaper business has evolved over time from more local, independent ownership to almost exclusive corporate ownership. The fact that many newspapers enjoyed high-profit margins because of the quasi-monopoly they held in their local communities certainly made them attractive properties to investors. Do you believe that the publicly traded ownership model for newspapers has been good for journalism?

Answer. I do not. I believe that newspaper-owning corporations have been too focused on short-term profits rather than long-term investment in the future of journalism. Instead of focusing their resources on experimenting and developing their news gathering businesses, they have far too often focused on satisfying Wall Street.

Question 2. Micro-billing is part of the wireless industry’s business model. Consumers download games, songs, videos, ring tones, and other applications onto their wireless devices and appear to be willing to pay relatively small amounts. I know some newspapers have attempted micro-billing for content but with no success. One of the difficulties seems that when consumers are used to free content it is extremely difficult to put the genie back into the bottle. Do you believe that micro-billing has a future when it comes to the distribution of online content from newspapers?

Answer. I believe that, as the industry moves forward and we figure out the new rules of the road, there will be a great deal of experimentation with new revenue models. But I don’t see micro-billing as the answer when it comes to providing news and opinion.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. FRANK R. LAUTENBERG TO
ARIANNA HUFFINGTON

Question. Sites like yours benefit from reporting by major newspapers, which are struggling to create a sustainable business model as more people turn to the Internet for their news. If newspapers continue to cut back on their reporting and close down, how will your site obtain high-quality news?

Answer. First, it’s important to note that we send a great deal of traffic to other sites—over 20 million pageviews a month. Second, while we do aggregate—and link to—material from newspapers, we also publish a great deal of original material,

both blog posts and stories by our staff reporters. Our answer to the problem of producing high-quality reporting is to launch the Huffington Post Investigative Fund, a nonprofit/for profit hybrid. Backed by nonprofit foundations, the Fund provides both staff reporters and freelance journalists who have lost their jobs the opportunity to pursue important stories.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. MARK WARNER TO
ARIANNA HUFFINGTON

Question. Your website is one of the most successful blogs on the Internet. Can you tell us about your business structure? Could any or all of your business structure be adopted by the newspaper industry?

Answer. The *Huffington Post* has been able to leverage the reach of the Internet to build a media brand quickly. But we've also grown the business by being innovative, efficient, experimental and by moving quickly, things that all news gathering companies can do.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TOM UDALL TO
ARIANNA HUFFINGTON

Question 1. Ms. Huffington, a few years ago the music industry was in turmoil due to fears that their traditional business models could not adapt to the Internet. Yet now millions of Americans purchase songs online for their iPods and other digital music players. Do you foresee the development of any new technologies, such as those for reading e-books, that would save newspapers or the delivery of investigative journalism for readers in an Internet era?

Answer. I am certain that new technologies will emerge that will radically alter the way users receive their news. That's why it's important to keep in mind that while hardware applications may change, the fundamental needs of news gathering and reporting stay the same. Which is why I stress that the thing to focus on is saving—and, indeed, improving—journalism, not saving newspapers.

Question 2. Recent concerns about pandemic flu highlight the need to be able to communicate accurate information to the public about important events or problems. Yet the Internet can also spread inaccurate stories or unfounded rumors far faster than any flu virus. In an era of online journalism, will a system of checks and balances that governed newsrooms and editorial boards eventually develop for new online media sources?

Answer. I believe those checks and balances are already developing. Yes, the Internet allows false information to spread more quickly than in the past, but it also enables course corrections to happen more quickly. The Internet has shown itself to be an incredibly valuable asset when it comes to keeping our political and business leaders more honest. Thanks to YouTube—and Twitter and blogging and instant fact-checking and viral e-mails—it is getting harder and harder to get away with repeating untruths without paying a price.

The best journalists working online embrace the ways of new media, including transparency and immediacy, while never letting go of the best practices of traditional media, including fairness and accuracy). And, we mustn't forget: the checks and balances of traditional newsrooms and editorial boards didn't keep all the misinformation that came out in the run-up to the war in Iraq from being printed and spread.