

# Local Journalism: The Threat to America's Most Trusted News Source



U.S. Senate Committee on Commerce, Science, and  
Transportation

Ranking Member Maria Cantwell  
October 2020

# **Local Journalism: The Threat to America's Most Trusted News Source**

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Local journalism is essential for healthy communities, competitive marketplaces, and a thriving democracy.

Unfortunately, the local news industry is being decimated in the digital age. This is due both to the rapid proliferation of online news content as well as unfair market practices by some of the world's largest technology companies that reuse local news' content, data, customers, and advertisers. While the value of local journalism as a trusted brand is starting to shine through to advertisers, the economic downturn due to the COVID-19 pandemic is endangering what is left of local journalism.

Addressing these unfair business practices and local news' adoption of a new business model will take time. If Americans are to continue receiving the benefits of local journalism—transparency, fact-checking, professional editing, and high-quality and timely reporting that promotes vibrant, cohesive, and diverse communities—local news needs help to survive the current economic storm.

# EXECUTIVE SUMMARY

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Local journalism—America’s trusted source of unbiased and accurate information—is disappearing. This report finds that over the past two decades, the local newspaper industry has lost around 70 percent of its total revenue. Local broadcasters are facing similar difficulties, with advertising revenues down more than 40 percent.

These losses are leading to news deserts. Already, 200 counties nationwide have no newspapers covering their communities, and half of all U.S. counties are down to just one, a problem that is particularly acute in the South. Newspapers have been forced to let go more than 40,000 newsroom employees, a full 60 percent of the journalistic workforce that creates unique local content.

America’s local newsrooms now have thousands fewer watchdogs exposing crime, corruption, and keeping elected officials accountable to their constituents. Small businesses have less information on local conditions and fewer opportunities to reach customers in their community. Communities are losing access to trusted, non-partisan information that keeps our civil institutions cohesive and resilient.

Americans want and appreciate the accurate and unbiased reporting that local journalists provide. According to a 2019 Knight-Gallup study, Americans favor local news over national news to “report the news without bias” by a two to one margin. A 2018 Poynter Media Trust Survey likewise found that three of every four Americans have a “great deal” or “fair amount” of trust in local media. Similarly, polls find that more than eight in ten Americans want journalists to be personally engaged with their local area and understand their community’s history.

Local news is irreplaceable because other sources do not have the economic incentive or capability to credibly report on local issues. The loss of thousands of experienced journalists is the loss of a highly valued resource and a process that cannot be easily replaced. These are the professionals with the necessary expertise to sort through news reports to determine the difference between what is real, what is fake, and what matters most to the communities they serve.

The COVID-19 crisis provides a sobering case-in-point, as Americans are turning to local media at unprecedented levels for information about local pandemic response and disease spread. In a public health crisis compounded by an

economic downturn and political acrimony, local journalism is uniquely positioned to provide unbiased facts and stories that strengthen our communities.

Unfortunately, the revenue losses and employment trends impacting local journalism are now becoming acute as the COVID-19 crisis makes an already difficult situation nearly impossible. Newspapers will likely lay off another 7,000 employees in 2020, leaving only about 30,000 newsroom jobs left. If this rate continues, newspaper newsroom employees may all but vanish in the next few years and, if pandemic-related revenue losses continue for TV and radio broadcasters, local broadcasting could face a similar fate.

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The root causes leading to the destruction of local journalism are complex but can be attributed to two primary factors. The first is that the rise of the Internet and digital information has fundamentally altered how Americans receive and digest the news, disrupting journalism's historic business model. Besides the loss of dependable classifieds revenue, the more than 80 percent decline in advertising revenues since 2000 has been devastating. The mass transfer of content and advertising online, combined with a proliferation of news sites, has dramatically lowered ad value and siphoned dollars from the local newspapers who produce the content supporting those ads. Many of today's online consumers expect to get their local news for free.

The second major challenge is that local news has been hijacked by a few large news aggregation platforms, most notably Google and Facebook, which have become the dominant players in online advertising. These trillion-dollar companies scrape local news content and data for their own sites and leverage their market dominance to force local news to accept little to nothing for their intellectual property.

At the same time, the marketplace for online advertising is now dominated by programmatic ads, with digital advertising services claiming half of every ad dollar, further diverting funds away from local journalism. Today, Google and Facebook alone control 77 percent of locally-focused digital advertising revenue. To put this market share in perspective, the ad revenues that Google earned last year will exceed the combined ad revenues of all TV and radio stations in the country.

When other countries have challenged these dominant players to provide reasonable compensation or fairer terms to news publishers, they have responded with threats, ultimatums, and actions focused on cementing the status quo. Now, regulators across Europe and in Australia are taking steps to ensure

that local publishers can continue to monetize their content and reach consumers. Partly in response to these regulatory actions, Google and Facebook have announced plans to provide limited compensation to a small slice of the news sector. Whether this compensation will be sufficient, or negotiated on fair terms, remains to be seen.

The loss of local journalism is also correlated with a rise in corporate takeovers and consolidation of formerly independent news outlets. Hedge funds have scooped up venerable local newspapers at fire-sale prices and then enacted severe cost-cutting measures that have gutted content for the sake of short-term profits. Today, just 25 newspaper publishing groups control the fate of nearly two-thirds of all daily papers.

These market dynamics are further compounded by a lack of public awareness of the crisis facing local journalism. A recent poll found that 71 percent of Americans believe their local news media outlets are “doing well financially.”

To their credit, facing massive disruption in the online marketplace, local news outlets have already taken big leaps into a new business model that is based on the trust they have earned with their audience. Local news is adjusting to the shift in print advertising revenue by adopting digital content delivery practices, engaging with readers through paid events and partnerships, partnering with philanthropic organizations, and exploring non-profit models, among other initiatives that strengthen the connection between their audience and community. In recent years, other media industries have shown that it is possible for media businesses that have been disrupted by the Internet to successfully evolve themselves and thrive in the digital economy. Local journalism could be on the same path.

To realize this potential, local journalism is benefiting from the fact that Americans trust local news outlets more than other news services. Public surveys have confirmed, by as much as two-to-one margin, that Americans are more likely to trust local news sources. Readership levels and audience engagement also has increased during COVID-19, as Americans are seeking out trusted news and information about their local communities. Many local news outlets are taking advantage of this strength and are creating a new business model that earns revenue by building on established news brands that stand for trustworthiness, highly relevant local content, and greater levels of community engagement. Leading advertisers who are growing frustrated with digital ads due to concerns of ad fraud, market opaqueness, and the placement of ads next to questionable content, are turning to local news to differentiate their products and be seen as trusted brands within the communities where they do business.

\* \* \*

With these changes, a more balanced subscription and advertising model is emerging for local journalism which is now laying the foundation for future growth. But Congressional action is needed to help local news survive the global pandemic and onslaught of unfair practices by the dominant online platforms. Local news needs new laws and regulations to make sure they can compete fairly and recognize their true value to local communities and American democracy.

# CONTENTS

**EXECUTIVE SUMMARY .....2**

**CONTENTS .....6**

**I. LOCAL JOURNALISM: THE KEY TO PUBLIC TRUST AND AN INFORMED CITIZENRY .....7**

LOCAL JOURNALISM OCCUPIES A UNIQUE PLACE OF PUBLIC TRUST.....7

COVID PANDEMIC RESPONSE HIGHLIGHTS THE VALUE OF LOCAL JOURNALISM .....8

REASONS FOR THE PUBLIC’S TRUST.....9

PUBLIC OPINION REGARDING LOCAL JOURNALISM’S ROLE IN DEMOCRACY.....12

**II. LOCAL JOURNALISM: THE DIFFICULT TRANSITION TO DIGITAL .....14**

THE DISRUPTION OF JOURNALISM’S BUSINESS MODEL .....14

RAPID DECLINE IN LOCAL NEWS REVENUES .....17

THE IMPACT ON NEWSROOMS .....18

AMERICA FACES A FUTURE OF EXPANDING NEWS DESERTS .....23

CONSOLIDATION BY FINANCIAL FIRMS INTERESTED IN PROFITS, NOT JOURNALISM .....24

AMERICANS ARE UNAWARE OF THE CHALLENGES FACING LOCAL NEWS.....25

**III. LOCAL JOURNALISM: FACES UNFAIR PRACTICES FROM ONLINE PLATFORMS.....26**

UNFAIR PRACTICES BY NEWS AGGREGATION PLATFORMS .....26

INTENTIONALLY DIVERTING WEB TRAFFIC AWAY FROM LOCAL NEWS .....29

GOOGLE’S “ACCELERATED MOBILE PAGES” HARMS LOCAL JOURNALISM .....30

LOCAL NEWS FACES ONLINE CHOKE POINTS .....32

**IV. LOCAL JOURNALISM: A TRUSTED BRAND ADAPTING TO THE DIGITAL AGE .....35**

TRUSTED BRAND AS A VALUE DIFFERENTIATOR .....35

NEW DIGITAL DISTRIBUTION CHANNELS .....42

LESSONS FROM DISRUPTION OF OTHER MEDIA INDUSTRIES.....46

LOCAL NEWS WALLOPED BY COVID-19.....50

**V. CONGRESSIONAL CONSIDERATIONS .....54**

CONGRESS HAS A LONG HISTORY OF SUPPORTING LOCAL JOURNALISM .....55

CURRENT AND SUGGESTED CONGRESSIONAL CONSIDERATIONS TO SAVE LOCAL NEWS .....56

**VI. CONCLUSION .....58**

# I. LOCAL JOURNALISM: THE KEY TO PUBLIC TRUST AND AN INFORMED CITIZENRY

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*Local news producers create valuable homegrown content that generates trust among readers and viewers.*

## **Local Journalism Occupies a Unique Place of Public Trust**

The American public trusts local journalism based on its long history of unbiased reporting, factual accuracy, and its connection and understanding of the communities it covers.

Surveys of Americans underscore this point. The 2018 Poynter Media Trust Survey found that 76 percent of Americans have “a great deal” or “a fair amount” of trust in their local television news, and 73 percent have confidence in local newspapers.<sup>1</sup>

Similarly, according to a 2019 Knight-Gallup study, Americans trust their local news outlets more than national news.<sup>2</sup> The study found that Americans tend to rate local news more positively than national news on a variety of metrics, including reporting the news without bias and getting the facts right. Sixty-six percent of respondents in the Knight-Gallup study trusted local news to “report the news without bias,” compared to 31 percent of respondents saying they trusted national news organizations to do so. Similarly, 59 percent of Knight-Gallup respondents trusted local news to “get the facts right” compared to 39 percent of respondents saying they trusted national news to do so.

Moreover, the public sees great value in their news providers being part of their community. According to a 2018 Pew Research Center poll, an overwhelming 85 percent of Americans say it is at least somewhat important for journalists to understand their community’s history, with 81 percent wanting reporters to be personally engaged with their local area.<sup>3</sup>

Focusing on local newspapers, the Institute for Rural Journalism and Community Issues has described local papers’ impact this way:<sup>4</sup>



In almost every community the local paper is the first recorder of news...

There is always going to be a digital element to the news reporting from now on. But unless that digital source meets print's standards of balanced reporting, fact checking and professional editing it will never have the credibility attached to print.

Peter Wagner, writing for the Institute for Rural Journalism and  
Community Issues

The balance, integrity, and credibility that local journalism uniquely provides is so important to communities and our nation because it's where Americans get their news. A 2010 Pew Research Center study of news reporting in Baltimore found that most of what the public learned was driven by local reporting. That study concluded that 95 percent of stories that contained new information derived it from traditional local media, whether print, local TV, or radio.<sup>5</sup>

## **COVID Pandemic Response Highlights the Value of Local Journalism**

Americans are turning to local media at unprecedented levels for information about local pandemic response and disease spread. In April, Horowitz Research found that 58 percent of Americans reported consuming more local news than before the COVID-19 crisis.<sup>6</sup>

This is true even of younger Americans aged 18 to 34, 53 percent of whom reported increasing their local news consumption since the crisis began.<sup>7</sup> The *Dallas Morning News* reports that during the pandemic, "Page views are up 90 percent...Users are up 70 percent. New Users are up 75 percent. Sessions are up 96 percent."<sup>8</sup>

Some newspapers, such as the *Seattle Times*, the *Tampa Bay Times*, and the *Colorado Sun* have also reported gaining new subscribers during the pandemic.<sup>9</sup> The increase in subscribers during the crisis underscores the unique value local journalism provides communities.

The following quoted letter from a new subscriber to the *Colorado Sun* is representative of many readers' views on local news coverage of the pandemic: "Your reporting during the COVID-19 crisis has been top-drawer and has inspired me finally to execute the much overdue annual subscription 'donation.'"<sup>10</sup>

## Reasons for the Public's Trust

### Local News Promotes Accurate and Comprehensive Information

Local news also plays an important role in limiting false, inaccurate, and incomplete information. A vibrant local news environment ensures that outlets act as a check on each other, since competition incentivizes greater disclosures of information and provides more pressure to get the story right.

Industry analysts believe that competition also likely raises news quality by encouraging media outlets to reveal information they know rather than participating in the formation of an "information cartel" where outlets withhold sensitive or damaging reporting.

For example, in 2004, CBS News received photos and videos of detainee abuse in Iraq's Abu Ghraib prison but delayed the release of the information until it was clear that the photos began to circulate elsewhere and other journalists were planning to move forward with the story.<sup>11</sup>

Local journalism also covers stories that are unique to local communities and that will be overlooked by other media outlets. Reporting on the COVID-19 pandemic is a prime example of how local journalism provides communities with essential information they need in times of crisis. Across the United States, it is local reporting not national outlets, or news aggregators, or government that is compiling and synthesizing essential information such as:

- Awareness of community spread and local hot spots
- Business opening decisions and regulations
- Local public health directives
- School health codes
- Local employment opportunities

### Local News Acts as a Check on Government and Enhances Civic Engagement

Local news performs an essential oversight role that allows our democracy to thrive. As former U.S. Supreme Court Justice Louis Brandeis famously

articulated, “Sunlight is said to be the best of disinfectants; electric light the most efficient policeman.”<sup>12</sup>

Local news reporters can be found attending town halls and school and zoning board meetings, following activities at the courthouse, and holding local officials accountable at municipal press conferences. They conduct oversight on issues that have a direct impact on their readers’ everyday lives. One investigative journalist in North Carolina, Pat Stith, drove investigations over the course of his 36-year career that reportedly led to 31 new state laws and immeasurable state-wide impact.<sup>13</sup>

Local journalists are frequent users of the Freedom of Information Act (“FOIA”) to monitor federal agency records, uncover wrongdoing, and shed light on misuses of funding and power. According to one Pulitzer Prize-winning local news reporter with the Sacramento Bee who files between 75 and 150 FOIA requests and appeals each year, reporters who do not use FOIA are missing the full story.<sup>14</sup>

“Reporters who don’t use FOIA are missing what everyone else is not seeing, the information that’s not given out at press conferences or in press releases—information the government would rather you not see.”

Russell Carollo  
The Sacramento Bee

There are numerous examples of cases in which local journalists’ open records requests have shed light on and thus curbed corruption and problematic practices.

In one such example, the *Seattle Times* exposed a systemic shortcoming in police response times to 911 calls.<sup>15</sup> The *Seattle Times* examined data from more than 180,000 priority-one 911 calls placed between 2010 and 2014 and found that, although the Seattle Police Department stated that all priority-one calls have a target response time of seven minutes, certain metro areas experienced significantly faster response times—some just under five minutes, others up to nearly 14 minutes.<sup>16</sup> The newspaper also revealed that while the response to a call from an officer in need of help clocked in at under two minutes, the citywide average response time for domestic violence calls was more than ten minutes, and the response to an in-progress violation of a restraining order was 15 minutes.<sup>17</sup> Following the *Seattle Times*’ story, the Seattle Police Department added additional 911 network lines, increased staffing at its call center, improved its computer-aided dispatch system, and launched a Real Time

Crime Center to analyze 911 data and trends and help officers respond more efficiently.<sup>18</sup>

When newspapers close or reduce their news coverage, the loss of government oversight can substantially increase the cost of local government, increase taxes, and reduce government efficiency and civic engagement. Finance professors at the University of Illinois at Chicago and the University of Notre Dame found that with fewer news watchdogs, government salaries rise, deficits increase, and government borrowing costs go up by five to 11 basis points.<sup>19,20</sup> The loss of a local newspaper is also associated with lower civic engagement, weaker community ties, and drops in voter turnout.<sup>21,22</sup>

Journalism professor Penny Muse Abernathy described another example of how corruption can germinate and thrive in the absence of local news. Professor Abernathy cited the recent case of a North Carolina campaign consultant who, operating in a county with little local media coverage, ran a network that illegally collected absentee ballots, and sometimes completed them, to boost a congressional candidate. Election officials eventually detected the fraud, overturned the election results, and ordered a new vote. “The residents of the 9<sup>th</sup> District have been deprived of a representative in Congress for almost a year,” Abernathy said, “because of significant election fraud that flew under the radar of severely understaffed local and regional newspapers, as well the state’s broadcast and digital outlets.”<sup>23</sup>

Local journalism also plays a role in protecting the health of local communities by exposing polluters. A recent study in the *Journal of Environmental Economics and Management* found that toxic emissions from local plants declined 29 percent when they were covered by local newspapers as compared to plants that were not scrutinized.<sup>24</sup>

### [Local News Supports the Economy](#)

Local news plays a key role in reporting information that is necessary for the efficient functioning of markets.

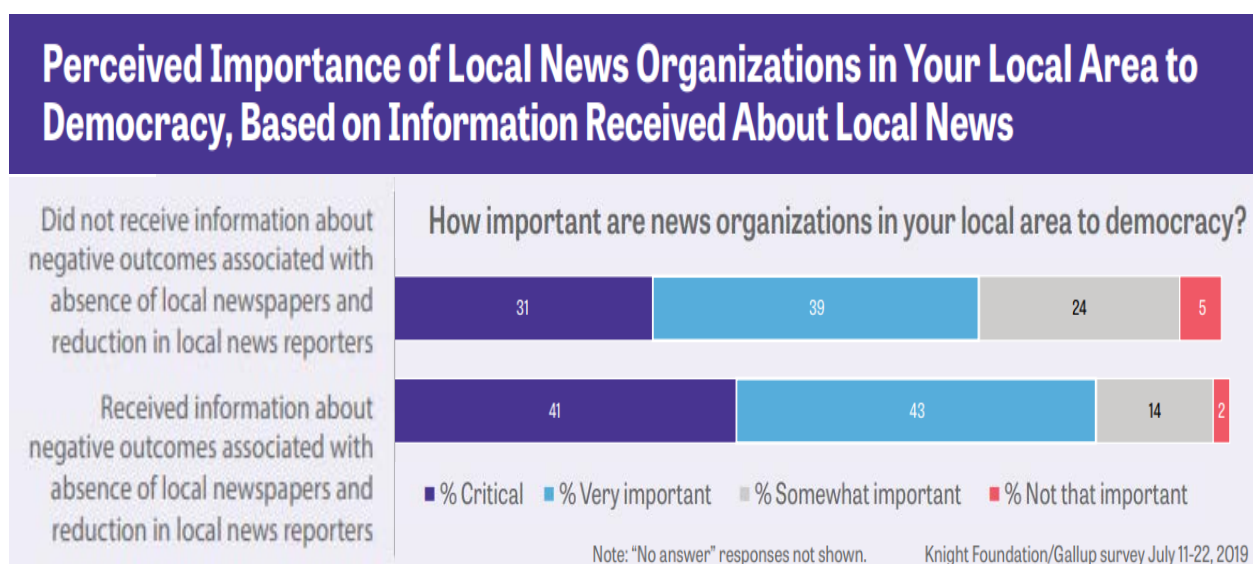
The influential 20<sup>th</sup> century economist, Friedrich Hayek, considered accurate local information essential for the price-setting activity that underlies the efficient functioning of markets.<sup>25</sup> In his view, accurate local-level pricing brings about the proper allocation of goods and resources because it signals local conditions to all actors within the national economy.

Modern economic literature views this issue through the lens of “information economics” or “asymmetric information,” which is now recognized as a basic tenet of economics.<sup>26</sup> In 2001, the Nobel Prize in Economics was given for breakthroughs in understanding markets with imperfect information.<sup>27</sup> Joseph Stiglitz, one of the economists who shared the Nobel Prize for this work, said, “It is now recognized that information is imperfect, obtaining information can be costly, and the extent of information asymmetries is affected by actions of firms and individuals.”<sup>28</sup>

In lay terms, economists across the political spectrum agree that increased reporting on local conditions leads to fairer prices for goods.<sup>29</sup> A decline in local journalism and the ensuing decrease in available information results in market inefficiencies.

## Public Opinion Regarding Local Journalism’s Role in Democracy

Though its importance may not always be top of mind, a large majority of Americans consider local journalism to be a crucial element of our democracy. A Knight survey recently found that 70 percent of Americans spontaneously responded that local news was “very important” or “critical” to democracy, and when presented with information about the role of local news in support of democracy, that number grew to 84 percent.<sup>30</sup> The same Knight survey also found that the vast majority of Americans—86 percent of survey respondents—believe that everyone should have access to local news, even if they do not pay for it.<sup>31</sup>



Local news outlets are even more critical for Americans who live in rural and Tribal areas or are members of minority communities who too often lack have access to broadband Internet or are unable to use it due to the high cost. The ability to subscribe to high-quality Internet connections is too often dependent on socio-economic status, with lower-income homes opting for slower speeds or accessing the Internet solely through mobile devices.<sup>32</sup> For those Americans without adequate Internet access, local print newspapers and broadcasters that address community needs remain essential for civic engagement.

## II. LOCAL JOURNALISM: THE DIFFICULT TRANSITION TO DIGITAL

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*The rise of the Internet and the corresponding migration of advertising revenue from local news outlets to large, multinational online platforms has significantly disrupted local journalism's business model.*

### The Disruption of Journalism's Business Model

#### Competition From Free Online News

The news consumption habits of consumers have changed significantly as news content and advertising moved online. Consumers have found numerous sources of free news and turned to specialty websites such as Craigslist for services previously provided by local newspapers' classified sections.<sup>33</sup>

With the vast majority of Americans now accessing online content through a handful of dominant gateways, online news readers often skim through headlines and read only snippets found on search engines or social media sites without linking to the original sources for more information. According to one study, 47 percent of these users only "browse and read news extracts on these websites without clicking on links to access the whole article in the newspaper page."<sup>34</sup> This has made it much more difficult for news publishers to earn subscription revenue. If news is free, why pay for a subscription?

#### Online Advertising Cripples Ad Revenues

The barriers to entry for the development of a web-based news content are very low. As a result, the supply of news content and corresponding ad space has ballooned. The more ad inventory became ubiquitous and more like a commodity, the more the price of advertising declined.

"[Social media] make[s] a ton of money because their inventory is so huge. They go to the bank while they slowly destroy our pricing structure."

Newspaper Industry Executive



The table below provides a snapshot of the cost of advertising across different media in 2015.<sup>35</sup> The first two columns show the cost of advertising in the *Los Angeles Times* in print and digital. The third column shows the cost of a Google search ad. While pricing for similar advertisements vary based on a host of factors, including size, placement, and targeting, this table shows how dramatic the scale of these price differences can be.

### **Cost to Advertisers to Reach 400,000 Readers (2015)**

<i>Los Angeles Times</i> Print	<i>Los Angeles Times</i> Digital	Google Search
\$40,000	\$5,600	\$16

#### [User Profiles Drive Targeted Ads](#)

As digital distribution has grown, so has an increased focus by advertisers on targeting specific readers at the lowest cost, wherever they browse online.

This change has given a huge advantage to companies with access to deep user profiles that can track users across the web and deliver targeted advertising. Online search, social media, and other new advertising platforms created precise consumer demographic segments and began competing for ad revenue with local newspapers. These low overhead online advertising alternatives started making huge profits while revenues for local journalism went into free fall.

#### [Programmatic Advertising Placement Now Dominates Digital Ads](#)

The widespread adoption of programmatic advertising is another key dynamic undercutting local journalism's historic business model. In a programmatic model, advertising is delivered using automated ad technology ("ad tech") rather than human ad buyers, and is based on detailed user profiles, including a viewer's precise location and purchasing history.

One consequence of the programmatic model is that the direct connection between local news publishers and the advertisers that fund their operations is lost. When machines are buying ads, and the human element is removed, advertisers often do not even know where their ads will be placed.

A number of advertising technology companies now sit in the middle of this relationship, controlling the connection between sellers and buyers. That means sellers take home less money for the ads they sell, and it also means advertising

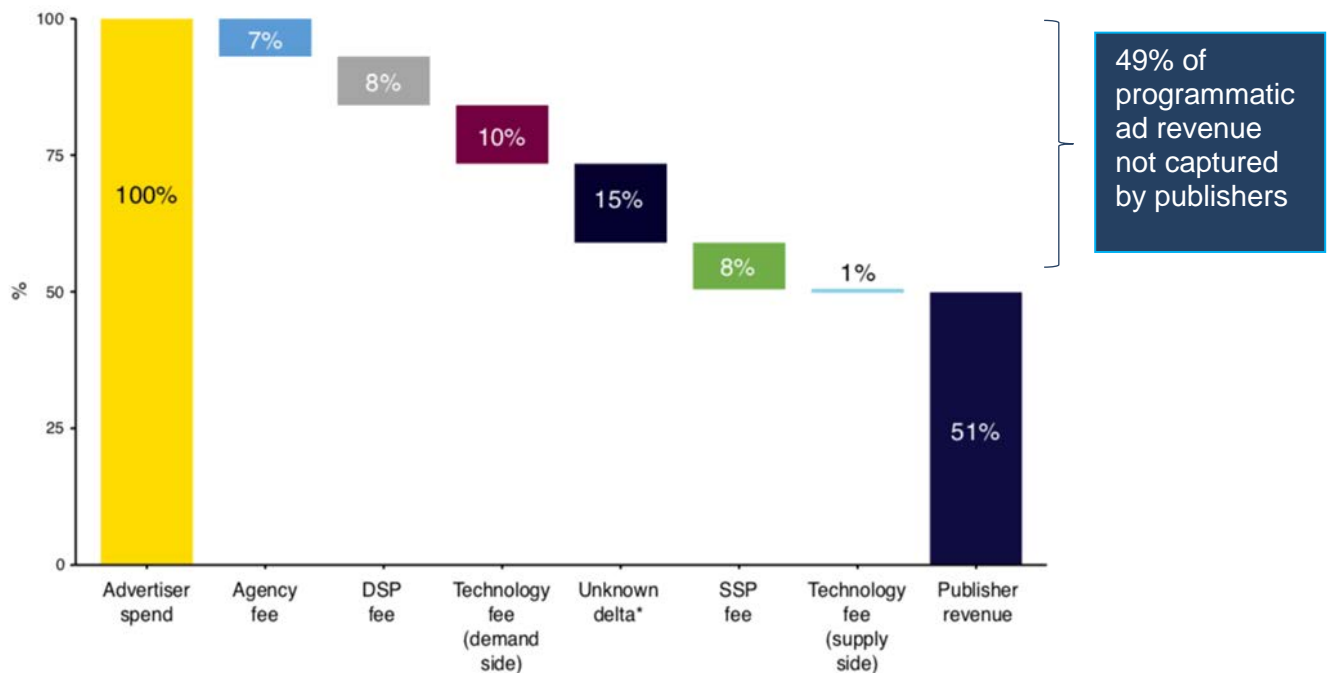


practices become more opaque and vulnerable to unfair competition. Programmatic advertising placement now dominates digital ads and accounts for around 85 percent of online digital advertising.<sup>36</sup> By 2021, eMarketer predicts that nearly 88 percent of all U.S. digital display ad dollars, or \$81 billion, will flow via programmatic automation.<sup>37</sup>

The challenge for local news is that while digital ad spending has skyrocketed, publishers receive less of the value of each ad from programmatic advertising. A newspaper executive put it this way: “Technology partners are out there, with many wanting a heavy revenue share (40-50 percent) for the technology... while we still have to do the heavy lifting... content creation to capture the audience, sales expense, etc.”<sup>38</sup>

A PricewaterhouseCoopers study conducted and released this year that analyzed several major retail and technology brands in the United Kingdom found that publishers tend to receive only half of what the advertiser spends on a programmatic ad.<sup>39</sup>

**News Publishers Receive Only Half of Ad Revenue, 15% Unaccounted For**



In other words, a significant portion of ad revenue now goes to programmatic middlemen instead of directly to publishers who created the content supporting the ad.

One startling finding in the study was the discovery that, on average and despite the best efforts of the researchers, 15 percent of the money spent on programmatic ads cannot even be accounted for. In fact, opaque business practices and deception have been singled out as fundamental problems with programmatic advertising. Relatedly, in 2015, Facebook reportedly announced viewership levels between 150 and 900 percent greater than actual levels.<sup>40</sup> The fraudulent viewership data led many advertisers to increase spending on Facebook as opposed to other media options.<sup>41</sup>

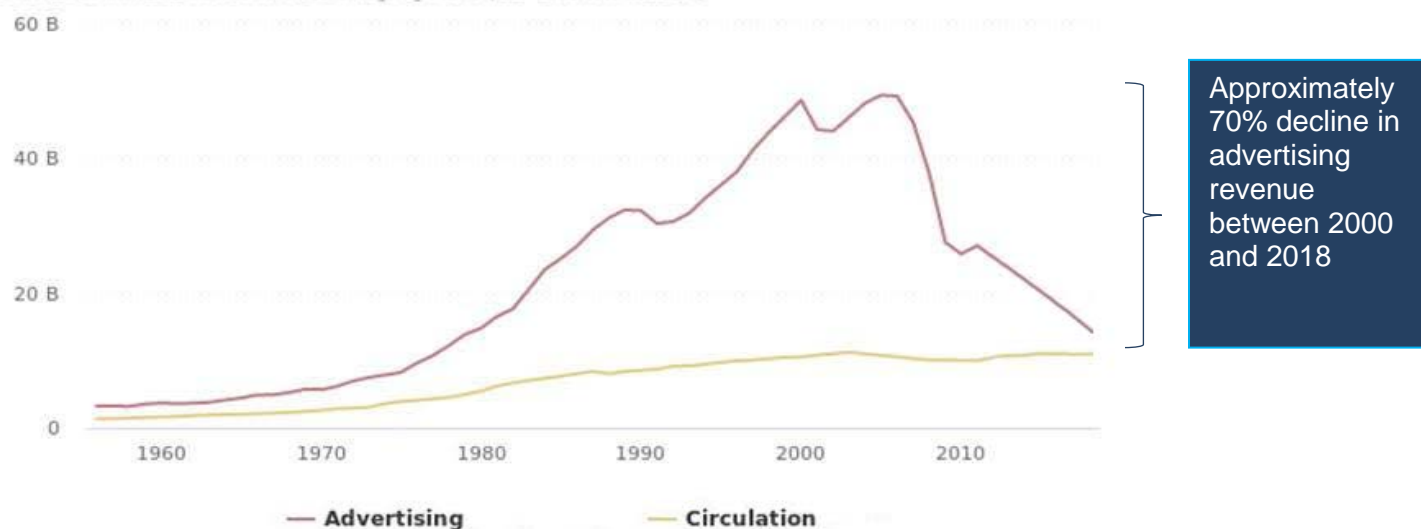
Another concern with the transition to digital distribution and accurate pricing for programmatic advertising is fake traffic—phony ad impressions that do not provide real value to advertisers. In these operations, computer programs called bots act like real people and click on and respond to online ads, thereby generating revenue for websites that in reality have far fewer actual readers. This activity inflates the number of “eyeballs” that appear to have seen an ad, costing advertisers more money, without giving them access to real consumers in return. The prevalence of advertising fraud undercuts faith in online advertising and drives down advertising revenues across the board, reducing the amount of money for which local news sites can compete.

## **Rapid Decline in Local News Revenues**

The newspaper business has historically relied heavily on advertising revenues, which comprised approximately 80 percent of overall newspaper revenue before the Great Recession in 2008.<sup>42</sup> Today, local news content receives just a fraction of the advertising dollars they used to. According to the Pew Research Center, newspapers ad revenue declined approximately 70 percent between 2000 and 2018, while at the same time circulation revenue has only marginally increased.<sup>43</sup>

## Advertising and Circulation Revenue of the Newspaper Industry

Total revenue of U.S. newspapers (in U.S. dollars)



Source: News Media Alliance, formerly Newspaper Association of America (through 2012); Pew Research Center analysis of year-end SEC filings of publicly traded newspaper companies (2013-2018).

As shown in the graph above, newspaper advertising and circulation revenue grew throughout the second half of the 20<sup>th</sup> century, weathering economic crises, and growing alongside numerous technological changes, including the expansion of broadcast television and television news in the 1950s and 1960s, as well as the development of cable news channels in the 1980s and 1990s.

However, the newspaper industry has struggled to overcome the challenges of the Internet age, as advertising revenues models have been steadily undermined. Between 2000 and 2019, overall U.S. newspaper revenue declined by approximately 60 percent.<sup>44</sup> Additional losses due to COVID-19 will be substantial—the total loss of revenue since 2000 is now approaching 70 percent.<sup>45</sup>

### The Impact on Newsrooms

[Local News Forced to Lay off Majority of its Workforce](#)

The rapid decline in local news revenues has been devastating, forcing the newspaper industry to let go over approximately 60 percent of their journalistic workforce—40,000 newsroom employees—since 2005.<sup>46</sup>

The COVID-19 pandemic is accelerating these startling losses: 7,000 newspaper newsroom jobs are expected to be lost in 2020 alone.<sup>47</sup> Provided below is a state-by-state breakdown of newspaper newsroom job losses between 2005 and 2020.

### State-by-State Breakdown of Newsroom Job Losses Since 2005

State	Newsroom Employment (2005)	Job Loss (2005-2020)	% Job Loss Since 2005
Alabama	902	433	-48%
Alaska	179	120	-67%
Arizona	1,008	488	-48%
Arkansas	515	349	-68%
California	7,458	3,961	-53%
Colorado	1,248	737	-59%
Connecticut	942	658	-70%
Delaware	207	159	-77%
D.C.	2,115	749	-35%
Florida	3,392	2,037	-60%
Georgia	1,275	491	-38%
Hawaii	348	264	-76%
Idaho	302	154	-51%
Illinois	3,550	2,313	-65%
Indiana	1,457	1,019	-70%
Iowa	970	686	-71%
Kansas	748	514	-69%

Kentucky	793	416	-52%
Louisiana	728	407	-56%
Maine	478	310	-65%
Maryland	1,393	758	-54%
Massachusetts	2,142	1,549	-72%
Michigan	2,169	1,646	-76%
Minnesota	1,565	1,252	-80%
Mississippi	406	306	-75%
Missouri	983	557	-57%
Montana	222	98	-44%
Nebraska	551	362	-66%
Nevada	334	140	-42%
New Hampshire	350	286	-82%
New Jersey	2,889	2,325	-80%
New Mexico	504	428	-85%
New York	8,754	3,265	-37%
North Carolina	1,641	1,000	-61%
North Dakota	245	151	-62%
Ohio	2,846	1,695	-60%
Oklahoma	833	513	-62%
Oregon	872	579	-66%
Pennsylvania	2,886	2,048	-71%
Rhode Island	272	233	-86%
South Carolina	588	344	-59%
South Dakota	299	231	-77%
Tennessee	1,153	686	-59%
Texas	4,033	2,400	-60%

Utah	405	104	-26%
Vermont	190	142	-75%
Virginia	1,703	976	-57%
Washington	1,587	1,067	-67%
West Virginia	340	166	-49%
Wisconsin	1,347	936	-70%
Wyoming	143	64	-45%
Puerto Rico	341	175	-51%
<b>Total</b>	<b>72,600</b>	<b>-42,747</b>	<b>-59%</b>

The rise of digital advertising has also decreased revenue for radio and television media. From 2000-2018, local TV stations' advertising revenue fell by 40 percent, after accounting for inflation.<sup>48</sup> The ad revenues of FM stations dropped by 43.8 percent in inflation-adjusted terms from 2003 to 2018.<sup>49</sup>

## Local Journalists Will be Difficult to Replace

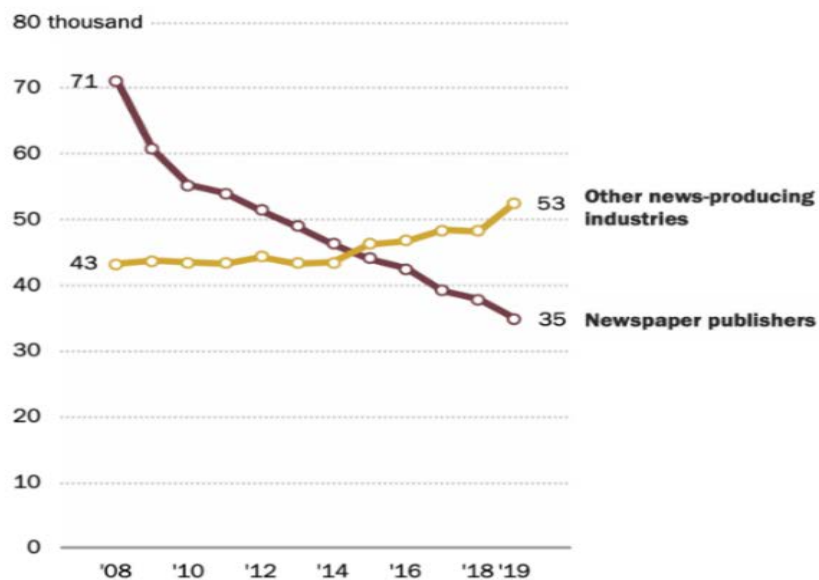
The toll on professional journalists has been heavy.<sup>50</sup> In addition to layoffs, local journalists have faced pay reductions and significant furloughs.<sup>51</sup> It is important to keep in mind that journalism is a skill that requires commitment and extensive training.

Moreover, while the channels through which news is transmitted have changed dramatically over the last two decades. The loss of thousands of experienced journalists represents a loss of a highly valued resource that cannot be easily replaced—these are the professionals with the expertise necessary to sort through news reports to determine the difference between what is real, what is fake, and what matters most to the community served.

Unfortunately, as shown below, these lost newsroom jobs have not been regained in other news-producing industries.<sup>52</sup>

### **Newsroom employment at U.S. newspapers dropped by 51% between 2008 and 2019**

*Number of U.S. newsroom employees by news industry, in thousands*



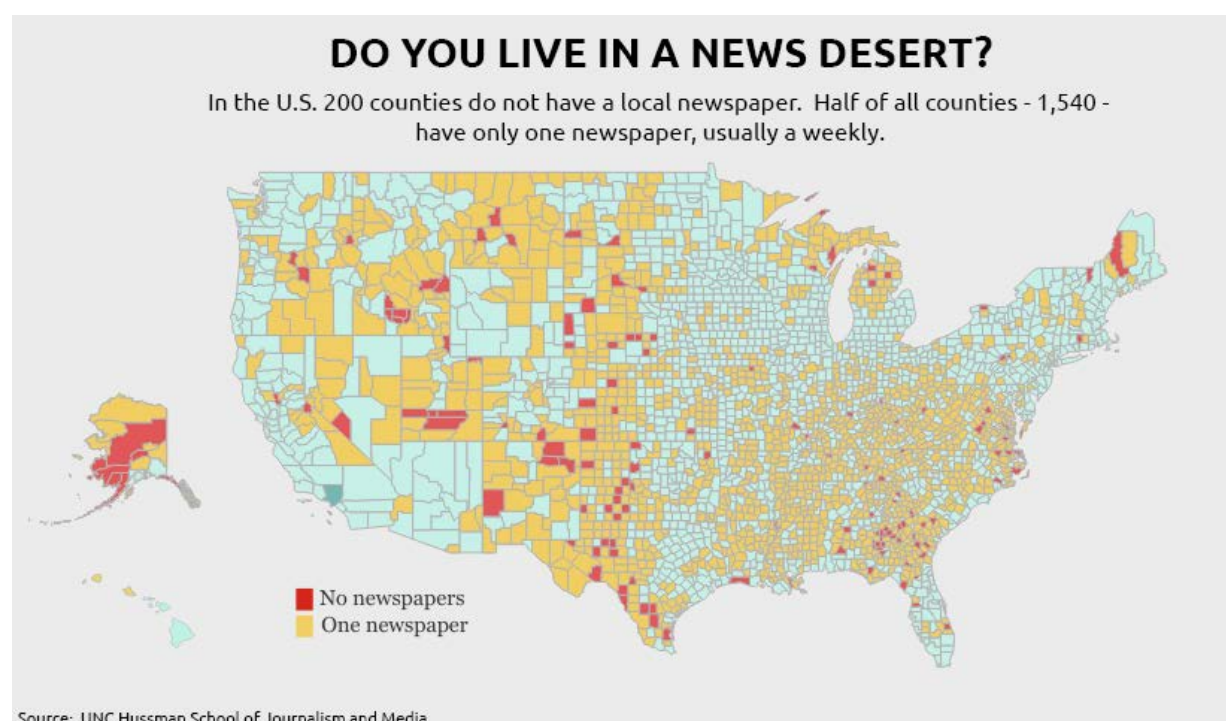
Note: The OES survey is designed to produce estimates by combining data collected over a three-year period. Newsroom employees include news analysts, reporters and journalists; editors; photographers; and television, video and film camera operators and editors. Digital-native sector data is based on "other information services" industry code, whose largest segment is "internet publishing and broadcasting and web search portals."  
Source: Pew Research Center analysis of Bureau of Labor Statistics Occupational Employment Statistics data.

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## America Faces a Future of Expanding News Deserts

Even before the COVID-19 pandemic, these trends led to the failure of thousands of newsrooms across the country, including century old major metropolitan dailies, such as the *Seattle Post-Intelligencer* and the *Rocky Mountain News*.<sup>53,54</sup>

Since 2004, one-fifth of U.S. newspapers have closed or merged. The result, according to the University of North Carolina, is that over 200 U.S. counties now lack a local newspaper and half of all U.S. counties are down to just one.<sup>55</sup>



The loss of local newspapers matters because local newspapers continue to have an outsized impact on the nation's original reporting. America's local newsrooms are the watchdogs exposing crime, corruption, and keeping elected officials accountable to their constituents. They provide small businesses with irreplaceable information on local conditions and targeted opportunities to reach customers in their community.

News deserts also reduce exposure of terrible crimes and abuses because local journalism are often the first to break or significantly amplify stories of national significance. From the exposure of Larry Nassar's crimes against minors by the *IndyStar*, to the investigation of sex trafficker Jeffrey Epstein by the *Miami*



*Herald*, to reporting on contaminated water in Flint by the *Flint Journal* and Michigan Radio, to the uncovering of abuses in the Catholic Church by the *Boston Globe*, local journalism played a key role in bringing criminals to account and protecting citizens at both a local and national level.

Recent studies have also shown that the economic threats to local news are also impacting news outlets focused on serving minority communities.<sup>56,57</sup> For example, New America Media, a news agency and coalition of around 3,000 minority-focused media outlets, folded in 2017 due to financial difficulties.<sup>58</sup> These losses have significant impact on disadvantaged communities. According to multiple news outlets, mainstream media often underreports issues such as crimes against minorities, highlighting the need for newspapers serving minority communities.<sup>59,60</sup> Moreover, given the consistent digital divide impacting minority communities that do not have adequate Internet access, print newspapers remain essential for keeping many communities engaged and informed.

## **Consolidation by Financial Firms Interested in Profits, Not Journalism**

As more and more local newspapers fell on hard times during the transition to digital, a wave of acquisitions swept through the industry, leading to rapid consolidation and the formation of a small number of massive newspaper publishing groups, like Tribune Publishing, McClatchy, and Gannet.<sup>61</sup> Today, just 25 companies control the fate of nearly two-thirds of all daily papers nationwide.<sup>62</sup>

This market consolidation has been accelerated by series of mega-mergers orchestrated and financed by hedge funds and private equity firms. A prominent example is the \$1.7 billion commitment by Alden Capital, which plans to generate returns through aggressive cost-cutting.<sup>63</sup> News industry analyst Ken Doctor explains that this revenue model calls for extracting capital from a sector in decline while minimizing re-investment.<sup>64</sup> Similarly, industry analyst Steve Waldman writes, “the acquisition of newspapers by private equity and hedge funds has contributed mightily, along with the digital disruption of advertising, to the decline of local news.”<sup>65</sup>

A former reporter at the *Monterrey Herald* described life at the newspaper after acquisition by Alden Capital: “Under Alden’s tenure, layoffs and attrition accelerated at breakneck speed. Instead of a story a day, reporters scrambled to crank out two or three because there were fewer and fewer of us. The office supplies vanished, and we had to buy our own pens, calendars, and manila folders. Then the hot water in the bathrooms was turned off. The gutters were

never repaired, and staff creatively arranged house plants to try to soak up the leaks.”<sup>66</sup>

## Americans are Unaware of The Challenges Facing Local News

While Americans have shown overwhelming support for their local news sources, they are largely unaware of the financial challenges facing the industry. In response to a 2019 Pew Research Poll, 71 percent of adults responded that they believe their local news media outlets are “doing well financially.”<sup>67</sup> Additionally, only 14 percent responded that they had paid for local news in the prior year.<sup>68</sup>

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### Most Americans believe local news media are doing well financially, and few pay for it

*% of U.S. adults who say ...*

Local news media do well financially **71%**

They have paid for local news in past year **14%**

Note: Question wording asked, “In the past year, have you directly paid or given money to any local news sources by subscribing, donating or becoming a member?”

Source: Survey conducted Oct. 15-Nov. 8, 2018.

“For Local News, Americans Embrace Digital but Still Want Strong Community Connection”

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Without broader public understanding of the financial challenges facing local journalism, and the industry practices that are exploiting their content, the local news industry could all but disappear in the next few years.

### III. LOCAL JOURNALISM: FACES UNFAIR PRACTICES FROM ONLINE PLATFORMS

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*The mass transfer of content and advertising online has enabled a few large news aggregation platforms to employ unfair practices that take local news publishers' content, data, customers, and advertisers.*

#### Unfair Practices by News Aggregation Platforms

Although local journalism has faced numerous challenges adapting to the new media landscape, they are also confronting unfair practices by some of the largest technology companies in the world.

A few large news aggregation platforms, most notably Google and Facebook, have become the dominant players in the monetization of online news advertising.

- Google reportedly controls 88 percent of the general search engine market.<sup>69</sup>
- Facebook reportedly controls 74 percent of the social media market.<sup>70</sup>
- Google and Facebook reportedly control 77 percent of locally-focused digital advertising revenue.<sup>71</sup>

**Unfair Terms:** The dominance of search and social media services has created a trap for local news outlets, who are left with two choices—both of which threaten them without competitive alternatives.

Local journalists are often asked to provide their content to the news aggregation platforms for free, allowing the platforms to host the content and collect valuable user data from it. This model strengthens the platforms' ability to sell targeted advertising to online readers and viewers of local journalism, while weakening news publishers' ability to do the same. The News Media Alliance ("NMA") estimates that these types of arrangements can result in lower advertising revenues and fewer subscription conversions, leading to significant annual revenue loss nationwide. If local journalists refuse to provide content rights to the platforms, they lose the opportunity to be featured by Google and Facebook and seen by their users.

The platforms use their market position to force news outlets into “take it or leave it” contracts which limit the ability for local news companies to be fairly compensated. If a news outlet wants a summary of its content featured in mobile formats created by the platforms, the news outlet typically must agree to a contract that allows the platforms to obtain the content without fair financial compensation and collect user data from those who view it, among other provisions.<sup>72</sup> The benefit to the news outlet is the possibility that readers will click on a link to their sites to learn more. However, this arrangement also results in a disproportionate share of overall advertising revenue flowing to the platforms instead of the content creators on their individual news sites where building a relationship and traffic is key to sustaining long term revenue.

The popularity of the major news aggregation platforms with readers means they can push local newspapers into providing local news content to them under these unfair terms.

***Reuse of Local News’ Content Without Compensation:*** The platforms have created news aggregation sites that use the content produced by local journalists, while providing only indirect benefits to local news in return. The platforms—such as Google Search—take local news content under the “fair use” doctrine of copyright law, arguing that the reuse of local news’ headlines, story snippets, and images is a “fair use” of the copyrighted work. But the application of fair use in this context, by allowing platforms to take significant and key substance from local news outlets without proper compensation, has made fair use an economic weapon for the online platforms.

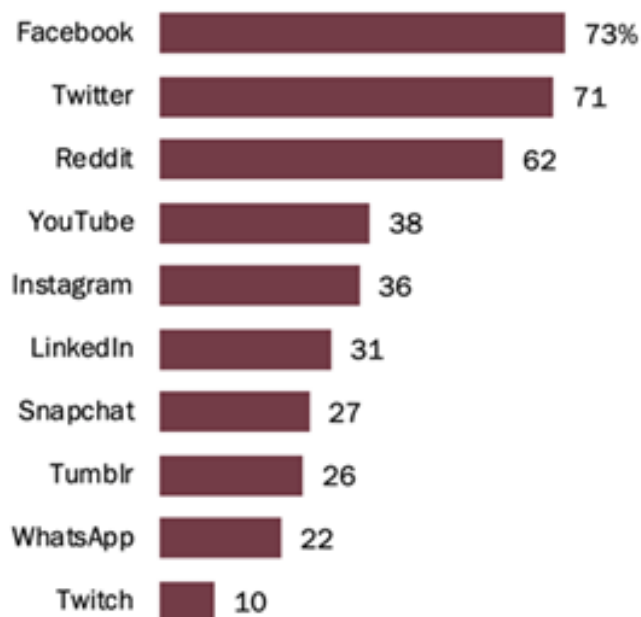
Likewise, news has become a core aspect of Facebook’s service, with a substantial majority of its users reporting being attracted to the news content featured there.<sup>73</sup> For many users, Facebook’s news tab is just one of five default permanent tabs (home, account, groups, news, and notifications) that remain prominent whenever its app is in use, providing users the ability to find news at any time on Facebook’s platform, and limiting traffic to local news websites. The result is that Facebook receives billions in profits from the news content created by others and benefits from a self-reinforcing dynamic that helps Facebook keep its users coming back.

This change has further depleted local newspapers’ advertising revenues as consumers of digital news spend an increasing amount of time on websites controlled by third parties, because the contracts and the impediments created by the platforms prevents local news outlets from being fairly compensated.

## Facebook Must Acquire News Content Created by Journalists to Satisfy Nearly 75% of its Users

### Facebook, Twitter, Reddit are the sites with the most news-focused users

*% of each social media site's users who get news there*



Note: TikTok not shown.

Source: Survey of U.S. adults conducted July 8-21, 2019.

"Americans Are Wary of the Role Social Media Sites Play in Delivering the News"

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Facebook has reportedly offered some licensing fees to a limited number of publishers in exchange for the use of their content, including ABC News, Dow Jones, *Washington Post*, and Bloomberg.<sup>74</sup> These agreements only cover about one quarter of the local news services whose content Facebook displays, with offers ranging from \$3 million per year for national news outlets to several hundred thousand dollars a year for regional publications.<sup>75</sup> The remaining publishers are uncompensated for the use of their content.<sup>76</sup>

Similarly, according to recent reports, Google has signed agreements with close to 200 publications as part of a news licensing pilot program in Germany and Brazil, known as Google News Showcase, and is considering a similar program

in the United States.<sup>77</sup> Google has pledged to provide \$1 billion over the next three years to news publishers as part of this program,<sup>78</sup> but that still likely represents just a fraction of the total revenue lost by local news outlets.

## Intentionally Diverting Web Traffic Away From Local News

The market for online news dissemination is further distorted by the dominant news aggregation platforms' ability to reduce traffic to local news sites by making their content harder to find if the local news services choose not to provide it on the platforms' terms.

In one high-profile example, the *Wall Street Journal* found that when it decided not to participate in a Google news program—"first click free"—that allowed Google users to bypass the *Wall Street Journal* paywall, online traffic to the *Wall Street Journal* from Google dropped by 44 percent.<sup>79</sup> This is not an isolated concern. Robert Thomson, chief executive of News Corp, has commented that publishers must comply or they will disappear from Google Search.<sup>80</sup>

"If you don't sign up for 'first click free', you virtually disappear from a search."

Robert Thomson  
CEO, News Corp

When other countries have made it mandatory for Google to compensate news content creators for the use of summaries, Google has responded by reducing its news-focused services in those countries. For instance, when Spain passed a law requiring online services to pay licensing fees for displaying summaries of news content in 2014, Google discontinued its Google News service in Spain rather than pay fees.<sup>81</sup> It appears that Google preferred to protect its exploitative model than create a precedent that would benefit local news companies.

News publishers in Spain saw reduced referral growth for several years following this, but organic growth without the help of referrals from Google has returned in recent years.<sup>82</sup> This type of organic growth without Google is consistent with the notion that Google News can act as a substitute for publisher landing pages and that the absence of Google News may not have much of an impact on traffic to newspaper websites.<sup>83</sup> Web traffic directly to a publisher's website is generally described as more valuable to publishers than click-throughs from Google.<sup>84</sup>

## Google’s “Accelerated Mobile Pages” Harms Local Journalism

The news aggregation platforms’ increasing market power has coincided with the arrival of mobile devices like smart phones. Mobile devices have become almost ubiquitous since the iPhone was introduced in 2007, and since 2017, more than half of all Internet content has been consumed on mobile devices.<sup>85</sup>

In recent years, Google and Facebook each instituted mobile-optimized formats for news content and used these formats to create platforms designed to further increase their market power over news outlets.<sup>86</sup>

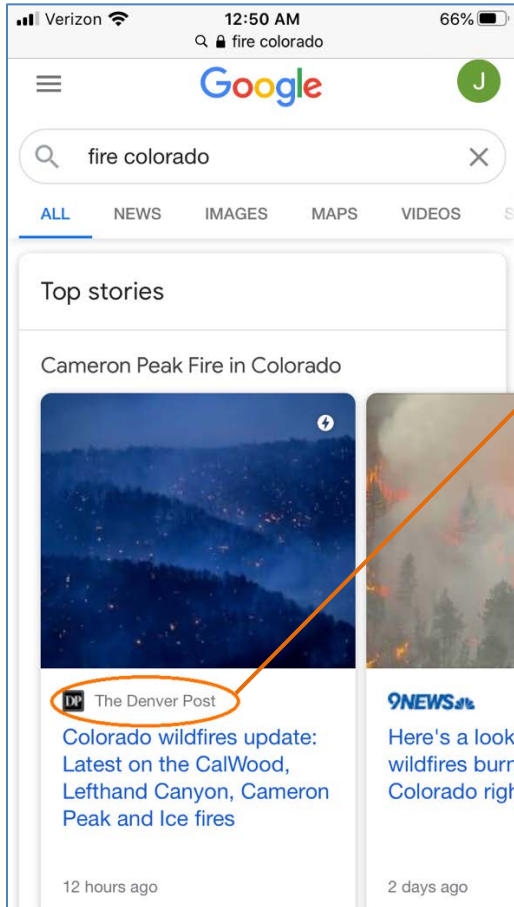
In 2015, Google developed a content format optimized for smartphones known as Accelerated Mobile Pages (“AMP”).<sup>87</sup> The AMP format enables fast loading times, and Google strongly encourages news publishers to make their content available in this format—according to the News Media Alliance, Google will downgrade search rankings for newspaper content that does not meet load time requirements by use of AMP formatting.<sup>88</sup> News content that is not made available in the AMP format may not appear in Google’s News Carousel, which showcases articles for readers.<sup>89</sup>

In order to comply with the AMP format, publishers must allow Google to host the content on Google’s web servers and must agree to allow Google to present their content in virtually any context Google chooses. Further, publishers must sign over broad rights to Google that allow Google to use news outlets’ content in any Google products.

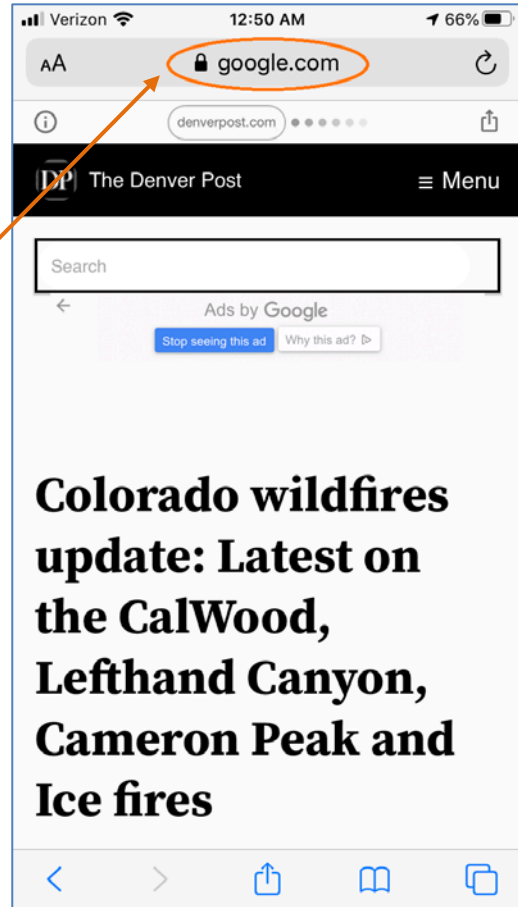
The following image illustrates how this works in practice.



## Readers of the *Denver Post* Sent to Google to Access the Story on Google's AMP Platform / Google Captures User Data



Screenshot 1



Screenshot 2

In the image above, a mobile device user has searched on Google for a local interest news topic and has been shown multiple search results in Screenshot 1. The top results are featured in a carousel format in Screenshot 1. When the user clicks on the link to the article in their local paper, the content is displayed as if it is being provided by the local paper, when in fact it is being displayed by Google, as is shown in Screenshot 2. Google generally derives ad services revenue from these pages<sup>90</sup> and also controls access to valuable marketing data collected about the user. In 2015, Facebook implemented a tactic similar to AMP known as Instant Articles.



Google's AMP format harms local news in multiple ways. First, the format makes publishers expend significant resources to comply. Second, the format allows Google to collect data about who is viewing the local news content, which allows Google to serve ads to that consumer elsewhere on the web. As a result of AMP, the publisher loses exclusivity over its readers' data, empowering Google to compete against the publisher to serve ads to the publishers' own consumers.

## **Local News Faces Online Choke Points**

The impact of each of the practices on local journalism described above—the taking of publishers' content, diverting traffic away from local publishers, and mobile format requirements—could be lessened with more competition in the marketplace. More competitors in general search and social would mean additional gateways to local news, and a greater ability for publishers to negotiate the rights to their content. But, the lack of competition in online search and social media, and the growth of the platforms, creates a choke-point that Google and Facebook control and that local news believes it must pass through to reach readers. This market structure is eliminating fair opportunities for local publishers to leverage the value of the content it creates. A failed market for online local news means diminished voices and a society that has fewer venues for truth and valuable information.

In recognition that the dominant search players are negatively impacting the local news marketplace and the rise of unfair practices by those platforms, U.S. antitrust authorities are currently conducting multiple antitrust investigations regarding the practices of these platforms.

Attorneys general from 48 states, plus Washington, DC and Puerto Rico, have initiated an investigation into the allegedly monopolistic practices Google used to gain dominance in the online advertising market.<sup>91</sup> The DOJ's recently filed lawsuit into the platforms' practices also attempts to restore competition in the online advertising market and the search market.<sup>92</sup> The Federal Trade Commission ("FTC") has a task force to look at antitrust issues in the Internet economy, which will also have a focus on online advertising.

In the last several years, other countries have added new regulatory powers to address digital platform abuses, but the U.S. has not addressed the unfair practices described above.<sup>93</sup> U.S. antitrust law has evolved over the last few decades to become more focused on an increasingly narrow set of harms to competition which may only address some of the practices and market conditions that have unfolded for journalism in the digital market.<sup>94</sup>

Taking news content and diverting web traffic are some of the unfair market practices facing local journalism that may be difficult to fully remedy under current U.S. antitrust law. In addition, antitrust prosecutions take many years to complete and most likely cannot restore enough advertising revenue to help the many local newspapers facing immediate risks to their solvency. The issues involving antitrust actions and the challenges in using current consumer and competition protections at the FTC may call for new or expanded authorities to address these unfair practices.

Congress has acted in the past to make sure that there is a fair balance in compensation when there is a disparity in power between news content creators and their distributors. The best example of this is local broadcast television retransmission consent. In its earliest form, broadcast television stations both created local content (primarily news) and served as the sole distributors of that content to the public through their broadcast signal. Broadcasters funded their news, public affairs, and other local programming by selling local advertising priced relative to the reach and popularity of their broadcast signal. As the TV ad market fractured from cable and satellite competition, local TV stations faced a funding crisis. Congress provided relief to local TV stations with the passage of the Cable Television Consumer Protection and Competition Act of 1992,<sup>95</sup> which created the retransmission consent system. At its core, retransmission consent ensures that local TV stations receive fair compensation for the value of their programming (especially local news). Through retransmission consent, cable and satellite companies pay a portion of the monthly subscription fees back to local TV stations to compensate them for the value of their programming, and broadcasters reinvest that compensation in developing local news programming.

There is a clear need for Congress to address the market failures created by the online search platforms. The platforms' continued practices of taking publishers' online content without proper compensation, diverting user traffic away from local news websites, and using formats like AMP to obtain data about local news customers are unfair and abusive practices the FTC needs to enforce against. The need for new authorities for the FTC to address these practices is evident. The protection of consumers that look to local media to provide the diversity of voices and to assure fair and open competition is the key to attaining truthful information. Sustaining the ability for local news to hold government to account cannot be displaced. The information and oversight that local news provides has been the foundation of our past, and the guideway to our future, and new authority at the FTC to protect local news is a necessity.



## IV. LOCAL JOURNALISM: A TRUSTED BRAND ADAPTING TO THE DIGITAL AGE

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*Trustworthy news is relevant to local communities and has a core value proposition that can succeed in a digital age.*

Local news outlets across the country are working to adapt to the new market landscape by shifting their primary revenue sources away from advertising and circulation to a more balanced portfolio of revenue streams. Many outlets are adopting innovative new funding opportunities that leverage the heritage of trust local news has earned from its readers and viewers. Readers benefit from more flexible ways to access content and new opportunities to engage in their local communities. Many of these opportunities are starting to shine through, but it will still take the industry years to adjust to the new digital marketplace.

### **Trusted Brand as a Value Differentiator**

As laid out early in this report, local journalism occupies a unique position of public trust and is crucial to making accurate and complete information available to the public. Reporting on the COVID-19 pandemic is a prime example of this phenomenon. Since the beginning of the health crisis, Americans have increased their reliance on local news for information about nearby outbreaks, medical resources, and household support programs.

This local reporting on issues of high concern to the public, delivered by trusted messengers, is exactly the kind of credible context and engaged audience that advertisers value most.

Local news organizations also have a unique capability to build and amplify a sense of community. These dynamics provide advertisers confidence that their message is associated with content that is meaningful to a local community, bearing out the maxim “all advertising is local.”

Community news outlets are also well situated to take advantage of “riches in niches,” which stem from its understanding of local audiences. By catering to the interests and history of communities and their institutions, both local and national brands are better able to breakthrough to potential customers.

It is one of the truisms of advertising that context matters, because context is likely to affect consumer recall, brand perception, and the level of resulting sales. According to Horst Stipp at the Advertising Research Foundation, “positive effects have been shown when ads are placed in a context that consumers are involved in, pay attention to and value, as well as when there is an alignment between the context and the ad message.”<sup>96</sup>

Whether local news stories report on nearby hiking options, flu hotspots, or agricultural trends in rural communities, both local and national businesses and brands can trust that their ads will be placed next to content that is relevant and meaningful to local communities. Sports apparel stores seeking avid hikers, pharmacies following flu trends, or banks seeking customers interested in agricultural financing will be able to find customers through local news that is reporting on matters those niches care about. Put another way, local news has already found the niches and subgroups in their communities—and the stories that matter to them—helping advertisers make a deeper connection with potential customers.

Joy Baer, the President of Freewheel Advertisers, a media and technology company focused on digital video advertising, describes the importance of local marketing as having “long been the secret sauce in achieving true audience penetration and lift for brands. We know that the consumer responds better to a local experience.”<sup>97</sup>

George Bartell, Chairman of Bartell Drugs, describes the value of local journalism this way:

“As a regional network of drug stores with deep roots in our community, and competing against national chains, we can’t be just another ad you see on the Internet. Our brand stands for the Bartell family’s commitment to the health of our community. To this day, we’ve found that local news remains one of the best media to carry our message and represent our brand.”

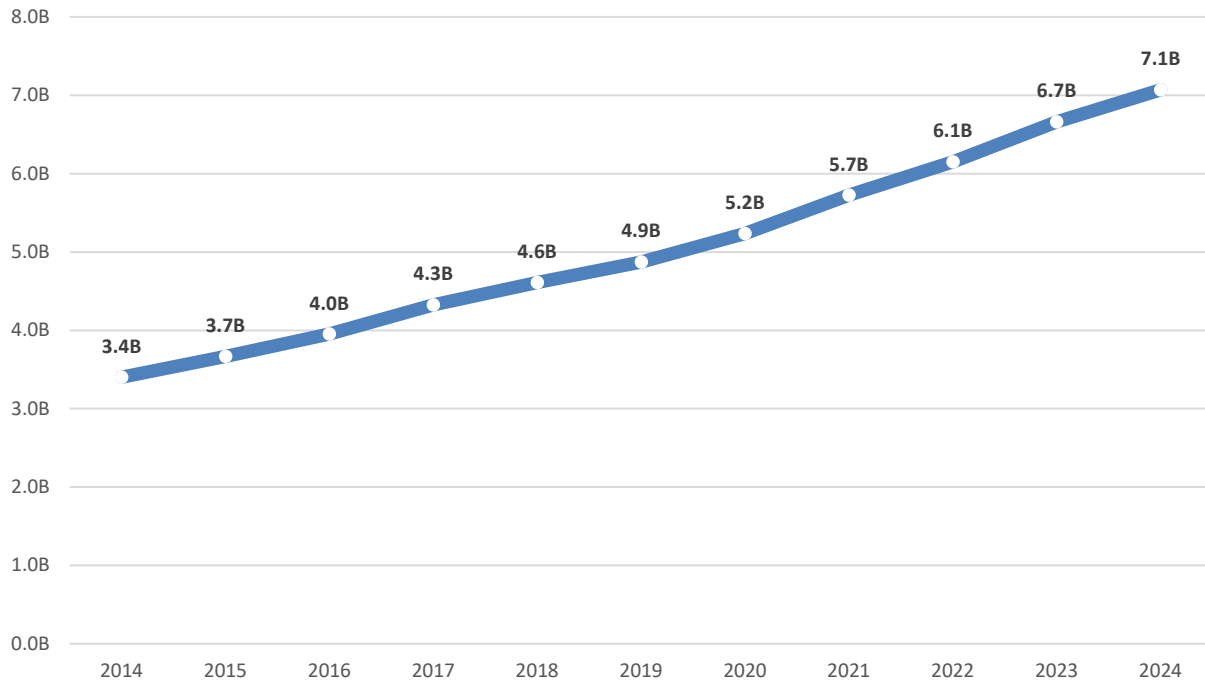
George D. Bartell  
Chairman, Bartell Drugs

Similarly, according to Ad Age, an advertising industry news publication, even for some of the largest national brands, local marketing is a key part of their strategy.<sup>98</sup>

These statements reflect the fact that local news can see a return of revenue growth for digital advertising and subscriptions but it needs a level playing field. According to FTI Consulting, a management consulting group that specializes in the media industry, local newspaper digital advertising is forecast grow in the coming years.<sup>99</sup>

**Local Newspaper Digital Advertising is Forecast to Grow by Approximately 40% between 2020 and 2024**

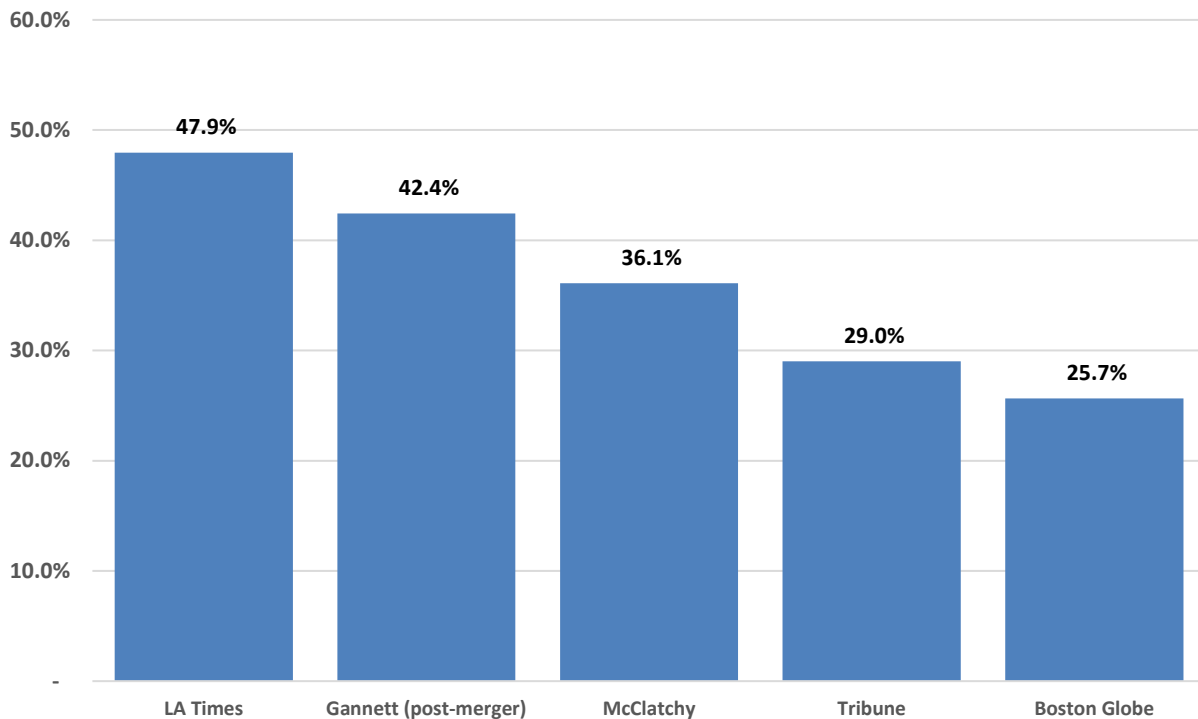
### Local Newspaper Digital Advertising



Newspapers also continue to grow digital subscribers. As highlighted below, between 2015 and 2018, the compound annual growth rate (“CAGR”) of *LA Times* digital subscribers was 47.9%.<sup>100</sup>

### **Between 2015 and 2018, Leading Newspapers Significantly Increased Digital Subscribers**

## 2014 - 2018 Digital Sub CAGR Growth



Being a hub of community engagement makes local news attractive to advertisers. Whether it is live concerts, speaking events, or neighborhood fairs, newspapers can inform their readers about upcoming events and at the same time boost turnout by publicizing them.

In doing so, local news outlets can serve their readers while earning revenues through associated advertising or event sponsorship. By associating their brand with popular community activities, local news organizations build increased customer loyalty, which once again pays off in increased engagement, more advertising impressions, and subscription revenue.

In 2013, Evan Smith, editor-in-chief of the *Texas Tribune*, described an emerging revenue model based on sponsored community events as follows: “It’s a fantastic model. Sponsorship pays most of the bills for these events.” He went on to explain that he expected to earn over a \$1 million in revenue from community-oriented events and related advertising and sponsorship deals.<sup>101</sup>



The trend has grown since then. According to one industry analyst, income from commercial and community events may be an important revenue component going forward, reaching potentially as high as 15 percent of overall industry revenues.<sup>102</sup>

Income from commercial and community events could reach as high as 15 percent of overall industry revenues

In each community, certain unique niches exist that only a local organization can be expected to fully understand. For example, the *Wilmington Star-News*, another North Carolina outlet, increased its digital subscriptions by 72 percent when it began hosting readers at local in-person events, among other initiatives.<sup>103</sup> When the COVID-19 pandemic restricted large gatherings, the *Star-News* began sponsoring a series of drive-in movies called Curbside Cinema.<sup>104</sup>

The *Wilmington Star-News* increased its digital subscriptions by 72% by hosting new community activities

As another example, in 2016, a small market newspaper in Longview, Texas—the *News Journal*—created a new music and food festival called Rockers, Riders & Ribs, which has generated significant revenue for the paper every year since. The newspaper’s advertising director Larry Jobe described it as “a 13<sup>th</sup> month of revenue for us in one day.”<sup>105</sup>

Other types of events focus on deepening community ties and establishing new partnerships. KING 5 News in Washington state, for example, developed a long relationship with Northwest Harvest, a non-profit organization dedicated to fighting hunger across the state, and many different local and national brands. KING 5 broadcasts live from several locations showcasing the work of Northwest Harvest volunteers and staff collecting food and funds at its largest one-day benefit of the year.<sup>106</sup> Companies such as Safeway, AT&T, and Kaiser Permanente have sponsored the event in previous years.<sup>107</sup> All the participants benefit—Northwest Harvest benefits from the publicity it receives from working with a broadcaster like KING 5; the sponsoring brands have the opportunity to partner with an organization benefiting the community and a trusted news source; and KING 5 can deepen its ties with the community and local businesses. All this activity allows Northwest Harvest to serve more needy families that benefit from their services. In this example, the role of the local broadcaster as a trusted source of news is key in bringing the parties—and the community—together.

Although strategies based on sponsoring community events have been working well for large and small local news organizations around the country for several years, the COVID-19 pandemic has limited their effectiveness for the time being. Many news organizations are now pivoting to virtual events.<sup>108</sup>

At the same time that advertisers are increasingly recognizing the value of local news sources, some sellers are realizing that the core values of trust and relevant content are not always present in other media sources.

Just because a news article turns up in an Internet search or a social media feed does not mean it is placed near relevant or appropriate content—and if it is not, the advertising associated with that article or website may suffer. Advertisers have recognized this and have started to trade volume for better assurances of advertising value.

Procter & Gamble (“P&G”) reduced its spending on digital advertising by \$200 million in 2017 due to concerns over the digital ad marketplace.<sup>109</sup> In a speech to the Association of National Advertisers Media Conference, Mark Pritchard, P&G’s chief brand officer, said the decision to reduce online spending was due to questions over the effectiveness of online advertising, lack of transparency, and fraud which corresponds to “up to 20 percent of all online advertising.”<sup>110,111</sup> Pritchard also expressed concerns that online advertisements were being shown next to questionable content, stating “it’s not acceptable for our brands to be showing up where opioids are being offered, where illegal drugs are being promoted, where abhorrent behavior is present or where violence is seen.”<sup>112</sup> P&G is one of the world’s largest advertisers, spending \$10.1 billion in 2018, and its trends and decisions are closely monitored by the broader advertising industry.<sup>113</sup>

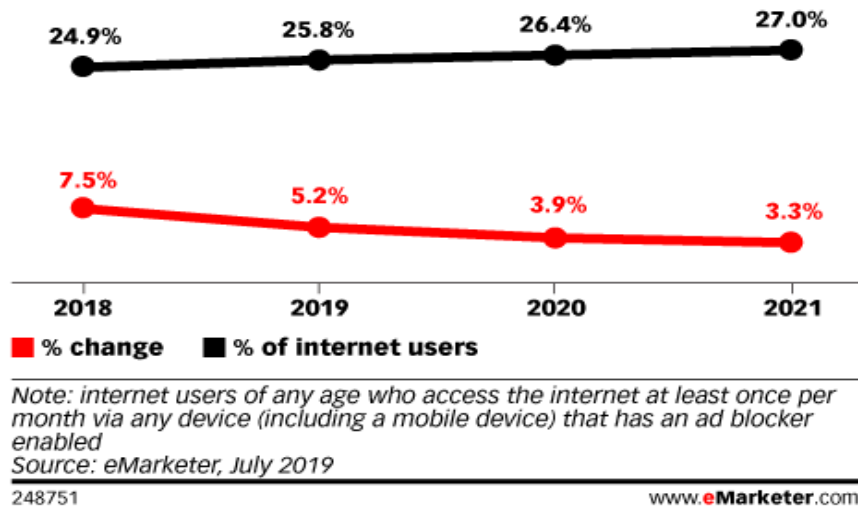
Additionally, ads that intrude upon or disrupt the user experience—such as pop ups and ads that automatically start with sound—are considered to be some of the most frustrating to consumers.<sup>114</sup> In response to proliferation of intrusive and unwanted ads, consumers have increasingly turned to ad blockers—downloadable software that prevents ads from being shown in a browser or app.

In 2018, more than 70 million consumers in the United States used an ad blocker.<sup>115</sup>

### **Adoption of Ad blockers Surpasses 25% of U.S. Internet Users**

## US Ad Blocking User Penetration and Growth, 2018-2021

% change and % of internet users



The trust deficit that plagues digital advertising stands in stark contrast to the connection local news has with its audience.

## New Digital Distribution Channels

Recognizing the dramatic shift to online information distribution, many local newspapers and broadcasters are beginning to adopt innovative digital content delivery and revenue models, which also helps increase subscription levels and reader engagement.

Most local papers have already gone online in some form and adjusted their content to be viewable on a smart phone. Many local outlets now offer readers a number of choices of how to receive their online content, ranging from a browser, to a custom app, to an e-book reader.

These new digital formats make it easier than ever for journalists to provide engaging, on-demand content that consumers can access on their own schedule in a much wider variety of contexts: while commuting, working out, or even doing the dishes. For many local news organizations, harnessing new digital formats to

time shift the delivery of their content greatly expands their ability to reach new customer segments and reinforce customer loyalty.

Regular podcasts, for example, have become a fixture of major metropolitan newspapers' digital strategy, including "The Daily" from the *New York Times*, the *Washington Post's* "Post Report,"<sup>116</sup> and several series from the *LA Times*.<sup>117</sup> Smaller markets are also finding success with podcasting, including the *Providence Journal*,<sup>118</sup> the *Milwaukee Journal Sentinel*,<sup>119</sup> the *Atlanta Journal Constitution*,<sup>120</sup> and the *Des Moines Register*.<sup>121</sup> These podcasts are usually not just a recitation of newspaper articles akin to a book on tape, rather they feature a journalist sharing unique and factual expertise on a specific subject that adds depth and context to complex issues facing communities and the nation.

As the following graphic illustrates, podcast advertising revenues have grown ten-fold since 2015, with news and politics enjoying the largest share of the soon to be billion dollar market.

### The Success of Podcast Advertising

Podcast advertising revenue 2015–2021 (in millions)

Total market estimate



IAB 2018 Podcast US Ad Revenue Study conducted by PwC. Estimates based on self-reported data to around 65% of total. \* estimates

Targeted email newsletters are another format that can be adopted to reach new customers and drive greater engagement and stickiness with consumers. These kinds of newsletters allow journalists to gear news content directly to individual users with targeted subject matter or specific locations they are most interested in, while circumventing the controlling influence of the web-based news aggregators. Newspapers are able to offer newsletters for free on a daily or weekly basis to anyone who signs up because they provide a vehicle for generating new ad revenues. They can also include links to additional content

available on a trial basis, which further generates advertising revenue and drives subscription sales. For example, a newsletter focused on home improvement ideas can include ads that show each reader the nearest supplier of home improvement goods based on their individual location.

Email newsletters build customer loyalty and ultimately drive increasing quantities of reliable advertising and subscription revenue as loyal customers seek out additional sources of news content from their preferred sources.

### Other Partnering and Revenue Models

All across the country local journalism is pioneering innovative new partnerships and revenue models to help them adapt to the challenges it faces.

Some newspapers are working with commercial partners to monitor and quantify user engagement with their stories and identify ways to differentiate their content.<sup>122</sup> Others have joined with national non-profit media ventures to jointly work on long-form investigative pieces that have traditionally served as a backbone of local media.<sup>123</sup> For example, *ProPublica's* Local Reporting Network has created a partnership between *ProPublica* and 20 news outlets across the country.<sup>124</sup> In 2020, one of *ProPublica's* local reporting partners, the *Anchorage Daily News*, won the 2020 Pulitzer Prize for Public Service for its collaborative work examining sexual violence in Alaska.<sup>125</sup>

In some cases, newspapers are borrowing a tactic from public television and community radio by requesting donations directly from the readers who value their content most. The international newspaper the *Guardian*, for instance, includes a donation link at the bottom of each online article. More than a million people have donated to the *Guardian*, helping the company achieve profitability in 2019.<sup>126</sup>

Other local newspapers, like the *Salt Lake Tribune*, have found a path forward by converting to a non-profit model.<sup>127</sup> And other outlets are using philanthropic support around broad local reporting topics, or “beats.”<sup>128</sup>

Recently, a group of international news executives gathered online to evaluate new ideas in the context of the COVID-19 pandemic and the ongoing transition to digital. They published a report summarizing several promising new strategies for local journalism that are currently being put into use. These include: the use of AI for optimizing article selection, page layout, and subscription conversion; growing the work-from-home option, which can reduce real estate costs; and use

of “trust indicators,” a set of eight attributes that enhance credibility by helping readers understand the sourcing of news articles.<sup>129</sup>

As discussed earlier, local news reports on issues of high concern to the public, and the public trusts this reporting. National and local brands benefit from the trust that local news has established with its audience. As Lisa Macpherson, former consumer marketing executive and Senior Policy Fellow at Public Knowledge, put it: “At the heart of contemporary marketing is the ability to deepen engagement with customers by understanding their needs and delivering content they value and trust. News organizations have these capabilities and like successful brands they can leverage them to create revenue. This includes subscriptions or donations (depending on their business model), but it also includes innovative new products and services at the intersection of community and content.”

## Lessons from Disruption of Other Media Industries

The rise of the digital age, with its shift in content consumption patterns, establishment of new content gatekeepers, and challenges to intellectual property protection and valuation have disrupted other media industries as well. Other media, like the music and film industries, provide valuable lessons on the timeframe and types of strategies local news can adapt to evolve their content and its distribution to match new user expectations and meet the costs of creating it. After a challenging transition, new laws and regulations, and a leveling of the playing field, other media industries have overcome significant but surmountable hurdles in the transition to digital.

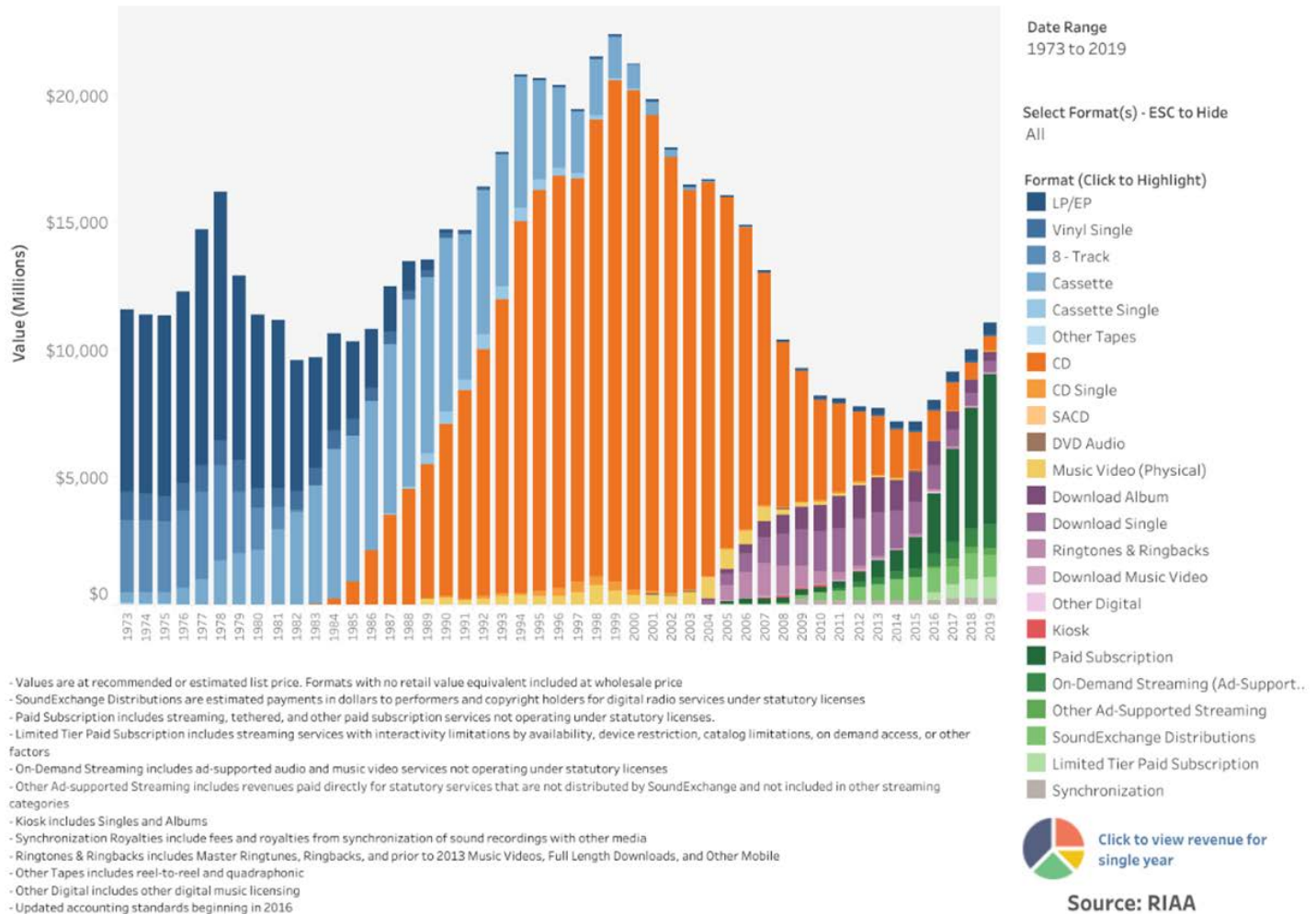
### The Music Industry

An understanding of how the recorded music industry adapted to the digital music revolution may prove instructive. From 1999 to 2015, recorded music revenue in the United States more than halved.<sup>130</sup> CDs, once the dominant format, were largely replaced by a mix of downloads, subscriptions, and ad-supported streaming. Due to the popularity of peer-to-peer file-sharing applications, many music fans were actually getting all the music they wanted for free. Musicians and recording labels desperately needed to develop a new revenue model to remain solvent. The situation mirrored the local news industry's current financial struggles in many ways.

By offering a host of new subscription and streaming service, the music industry has reversed the precipitous drop in revenues that started late 1990s and, since 2016, has seen four years of consecutive growth.<sup>131</sup>

As the following chart indicates, revenues are still roughly half of what they were prior to widespread use of streaming music, the industry's recent success shows that, given time, a valued industry can adjust to structural changes that upended historic business models.<sup>132</sup>

## U.S. Recorded Music Industry Regains its Footing After 15 Years of Losses in the Digital Age



Congress has done its part to facilitate the industry’s rebound. As the music industry worked to engage with the new platforms, issues related to streaming and copyright emerged, prompting some government oversight and intervention.

In 1998, Congress passed the Digital Millennium Copyright Act (DMCA) to address issues in music licensing related to new forms of broadcasting via satellite and the internet.<sup>133</sup> The DMCA enabled the creation of SoundExchange, a non-profit organization empowered to collect royalties for digital non-interactive music broadcasts.<sup>134</sup> To date, SoundExchange has distributed over \$5 billion in music royalties.<sup>135</sup>



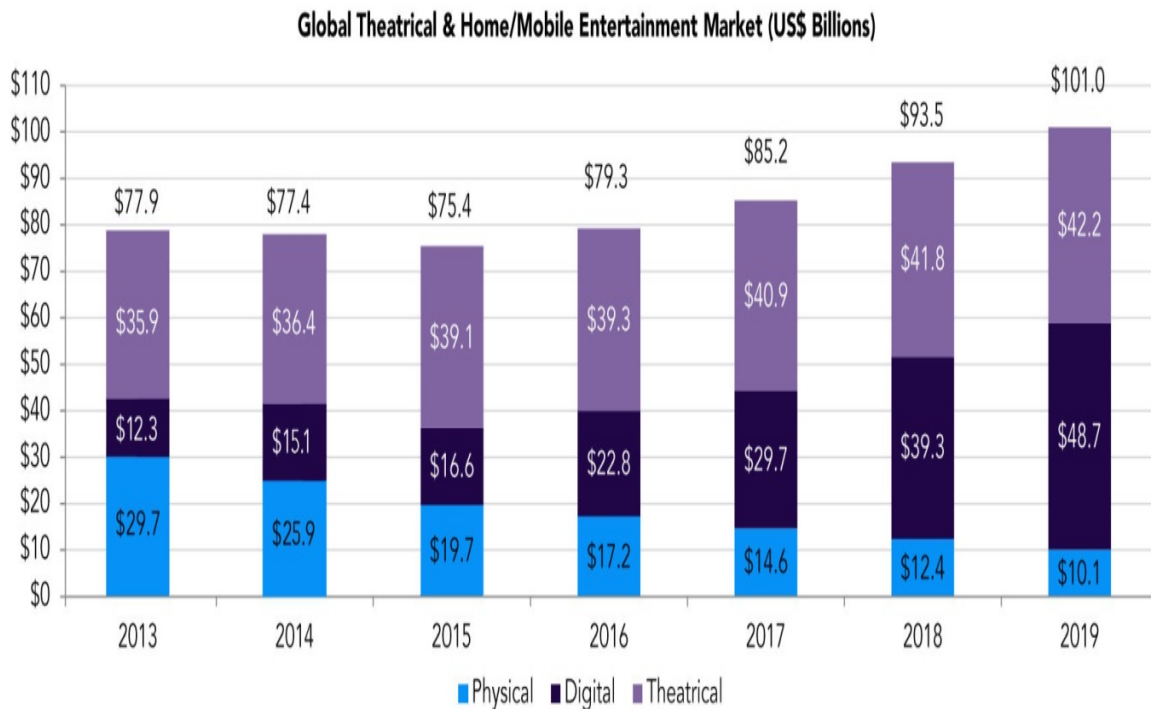
In 2018, the Music Modernization Act was signed into law to further streamline and modernize how copyright royalties are determined and paid when musical works are streamed or distributed online.<sup>136,137,138</sup> The law established the Mechanical Licensing Collective which, beginning in January 2021, will issue and administer licenses for eligible streaming and download services in the United States.<sup>139</sup> This act will simplify the process for licensing digital works and serve to ensure that fair payments are made for online use of music.<sup>140</sup>

### The Movie Industry

The movie business is also facing a revolution in how its customers consume and pay for its content. Like newspapers, the film industry has traditionally been dependent on substantial physical infrastructure and goods—in its case movie theaters and movie purchases or rentals.

The following chart from the Motion Picture Association illustrates how Hollywood has adapted to the transition digital, which has grown four fold since 2013 and is now the industry’s largest source of revenue:<sup>141</sup>

### Digital Video Growth Makes Up For Other Industry Losses



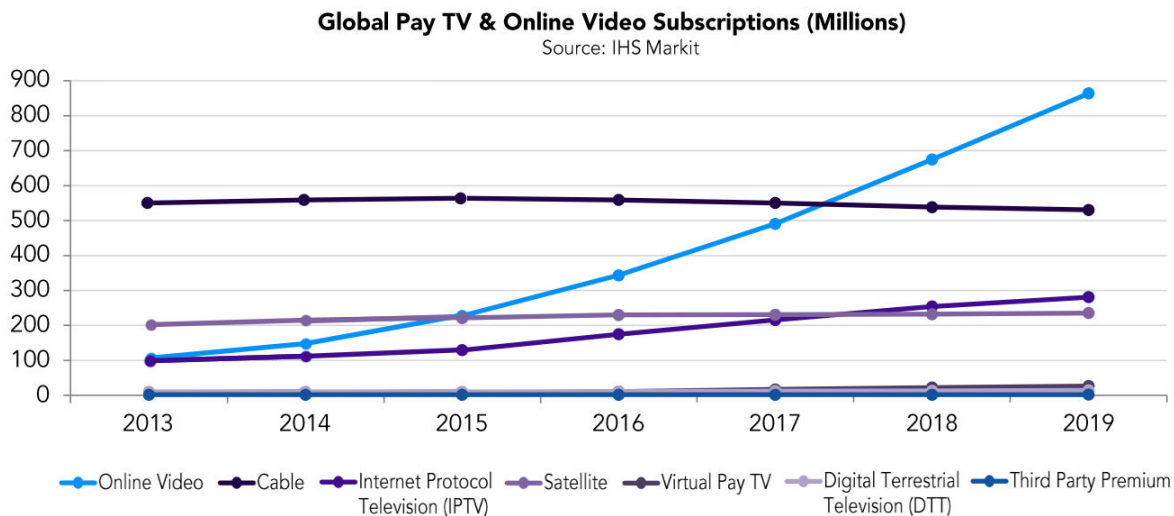
Source: MPAA

Prior to the arrival of COVID-19 in early 2020, Hollywood was able to keep traditional movie theater revenue steady by reducing the number of films released to theaters and raising ticket prices. Although the transition to online offering has decimated the formerly lucrative DVD sales market, online sales have more than made up the difference, resulting in relatively strong net growth for the film industry over the last five years.

The transition to online revenue is not merely a change in format, such as the transition from VHS to DVD was in the 1990s. Instead, it has involved a major rethinking of how the business should operate.

The following chart shows that within the film industry’s growing digital distribution channel, subscription online services have been the key to success, with the number of subscriptions to services such as Netflix and Amazon Prime doubling in the last three years.<sup>142</sup>

### The Rise of Subscription Video Services has Proven Vital to the Film Industry During the Transition to Digital



Source: MPAA

An important differentiator that distinguishes the movie industry from local journalism is that the content development side of the movie business is dominated by six major studios, which have far more market power, both individually and as a coalition, than the thousands of individual daily newspapers scattered throughout the country. Consequently, the movie studios have real

bargaining power with gatekeepers in key online distribution channels. Studios are also now expanding vertically into distribution markets themselves.<sup>143</sup> In addition, movie companies had additional time to prepare for the digital transformation because the bandwidth requirements for music and movie files are significantly larger, which impeded online competition to some degree. This gave the movie industry time to develop business models adapted to the Internet that have met with success today.

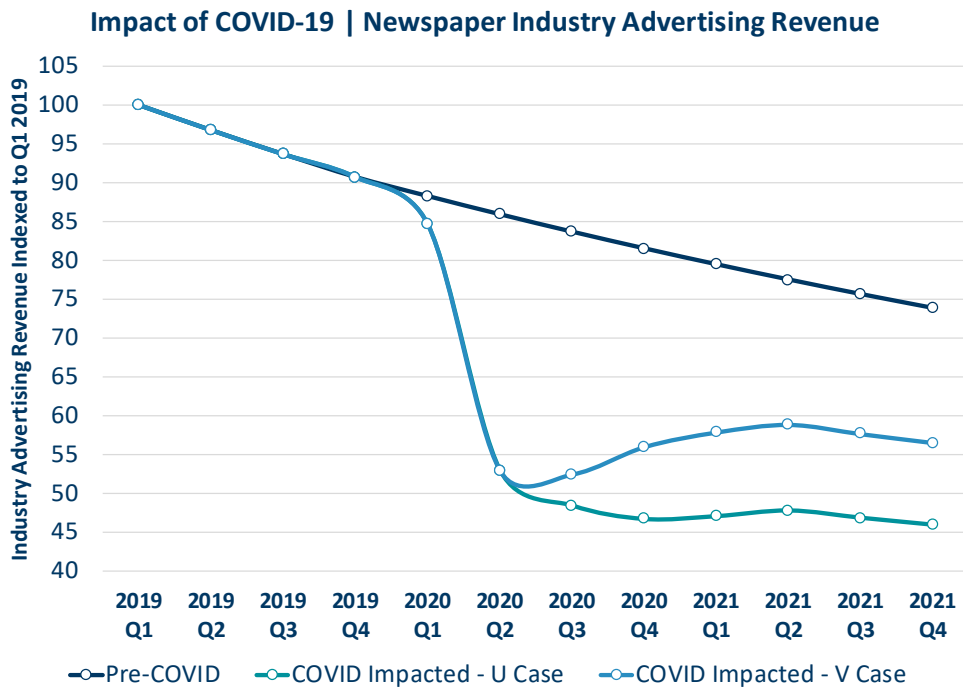
## **Local News Walloped by COVID-19**

As the industry was beginning to succeed at implementing steps to adapt to the digital age, the COVID-19 pandemic struck, with a devastating effect on local news outlets across the country. This is the second economic downturn they have had to face in just a decade. Not surprisingly, the decline in revenue has hit local newspapers particularly hard.<sup>144</sup> Some industry analysts have even described COVID-19 as a potential “extinction-level” event.<sup>145</sup>

Almost half of newspapers have had to lay off or furlough employees according to the News Media Alliance in the last several months. FTI Consulting—a global business advisory firm—projected an additional decline in print advertising revenue for 2020 of up to 45 percent.<sup>146</sup>

The chart below projects that the newspaper industry will face an unrecovered advertising revenue loss between 17% to 28% due to the COVID-19 pandemic through 2021.<sup>147</sup>

## Projected Total Revenue Decline for Newspapers due to COVID-19



For smaller local newspapers, the picture is particularly grim. Unlike major newspapers with a national footprint and wide subscription and advertising base, local alternative papers rely almost entirely on lower-margin advertising revenue from local merchants and event fees. These revenue streams for local news have significantly declined due to the pandemic and the disproportionate impact of the economic crisis on local businesses.<sup>148</sup> Since the COVID-19 outbreak, a number of these newspapers have suspended publication or shut down completely.

The *Stranger*, a beloved local Seattle newspaper, had to lay off 18 employees and discontinue publishing its bi-weekly print edition for the first time in 30 years due to the pandemic.<sup>149</sup> Subsequently, the *Stranger* has begun soliciting donations, stating “90 percent of our revenue—advertising, ticketing fees, and our own events—is directly tied to people getting together in groups. The coronavirus situation has virtually eliminated this income all at once.”<sup>150</sup> Industry

analysts Steven Waldman and Charles Sennott describe the current financial condition of local journalism this way:<sup>151</sup>

Many of the remaining local newsrooms have been forced to cut or furlough staff or shut down all together.<sup>152</sup> According to Penelope Muse Abernathy at the University of North Carolina Hussman School of Journalism and Media, the “pandemic and the ensuing recession have greatly accelerated the loss of local news that has been occurring over the past two decades.”<sup>153</sup>

“In this moment, the bottom is falling out economically for local news organizations”

Steven Waldman and  
Charles Sennott  
The Atlantic

The Poynter Institute has chronicled more than 50 newsroom closings due to the COVID-19 crisis, including many outlets that have been in operation for more than 100 years.<sup>154</sup>

One such closure was the *Press & Journal*, a Pennsylvania paper founded in 1854.<sup>155</sup> The *Press and Journal* was a family business, spanning five generations of the Fox, Graybill, and Suple families.<sup>156</sup> The final edition included the following note to its readers:

*“Through good times and bad, we preserved our paper’s long tradition of providing independent journalism to this community. We leave behind a reputation for fearlessly speaking truth to power and a proud legacy of watchdog reporting that served all its citizens... This newspaper has been our life, our whole adult lives. There will be no knight on a white horse to rush in and save the day, and we worry about the effect our closing will have on the communities we cover. But, because of all of you, we were able to publish a damn good local newspaper for a very, very long time. As heartbroken as we are, we refuse to be bitter. We’re not going to go*

*out throwing stones. We gave it our best shot, and it's been a great run. And that's how we'll end this story. Thank you to one and all."*<sup>157</sup>



If local journalism is to have a chance to complete the adaptation of its business model to the digital age, it will first need to survive COVID-19.

## V. CONGRESSIONAL CONSIDERATIONS

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*The country's Founders and successive Congresses have a long track record of helping local journalism reach American citizens and support a healthy and diverse news sector without threatening the freedom of the press from governmental influence.*

Our Founding Fathers recognized that democracy could not succeed without an informed public. Thomas Jefferson was stark in his assessment of the need for newspapers, writing:<sup>158</sup>

“The basis of our governments being the opinion of the people, the very first object should be to keep that right; and were it left to me to decide whether we should have a government without newspapers, or newspapers without a government, I should not hesitate a moment to prefer the latter.”

Thomas Jefferson (1787)

Jefferson's commitment to a thriving press is evident in many of his writings, where he argued that a free press was essential to an informed citizenry, and without an informed citizenry, government would be more abusive and corrupt.<sup>159</sup>

James Madison, too, argued forcefully for the need for widespread dissemination of information. In the years after his presidency, Madison warned of the risks of governing without a vibrant press. He wrote:<sup>160</sup>

“A popular Government,  
without popular information, or  
the means of acquiring it, is  
but a Prologue to a Farce or a  
tragedy; or, perhaps both.”

James Madison (1822)

It should come as no surprise that the Founders supported local news—at the dawn of the country’s founding, local newspapers provided the primary source of information about America’s struggle for independence and self-government.<sup>161</sup>

## **Congress has a Long History of Supporting Local Journalism**

The country’s reliance on local journalism has been recognized and supported by Congress since its earliest days. For more than 200 years Congress has supported the dissemination of the news.

Besides upholding the bedrock principle of freedom of the press, which has helped ensure the independence and trustworthiness of local media, Congress has also provided financial support in recognition to the importance of local journalism to our economy, citizenry, and preservation of our nation’s cherished institutions.

A primary example of this support has been allowing newspapers and magazines to travel through the mail at extremely low postage rates. Congress legislated low postal rates on periodicals even when it resulted in net losses to the postal service.<sup>162</sup>

Congress and the Federal Communications Commission (“FCC”) have also supported local journalism and a diversity of media voices through tailored antitrust and media ownership rules, among a host of other activities.<sup>163</sup>



## **Current and Suggested Congressional Considerations to Save Local News**

Congress has a vital role to play in helping reverse the alarming decline in local journalism, particularly in light of the hardships resulting from the global health pandemic and the resulting economic fallout. To achieve this goal, Congress should consider a number of possible approaches.

### [Providing COVID Emergency Financial Relief](#)

As discussed in this report, the COVID-19 pandemic has had a devastating impact on local media outlets around the country. Congress should provide immediate support to stabilize these critical community institutions because it is very difficult to recreate a functioning local newsroom once its unique blend of knowledgeable local reporters, editorial controls, and regional subscribers is lost.

Congress should renew the Paycheck Protection Program (PPP), created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, to continue to support jobs at local news outlets. It should also expand it to make thousands more local newspapers, radio, and television broadcasters eligible for emergency federal support.

Congress should also consider targeted tax incentives and grants as at least a short term bridge to enable local news entities to survive the current economic turmoil.

### [Ensure Fair Return for Local News Content](#)

Local news creates unmatched trusted content for local communities, but as discussed in this report, they are not being fairly compensated for their intellectual property by news aggregators, who are abusing their dominant positions in the marketplace.

Congress should consider requiring that news aggregation platforms enter into good faith negotiations with local news organizations and pay them fair market value for their content. Congress should also consider allowing local news organizations for a limited duration to collectively bargain for reuse of their content, provided there are strong controls in place to ensure that smaller publishers are not left behind.

## Level the Playing Field for Local News

As detailed in this report, news aggregation platforms are using their market power and data aggregation practices to disadvantage local news.

Congress has a long history of addressing market abuses that stifle innovation and harm consumers. Rules preventing unfair, deceptive, and abusive practices can stop platforms from taking local news content without financial payment and retaliating against local news by hiding or removing their content from search engines or social media feeds. Similarly, statutes that prohibit market manipulation in other industries can serve as models to ensure online advertising markets are transparent and not contrived to benefit a dominant firm. Federal privacy protections can also serve to empower consumers to provide more support to local news organizations that provide them with more trusted and relevant information. Each of these changes should be crafted in a way to promote competition, consumer welfare, and spur growth and innovation in the digital economy.

## VI. CONCLUSION

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The restoration of local journalism is vitally important, not only to our democracy as the Founders envisioned it, but also to the well-being of the nation and local communities. The importance is especially stark as our nation confronts a health emergency, an economic crisis, and a period of fierce debate over how to navigate a changing world and harness those changes toward building a more perfect union.

Local news plays an important role in binding communities together—chronicling the challenges and triumphs of towns large and small, holding local government officials accountable, improving market information, and reporting on the issues that are most pressing to local communities.

Local news stories showcase the bravery of first responders, the selflessness of health care workers, the struggles of small business owners, or ordinary life events such as little league games, school honor rolls, graduations, business openings and closings, and obituaries. Local news outlet are often the de facto historical record of each town and, as part of its fabric, keeps the community connected. When local newspapers and broadcasters shutter, entire cities are left wanting, and an important long-term relationship of trust and community spirit is lost.

This report detailed the severe challenges faced by local journalism due to mass transfer of content and advertising online and the ability of a few Internet platforms to accumulate the vast majority of the revenues derived from that content. The platforms' continued practices of taking publishers' online content without proper compensation, diverting user traffic away from local news websites, and using formats like AMP to obtain data about local news customers are unfair and abusive practices the FTC needs to enforce against.

While local news outlets have taken many steps to modernize their business models for the Internet age, they need help from Congress to survive the health pandemic, and level the playing field that is severely tilted in favor of trillion dollar online platforms.

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<sup>157</sup> *Id.*

<sup>158</sup> “Thomas Jefferson to Edward Carrington, 16 January 1787,” Founders Online, National Archives, <https://founders.archives.gov/documents/Jefferson/01-11-02-0047>. [Original source: *The Papers of Thomas Jefferson*, vol. 11, 1 January—6 August 1787, ed. Julian P. Boyd. Princeton: Princeton University Press, 1955, pp. 48—50.]

<sup>159</sup> M. Andrew Holowchak, “Did Thomas Jefferson Have a Consistent Message on Free Presses?” *The George Washington University Columbian College of Arts and Sciences — History News Network* (Sept. 15, 2018), available at <https://historynewsnetwork.org/article/169926>.

<sup>160</sup> Letter from James Madison to W. T. Barry, August 4, 1822, in Gaillard Hunt, ed., *The Writings of James Madison*, Volume IX (New York, NY: G. P. Putnam’s Sons, 1910), 103.

<sup>161</sup> Carol Sue Humphrey, “The American Revolution and the Press: The Promise of Independence,” Northwestern University Press (2013).

<sup>162</sup> In 2006, Congress passed the Postal Accountability and Enhancement Act, requiring a number of types of mail, including newspapers, to bear their attributable costs, and limiting their future rate increases to the rate of inflation. *See*: “Postage Rates for Periodicals: A Narrative History,” United States Postal Service (June 2010), available at <https://about.usps.com/who-we-are/postal-history/periodicals-postage-history.htm>.

<sup>163</sup> Dana A. Scherer, “The FCC’s Rules and Policies Regarding Media Ownership, Attribution, and Ownership Diversity,” Congressional Research Service (December 16, 2016), available at <https://fas.org/sgp/crs/misc/R43936.pdf>.