

>> Jon Leibowitz: It used to be simple -- a conversation, really. Someone tells someone else a piece of information, and then it spread. But something was missing -- voracity, reliability, authority. Enter the journalist. The newspaper became a trusted source for news, and it was the wave of the future. As people's hunger for information increased, the business of distributing news became big business. Newspaper publishers embraced a financial model, advertising, to support the business of journalism. They also strived to fulfill the public's need for news delivered fast. Technological advances in the form of electrical impulses assisted the speed of delivery. This also enabled news agencies to share information and resources. By transcending the limits of geography, the telegraph had a profound effect on news gathering and reporting. But eventually, impulses over cables weren't enough. So innovators looked to the air. Radio came into its own, and it foretold the future of news. The business model of advertising proved adaptable to the emerging broadcast media. And the spoken word delivered from reliable sources became as valued and trusted as the printed word.

>> Male Speaker: Lakehurst, New Jersey. The German dirigible Hindenburg is on fire. This bulletin is from the press radio bureau.

>> Male Speaker: During World War II, radio became a vital source for news.

>> Male Speaker: We interrupt our program to bring you a special broadcast. The allied invasion had begun.

>> Male Speaker: Eventually, television allowed people to transmit sound and sight in ways that were once deemed unthinkable .

>> Walter Cronkite: Good evening from our CBS newsroom in New York on this, the first broadcast of network television's first daily half hour news program.

>> Male Speaker: Quickly, technology was changing news. Audiences wanted global news and highly localized content. New technologies also advanced the methods of news writing. Newspapers pushed aside the typewriter. Yet, there were hints that newspaper readership was

declining. Information was available in new places. Still, newer forms of content delivery emerged. So newsrooms looked beyond their walls for different sources and new business models. At the end of 2008, the majority of newly hired journalists were writing stories for the web. And 58% of Americans reported using their mobile phones for things others than talking. As 2009 began, a months-old platform proved itself a valuable source for news gathering and delivery. By the end of 2009, it's estimated that Twitter will have 18 million users. Facebook has more than 200 million active users. We've been here before. Audiences crave news. Fast is no longer good enough when people now want their news delivered in real time. They want news from around the world and right next door. They want objectivity, accuracy, trust. But the news gathering process has changed. The way people consume news has been permanently altered. The speed at which news is demanded is approaching instantaneous. The long-established media are being supplanted by new media, which are being supplanted by even newer media. The long-established business models are proving inadequate. Yet, people value news more than ever before. What's next? What is the future of news?

>> Jon Leibowitz: Hi there, I'm Jon Leibowitz, Chairman of the Federal Trade Commission. Hold on second while I throw my papers and my coffee down. And that was a great little film. It's the first time I've ever seen the -- a clip of the Hindenburg without someone saying "oh, the humanity!" Anyway, I wanted to welcome you all here today to the FTC Workshop entitled, "How Will Journalism Survive the Internet Age?" Some cynics, of course, have suggested an ominous alternative -- will journalism survive the Internet age? Now since the beginning of our republic, news journalism has been essential to making democracy work. By ensuring that citizens are well-informed about civic matters, news journalism helps create the informed electorate that is vital to a well-functioning democracy. Put simply -- and I suppose I'm speaking to all the journalists in the audience, regardless of your platform -- you help us make sense of an ever more complicated world. You hold us accountable when we're not doing our jobs properly. You provide a way for the myriad of American voices to be heard, and you are really the day-to-day champions of our first amendment values. But now journalism, at least in the traditional sense, is in trouble. New forms of competition in advertising are disrupting the business model that has sustained most journalism in the U.S. for more than 150 years. In response, both incumbent news providers and new entrants are searching to find the business models that enable them to thrive into the future. Now, as we all

know, many factors have driven this change, including some self-inflicted wounds. But in the long run, competition made possible by the Internet is at the center of these changes. This kind of disruptive competition is often called creative disruption. It usually involves an innovative business model, sometimes combined with new technologies, that explodes past practices and gives long-term benefits to consumers. And that is certainly true. I think we can all agree of the Internet as a whole, which has brought extraordinary and wide-ranging benefits to the American people. For journalism, however, the concern is the creative destruction caused by Internet competition will destroy more than it creates. Whatever the new business models for journalism may be -- and we've seen glimmers of light and endeavors such as "The Voice of San Diego," "Talking Points Memo," and "ProPublica" -- they aren't yet fully apparent, and, or fully sustainable, at least in a broad sense yet. And at the same time, we're witnessing a quantifiable, and some would say qualitative, demise of the old world order of news delivery. And that's why it remains an open question about whether the changes in news gathering amount to creative destruction or simply destruction. Seems to me that it's a little bit of both. We're here today to discuss these issues with many of Americans leading publishers, editors, writers, media analysts, scholars, advertising executives and consumer advocates. Some of you are beginning new careers online as citizen journalists, bloggers or publishers of news. All of you face a new job requirement to be an innovator in a shifting news landscape. We expect to learn a great deal from you and the Commission appreciates your willingness to share your experiences with us. So why are we doing this workshop? And I should say, I was reading a blog last night that asks this very, very legitimate question. It also complained that we didn't post our agenda in HTML format, only in PDF. And I'm going to look -- I know it's early in the morning, but that was a joke. No, but he really did -- he complained that we didn't post our agenda in HTML format, only in PDF, and we're going to look into that too. Well -- the Federal Trade Commission is well-known for its law enforcement activities, in the competition of consumer protection areas. Also important, but perhaps less well-known is the policy function that Congress assigned to the Federal Trade Commission since our inception in 1915. Both Woodrow Wilson and Louis Brandeis, two of the principal architects of the Commission, endorsed this vision before Congress in testimony, in 1914 and 1915. And I think in the longer version of my speech, we have excerpts from their testimony -- or in Wilson's case, a speech at the joint session of Congress. Lawmakers agreed with this vision. They gave our agency authority under the FTC Act to investigate and make public new developments in the marketplace

and, where appropriate, make legislative recommendations. For decades, the FTC has embraced this policy role. From the study of radio broadcasting in the 1920s that influenced passage of the Federal Communications Act of 1934, creating the FCC, to more recent reports on subjects as diverse as health care competition -- in which many of you know, we are very, very involved -- patent reform and behavioral marketing. With the workshop today, we continue to fulfill the congressional, or Wilsonian, mission to bring out facts in the marketplace. And make no mistake -- we are living through a period of extraordinary change in which the bottom seems to be falling out of the news business, as consumers shift their habits in acquiring news. This is not to say that all news organizations are experiencing these forces at the same time, and in the same way.

Newspapers overall were profitable in 1978. Consumers still use TV as their primary news source. But major changes are underway and the facts are striking. News rooms across the country have cut staff. The Pew Research Center's 2009 report on the state of the news media projects that by the end of 2009, the newsrooms of American dailies may employ between 20 and 25% fewer people than in 2000, with higher losses at big city metro dailies, including leading papers like the "Washington Post," where my wife happens to work. And you can't walk into a meeting at the "Los Angeles Times," as I recently did, without feeling a sense of shock at the row after row of empty desks in what was once a bustling news room. The shuttering of a farm bureau or an office covering state house or covering city hall may be less apparent, but it is no less problematic. Local newspapers have failed in greater numbers than we have seen in a long time. And the loss of a local newspaper can be devastating to a community. To be certain, short-term factors have played a significant role in the cuts at news rooms, including the current recession and the debt overhang from highly leveraged media deals. But at the core of these changes is this -- the Internet is dramatically reducing advertising revenue for news organizations. Now, for many years, newspapers earned about 80% of their revenue from advertising. Recently, however, ad revenue for newspapers has been dropping significantly, falling 23% between just 2006 to 2008 alone, according to the Pew study. Local TV, mass audience news magazines and radio news, all of which also rely significantly on ad revenue for funding, have seen troubling declines, as well. The Pew report concludes, and I'm quoting here, "The problem facing American journalism is not fundamentally an audience problem or a credibility problem. It is a revenue problem, a decoupling of advertising from news." Now, of course, the benefits to American consumers of the Internet are momentous. And maybe that's even underestimating it. Gone are the days when consumers could

only get news and be exposed to advertising from a few TV stations, a local newspaper or two, and relatively small number of radio stations. There are many new ways for consumers to get information over the Internet. And there are many new ways for advertisers to reach those consumers. And even more important, American citizens now can find many more sources of news and other information on the Internet than they previously had available. We can share news stories, react to them, even help gather news in ways that never seemed possible before. We can browse through the news, or for some of us, sports, several times a day instead of waiting for the local TV news broadcast 6:30 or 7:00, or the headlines in tomorrow morning's newspaper. We can advertise on Craigslist for free. Because of the Internet, consumers have access to more of the content they want when they want it, and that should all be good. It should be. So does what is happening to journalism fit the usual model of creative destruction? For example, when Guttenberg invented the printing press, that was bad, of course, for those who illustrated Bibles by hand. When the federal government -- that was not a joke. When the federal government, under President Eisenhower, built the Interstate highway system, that was bad, of course, for those who built hotels on old Federal highways. When the Internet allowed for the creation of online travel sites that let folks shop directly for discounted airline tickets and hotels, that was bad for those who worked at travel agencies. Now those hotels and travel agencies were shuttered went on to find other jobs, some perhaps in related fields, some not. I'm not quite sure what happened to all of those monks. I wasn't around then. That was a bad joke. Still, the overall benefits to society were indisputable. But the same outcome isn't necessarily sufficient in the market for news. We still need journalists to be watchdogs and do investigative reporting, for example. But they can't keep producing the news if they are not paid for their work. Finding a new business model for journalism will not be easy, because the hard truth is that U.S. citizens have never paid subscription fees to cover all the cost of researching, gathering, analyzing, articulating, editing, and producing the civic news that's required for the proper functioning of our democracy. Nor do citizens in other democracies, many of which actually subsidized the news through public funding. Indeed, before advertising was supported in the news -- before advertising supported the news in America, which happened, beginning in the 1830s with the rise of the Penny press, the federal government provided crucial financial support for journalism -- for example, through Postal subsidies and requirements to publish legal notices. Our history clearly reflects the fact that news is a public good, certainly in the sense that it's necessary for government participation by an informed citizenry. And news is

also a public good in the sense in which economists think of the term. That is, one person's consumption of an item of news does not prevent another person's consumption of the same item. I think economists call this "non-rivalrous." There are high fixed costs to produce the news, but relatively low costs involved in copying it. And of course, the Internet has made those copying costs lower by an order of magnitude. And so, as a consequence, in markets for public good such as news, consumers can free ride instead of paying full value, or in fact, paying anything for what they're consuming, which means that the sellers will have trouble getting paid enough to keep producing what consumers value. And that, of course, is precisely the problem facing news organizations today. So the ongoing market for news, then, warrants serious study for at least two reasons. First, markets for public good such as news may work imperfectly and competition policy is well-suited to evaluate these market imperfections. And consumer protection policy, the follow other thing FTC that the does, is well-suited to help us understand the privacy and data security implications of the behavioral marketing used by media companies to increase ad revenues online. And second, and more importantly, this is not just any market. Changes we're seeing in journalism will affect how we govern ourselves, not just the profits and losses of various news organizations. Now, we organize workshops like this, not only to educate ourselves, but also to help educate other policymakers in Washington, and to move the public debate in a direction that we hope will be a positive one. And of course, that's what we're hoping to do here. After a brief review of where we came from and where we are now, today's workshop participants will address emerging business models for news organizations, and given its importance to news revenues, the future of online advertising. Tomorrow will focus on nonprofit and foundation funding, how to reduce the cost of journalism, and how the new news organizations, including bloggers, fit into this puzzle. Throughout, you'll be hearing from prominent participants in business and government. Rupert Murdoch will be speaking in a few minutes. And later this morning, you will hear from Arianna Huffington, who I believe is here but somewhere in the back. There, in the front. Get a better seat for you over here, if you want, for all participants. Len Downie, who co-authored a report commissioned by the Columbia School of Journalism will also speak, as will Josh Marshall, who publishes the online news site "Talking Points Memo." Tomorrow, Henry Waxman, chairman of the House Energy and Commerce Committee will give opening remarks. And later in the day, he'll be followed by former FCC chairman Reed Hundt, who will speak about the Knight Commission Report on the information needs of communities in a democracy. You're likely to hear some

disagreements among speakers about the best way to move forward, and that's probably an understatement. And some may argue that there isn't a problem in journalism at all. But I think there's no disagreement among any of them and any of us in the room about the critical importance of journalism to democracy. There will be more to come. We realize that the most we could hope to do in these two days would be to get the facts and ideas about how to address these changes on the table. We're going to have additional workshops in the spring to delve into various policy proposals, whether involving special tax or anti-trust treatment for news gathering organizations -- of course, we here at the FTC do not generally like anti-trust exemptions -- to look at changes in copyright law across ownership restrictions, look at government subsidies that exist for public radio and public broadcasting, and then to assess the degree to which any policy response may or may not be appropriate. We're also going to work closely with the FCC, which under Julius Janikowski, has begun a major effort to look closely at the full range of issues relating to news media and open Internet. By working together, our hope is that we can do a better job enhancing our understanding of this changing marketplace and whether or not government has a role to play. My own sense is that we need to understand these changes to journalism much better than we do today before we consider any changes to current law. Moreover, we are not going to undo the profound changes brought by the internet, nor do we want to. But aside from that, we should be willing to take action if necessary, to preserve the news that is vital to democracy. Once again, I want to thank all of you in the room -- and it is a full room, with an overflow crowd, I think, in our other building -- for coming. We hope that by holding this workshop, which by the way, we are webcasting and Twittering, just to show that we're not Luddites, we can help shine a light in the right places. And now, I'll turn it over to Susan DeSanti, if Susan DeSanti is here. Oh, she's right here. Okay, turn it over to Susan DeSanti, the FTC's Director of Policy Planning, to share some housekeeping items for how today will work, and then introduce our first two speakers. Thank you all very, very much.

>> Susan DeSanti: Thank you very much, Mr. Chairman. Jon got to lay out the grand themes that we're going to hear about today. I am the annoying person who is going to tell you about the practical details. Like Jon, I'm very delighted to see so many of you here today and I want first to thank Minnesota public radio which loaned us the terrific video that you just saw on the future of news, I'll quickly run through these housekeeping items. First I have a security announcement that I'm required to read. Anybody who goes outside of the building without an FTC badge will be

required to go through the magnetometer and x-ray machine again prior to reentry into the conference center. In the event of fire or evacuation in the building, please leave the building in an orderly fashion. Once outside of the building you need to orient yourself to New Jersey Avenue. Across from the FTC is the Georgetown law center. Look to the right front sidewalk that's our rallying point. Everyone will rally by floors, you need to check in with the person accounting for everyone in the conference center. In the event that it is safer to remain inside you are told where to go inside the building and if you spot suspicious activity please alert security. Second here are the technology announcements. As you might have seen, the FTC's home page has a link to the news media workshop webpage where you can find a link to our Twitter page located at [Twitter.com/FTC news](https://twitter.com/FTC_news). People who are following the webcast can send questions for panelists, using Twitter via @ FTC news, we will try to pass some of these questions to the moderators, and the general council's office wants me to remind you that your messages may be subject to disclosure under FOIA or other applicable laws. Also there's Wi-Fi access available for those who want to write about the workshop in real time. You'll need to get an instructional pamphlet with the log-in code and those are available on the table just outside of these doors. Finally, I'll describe how today's presentations and panels will work. As you can see we have a crowded agenda. I sort of think of this workshop as another Thanksgiving dinner. Basically, the agenda is crowded because we have so many great speakers, and just as some of you may also have had crowded dinner plates last Thursday, in any case, this means we're going to keep the introductions short but I do encourage you to read the bios that you have in your folders, because every one of our speakers has outstanding accomplishments. We have only a few breaks and limited time for lunch. If you need to exit the room for any reason please go ahead and do so, you don't need to wait for a break. For the panels, each speaker has three minutes to give an opening presentation that highlights the main points he or she wants to make. Unfortunately we will need to be strict about those time limits given all we have to cover. Then we'll have a moderated discussion and if a panelist wishes to speak, please put your table tent up on end so we can see and recognize you. Finally if you have questions for the panel and you're sitting in the audience, please write your question on the question card included in your folder and give that card to Katherine Vice -- Katherine? Okay, please give your card to Michael Robluski who is standing over there. He will give the questions to the co-moderator and we'll try to make time for audience questions to the extent possible. Now we're ready to begin and I'm going to start by introducing our first speaker, Paul Steiger. Paul is the

Editor in Chief, President and CEO of Propublica, a nonprofit, nonpartisan organization doing investigative journalism in the public interest. For 16 years previously he was the Managing Editor of "The Wall Street Journal." Under his leadership, the Journal's reporters and editors were awarded 16 Pulitzer prizes. Paul?

>> Paul Steiger: Thank you very much, Susan. I'm trying to decide whether I'm the cranberry sauce, or the minced pie. I hope I'm not the turkey, thank you, thanks to the commission staff for inviting me to be here, and thank you, Chairman Leibowitz and the entire commission for sharing the concern that many of us feel about the changes going on in the news business and the implications for democratic governance. I'm a career reporter and editor by trade, a natural critic of government, a civil one, I hope, rather than collaborator with it, but I do welcome the chance to tell you what I see out there as I engage in the daily direction of a small news organization. Let me begin as some of our stories do with an anecdote. On Sunday, July 12th, 2009, the "Los Angeles Times" published on its front page and on four full inside pages, an article headed, problem nurses stay on job as patients suffer. Of the many extraordinary things about this story, one stands out. It was written and principally reported by two reporters, Charles Ornstein and Tracy Webber, who do not work for the "Los Angeles Times" they work at Propublica, a New York based nonprofit and nonpartisan team of investigative journalists founded in 2008 and founded by philanthropy including major support from the Sandler Foundation. Just a few years ago there would have been a very slim chance that a paper of the "Times" standing would have devoted so much prime real estate to anything not entirely of its own origination and execution. But how the world has changed. Over the past year, the "Times" and Propublica have collaborated on two dozen exclusive stories, on more than half a dozen subjects and almost certainly will on more. How good it's been for the people of California that these two organizations did find a way to work together. Nor is this story unique. Weber and Ornstein have previously won the Pulitzer prize, as has a quarter of our news staff of Propublica. They joined the staff around the country and results are in. 16 months since we began publishing we published with nearly 40 other news organizations from the P two dozen in the "Los Angeles Times" to half a dozen in "The New York Times" more than ten with politico and half dozen in "The Washington Post" and others on "USA Today," CBS's evening news, ABC new, Denver post, Huffington Post. Public radio's marketplace and WNYC, business week, ins "Chicago Tribune," "Pittsburgh Post-Gazette" and on websites such as slate, msn. When

we began, people wondered if such leading news organizations would accept articles from a nonprofit web start like ourselves, more than 150 major stories later I think that's been established. The California nursing piece detailed how the state board licensed nurses P was failing horribly to do its job. Specifically, the board was taking an average of 3 1/2 years, sometimes as much as six years to remove the licenses of nurses convicted of stealing drugs from their patients, beating their patients or being in a stupor of drugs and alcohol while the patients face emergencies. If these were fired from one hospital for such misdeeds they took their licenses down the street to another hospital to begin a new cycle of mistreatment and endangerment. The day after the times published these revelations governor Schwarzenegger fired a majority of nursing board's members and replaced them with a new slate whom he charged with curing the system. Will they succeed? It's far too early to tell although the board granted subpoena power began to set enforcement priorities and more than doubled the number of cases that it initiates. Propublica will continue to monitor their problem. I tell this store not to brag as the editor of propublica, the importance is to show this kind of work. Journalism intended to shine a spotlight on abusive power and failure to up hold public interest and by so doing give the public information needed to produce positive change. We used to be able to count on robust metropolitan dailies to provide a steady flow of this work. While many newspapers continue to do as much as they can. The destruction of the business model they once depended on, result of shrinkage and shuttering of newspapers around the country robbing people of important bull work of our commodity. It's an affect of how we get our information of the revolution how we get our information on the internet. This transformed the newspaper from a hugely profitable, locally dominant player, turning out a must-have product for vast swabs of society to a best break-even business with a dismal prospect of flattening or shrinking revenues, today, newspapers in the position of producing, at legacy experience, a product that's liked but considered not needed by college graduates over the age of 40 while increasingly ignored by everyone else. That sounds terrible. And to many friends in print journalism where I spent a 40-year career it is terrible. Moreover, while details are different. Much is similar in network television news and serious magazine. At the same time it's important to remember this revolution also brought many positives to society already with many more likely to come in the future, creative destruction. So the answer is not to reverse the revolution, you couldn't if you tried nor is it to save newspapers, as major studies on the night commission by needs of communities by Columbia University wisely concluded the goal should be to extend benefits of revolution more

broadly and to ensure continuation of journalism. Negatives of the revolution are easy to see. News papers are shrinking staff. Seattle post has gone web only, rocky mountain news is closed. Great old newspapers like Philadelphia Enquirer have been operating in bankruptcy proceedings like retired chains like Tribune even "The New York Times" company has lost money and borrowed junk bond rates from American industrialists. In the last two years, newspapers laid off nearly 47,000 workers. Staff cuts hit two areas hard. Investigative reporting and foreign reporting in part because these are the most expense parts of Goff Raj. Boston Globe and many others shut their bureaus entirely. While propublica is investigative reporting IGS believe solutions are needed to provide in depth of reporting of politics and commissions these newspapers once offered. Much closer to home, however, look what the trends mean in one small place. Trenton, the capital of New Jersey where I got my first paying job in journalism. A few years ago there were more than 50 reporters covering the Trenton state house. Now I'm told there are less than a quarter as many. This means not only is there corruption that won't be reported but also politicians and others who might have towed the line might attempt to cross it because nobody will be watching. Multiply that by 50 states, you have the bad that the internet revolution brought. But there's plenty of good. First is speed. Clearly we're getting much important news faster. First detailed information about the past summer's brutal crackdown came not from dissidents but citizens tweeting and e-mailing from the scene of the horror. Reporters had to verify sickening reports, then there's information across a wide range from weather reports for travelers, game scores for sports fans and teams. Consider another kind of ubiquity. Amanda Nickel mobilized citizens to provide info for her report on the Huffington Post website. Candidate Obama reported some folks losing out on the global economy were clinging to such things as religion and guns, nickels network captured it and we all heard about it. Without that we might have never have known reporters were invited into the area where Mr. Obama spoke. Nicole works for propublica and put together volunteers to do similar reporting for us. Reports from this Army permits us for instance to track progress on 500 representative federal stimulus products in real time even though our own new staff numbers just 32. The rise of the web also produced a torrent of opinion, some is a mixed blessing, folks ripping in their pajamas about news they wouldn't know about and giving an often angry and exaggerated spin to fit the particular vision of the world but some is a real value, finding connections that no one else spotted or keeping the heat on an important story as Josh Marshall of talking points memo and then colleague now a colleague of mine famously did a few years ago about politically firings of U.S.

attorneys. Given these, in the future there will be no need for newspapers or trained professional journalists. Not so fast. The process of finding and communicating what we used to call news may not require newspapers, seven day week ink on paper compendiums on a broad range of subjects but still require journalists to smoke out stories, to probe for the carefully contrived hoax, he's are activities that take a great deal of time, money and skill. For example of the piece in the L.A. time, was in removing licenses from felonious nurses amply demonstrates the reports of journalism and organizations like the times and PRO publica. Without such institutions there's no way the report would emerge on the web. It took months to demonstrate it took a length of time to dig into those cases. Scores of people needed to tracked down after they had information related to reporting had appeared to uncover. Few bloggers have luxury of such time. Reporters risk being sued for liable or slander if they mischaracterized their behavior. Few bloggers can afford to lose or defend a liable case. Database need to analyze and made friendly. Few bloggers have the technical skills to do this. To protect newspapers, to a lesser e-expect magazines and television provided legal guidance and training necessary and as crucial as the "Los Angeles Times" report to get before the public, some of those institutions will morph into more web-friendly forms and carry on their roles of department stores of news. Public radio and television likely to play another role as they pour efforts into their website and use text and still photography to go with audio and video. I suspect they'll be joined with new news organizations spawn on the internet. I also think the relative role of boutiques will rise both for profit and not for profit. Quality magazines, web-based entries new hyper local sites extend the practice of investigative or accountability journalism. It will be years before they make up for the losses incurred in the last year or two. To a significant extent we're witnessing series of emerging marketing failures and ability of traditional news organization or even the fore market as a whole to produce critical kinds of reporting for investigative journalism or state-house coverage. Some will supply a range of solutions some nonmarket. At pro publica we strive to play a meaningful role in the process. Our news staff may just number 32 but at that it is the largest investigative staff in the nation. There's some things we believe are uniquely positioned to accomplish. Two quick examples. Our coverage of the risk to the nation's water supplies from hydraulic fracturing, a means of drilling for natural gas sets up a national debate now reaching the halls of Congress. More than 50 stores have already run in five leading newspapers, two major online sites, national magazine and public radio as well like all of our stories on our own site. That is a range and persistence that many traditional news organizations increasingly are

unable to match. At the same time we've empowered other journalists as well. August 5th. Pro publica launched public tracker. Enabling to review stimulus spending, local reporters dug into the database and reduced story on the impact of spending their communities. Such story, each based on the use of pro publica's database published in 70 newspapers and websites. To be sure we benefit or contribution made to us and we face to meet the IRS's test for public charities and sound practice foreign institution intent or financial sustainability. We believe current laws and regulations are sufficient to make this goal achievable. We got our tax exception within five months of public announcement of our progress, notwithstanding our intention to provide exclusive stories to profit-seeking publishers and just over two years we received funding commitments beyond those of original donors of \$2.3 million for more than 60 donors. That said, fund-raising is our greatest remaining challenge beyond the imperative to sustain and improve the level of our journalism. Seeking to create and go nonprofit route is a new class of cultural institution. It's vital to the way of life and aspirations that now exist. Our efforts don't lessen the pain being suffered among other journalists today. They don't, by themselves remove the threat to accountability and thus democracy post by the business challenges by the press but they start and they hold, I believe, real promise. Thank you very much.

>> Female Speaker: Thank you very much, Paul. Next we hear from Rick Edmonds, a media business analyst at the pointer institute, where he has done research and writing for the last 10 years. His commentary on the media, appears in the business blog on the pointer online. He helped coordinator his own conferences on emerging nonprofit news alternatives and future of advertising. Rick.

>> Rick Edmonds: Thank you very much for this invitation, I'm honored to be asked to speak at what seems to be a very ambitious exploration on the prospects for American journalism. My assignment is to talk about the state of the news business, newspapers in particular, right now, and in the near future. Switching holiday, Susan I guess that makes me ghost of Christmas present. There are unfortunate parallels to the state of the industry and Bob Cratchett as family and some newspapers in as fragile shape as tiny Tim. I don't think newspapers tying. These are hard times for news business. And more of the same for at least another six to nine months. Very quickly, what went wrong, three things, first of all internet competitor, like monster, Craigslist and less

directly Google search took away much newspapers, franchise advertising franchise. Made up as much as half of the advertising revenues, at some large papers, contributing to more profit since it was very inexpensive to sell. A second problem may be less obvious, there was a time not long ago, when industry leaders hope there would be an orderly transition from print to online formats, and indeed readers have followed along in a steady way to that end. Advertisements much less than anticipates. As you probably know, general online advertising, display rates have fallen sharply for several years now, basic questions linger about the effectiveness of banner and other display ads, there's even other insider talk about manner blindness. Digital revenue growth stalled out and add to these two trends the deep recession which impacted all kinds of advertising especially categories like real estate, employment and auto, the latter, both critical newspapers and local broadcast. Updating a figure that chairman Liebowitz used in the opening. Newspaper advertising revenues have declined roughly 45% over three years. By necessity, news organizations have had to cut very deeply to stay in business, even more so, if they want to remain profitable. Newspapers have been busily outsourcing all sorts of things from office functions to printing. Many metros cut circulation to outlying areas, spent much less than they used to on selling new subscription and as a result, daily circulation, 10% year to year in the most recent reporting period. Also, at a time when aggressive investment new ventures is clearly indicated, news organizations have scarce resources for start-ups and limited access to capital. But the visible edge of the cutting is in the newspapers themselves. Many -- fewer reporters have downsized physical dimension of the paper. Sharply curtailed space devoted to news. Several months ago, I sought to quantify those losses, using available data on lost revenue and some survey information about the percentage that typically goes to news. And the result by a conservative calculation is that newspapers are Garnering 1.6 billion, that's billion with a "B" less annual spending on news headed into 2010 than they were three years ago. Granted, some of that may have been inefficient, even unnecessary, but one alarming implication of that number is that we really don't know what investigations insight and basic coverage simply didn't happen and won't. A second is that the explosion or exciting new venture, you'll already heard of one and hear of many more still find ways to sustain available does not match the scale of work loss. We do know a bit of what's missing. Let me highlight two area, hiring of the arts, state government are being closed down all over the country. As a good example lot long ago every decent metro had a weekly health and science section or one of each. Now only the largest newspapers have one or two science reporters.

The biggest topics, environment, climate, change and health are still covered but the rest of science isn't, except in national newspapers and specialized publications. So much of what we do get comes lightly filtered from the public information arms of universities or companies. The experienced science journalist assess claims quickly and complicate clearly, accurately is endangered species in main stream media. Citizens with interest in these topics turn to government websites like NASA or those with advocacy organizations for depth and detail. The second type of news that has taken a sharp hit is metro's newspaper coverage of extended region. In better times the fielded bureaus in dozens of suburban towns and school districts. That type of coverage is being too expensive now. There isn't space for it either. As they enter the "San Francisco Chronicle" put it to me a couple years ago, we can't afford to cover Richmond city council, being a suburb in east bay. So residents of these communities and there are millions of them no longer have basic news of their community covered by metro level reporters and editors, if they're lucky, the slack may be picked up by a local weekly, or initiated start-up, otherwise they do without. The challenge is life threatening as for newspapers --I'm sorry, I'm skipping something here. That's the magazine that local broadcast suffering similar problems maybe not as life threatening as newspapers. I would like to turn now to three concerning trends as newspapers close this year and head to the next. First the ad picture is improving but only in the sense it's less bad. Public newspaper companies reports and industry estimates, put the losses at 30 to 35% first half of the year, third quarter was more like 25% to 35% and fourth quarter might be better than that. Cost-cutting actions cycle through the years, so lay-offs in June will turn out savings in January. But as long as the advertising revenues continue to fall in double digit rates. Newspaper companies have little choice but to cut more. So we're headed into more ways than layoffs and buyouts. Not to mention furlough programs to pick out reductions in the months ahead. That won't stop until the revenues approve rather than fall slowly. These cost pressures are perilous for a second reason. Many papers are close to a tipping point where there is so little in some editions that they fail to satisfy local customers who still want a print form and are willing to pay for it. That hastens the departure of readers on the margin to less lucrative website or other sources all together. The University of Carolina identified this years ago. A weaker product leads to circulation decline, currently 10%, remember, and lower circulation decreases the value of advertisers on revenue, loss revenues force further reductions in new space, repeat indefinitely. So further cutting for newspapers, now and in the months ahead is a risky business proposition, even leading aside public

service considerations. Further cutting will be hard to avoid, however, and there is no date for -- certain for improved revenues, brings me to a third point and I'll highlight just briefly, a number of papers, Washington post and Boston Globe are good examples have lost money, maybe by cutting will be breaking even going into next year and that's not a bad result, if it's as strong -- preserve, excuse me strong franchise for many times but papers are additionally burdened by heavy debt typically taken on early in the decade by buying new properties, prices that seem inflated. These newspapers may still be making double digit operating margins, much reduced revenue, generally only enough earnings to make interest payments and pay down debt. Such is the situation with McClatchy, second largest newspaper company. We see papers such as those in Minneapolis, and Philadelphia. Companies like Tribune in bankruptcy, a few other papers like "San Diego union tribune have been sold to private equity firms without news experience. I think we'll see, and continue to see unorthodox entrants that is basically private equity bankers, controlling some of the most important newspapers and some of the most important cities. Well, despite this somewhat gloomy take on the industry, I see the current state as discouraging but not hopeless. Newspapers have been increasing their subscription in news stand prices aggressively. There's some loss of audience, but generally speaking, those increasing have been well received, and some are actually reporting modest circulation revenue growth. That corrects historic imbalance which American papers have typically sold for half or less of the going rate in other industrialized companies. Recognizing the chair of revenues being fixed. The company almost certain see experience for charging online as well, getting the better deal from news aggregators is a distinct possibility. I'll reserve the detail of that story for Mr. Murdock, if he chooses to address it and others of the speakers. While this recession gives no sign of ending quickly or completely. Certainly someday it will. Advertising revenues will come back. I see a day when Sun Belt developers are back in business and advertising. I'm an optimist. Partnerships are beginning to show encouraging improvement in effectiveness and rates for digital advertising. The extent of the advertising recovery, though, is open to question. A lot of dealers, retailers resume traditional media spending or see recovery to transfer budgets to digital formats, majority of which have no journalism content. I'm not sure the businesses or ad agencies know either. But thanks to the aggressive cost cutting, even modest recovery of revenues tend to drop to the bottom line. It should replenish profits, leave money to rebuild efforts and undertake new ventures, newspaper organizations have also diversified their portfolio products with new offerings with both print and digital formats. Another

open question is whether newspapers will be able to command a share of new revenue stream with that of mobile devices if that develops. Realistically newspapers will not regain the dominance in news and commerce they enjoyed in the latter half of the print century. Most newspapers are smaller, more expensive and targeted in most audiences but room to serve younger audiences in a range of advertisers with those alternative profits. Best case newspapers and other traditional media will retain a critical year in the expanding and diverse media ecosystem whose potential other speakers will be treating in detail today and tomorrow. To succeed, newspaper organizations need a sharper focus on what they do uniquely well and consistent high quality execution of the chosen editorial strategies. We need more newspapers like "The New York Times," "Wall Street Journal" and "Financial Times" that cost \$2 but reliably deliver \$2 of value. Well, happy ending that would be, it won't happen by Christmas, and it's far from a sure thing in the longer rate view. There remains a very hard traditional path ahead to travel for traditional and new media and for the vitality and civic contribution of American journalism. Thank you very much. [Applause]

>> Jon Leibowitz: Thank you so much, Rick, for the excellent update on the state of journalism today. Rupert Murdoch, the chairman of the chief executive officer of News Corporation is, of course, a giant in the news business. He started in the industry in Adelaide, Australia, and has built an enormously successful company that delivers news and content really in almost any way consumers can get it. As you might expect, Mr. Murdoch has some strongly held views on the -- for those topics we're going to talk about over the next few days. He has been especially outspoken in recent months about the need for news organizations to charge for content over the internet. Of course, many of you may be skeptical about the ability of news organizations to do that, but let me point out that the "Wall Street Journal" does. And we should also remember how skeptical many were when we learned that Mr. Murdoch wanted to start a fourth TV network, and then again when we found out he wanted to challenge CNN. So we are delighted that you have taken time out to join us here today, and Mr. Murdoch, why don't you come up and we'll turn the microphone over to you. [Applause]

>> Rupert Murdoch: Good morning, ladies and gentlemen. Thank you very much, Chairman Leibowitz for that very kind introduction. You and commissioners Harbor, Kervicic and Rush are to be commended for holding this timely and important workshop. I particularly want to thank you

for inviting me. It is a credit to the agency that a wide variety of views are represented here today. Clearly the FTC recognizes that a diversity of a few points is vital to debate and open democracy. I appreciate the opportunity to speak to such a distinguished audience. And I'm pleased that this workshop has been carried by webcast, so that many more Americans might participate. We've just heard two excellent reports and accounts on the history of the current state of journalism from Rick Edmonds and Paul Stieger. That leaves me to talk about my favorite topic, the future of journalism. For a newsman like me whose company assets include print, television, film and digital news properties, this is a particularly compelling subject. We meet at a time where many news enterprises are shutting down or scaling back. You actually hear some of this at this workshop. That journalism is in dire shape, and the triumph in digital is to blame. My message to you is just the opposite. The future of journalism is more promising than ever. Limited only by editors and producers willing to fight for their readers and viewers or government using its heavy hand either to over-regulate or to subsidize us. From the beginning, newspapers have prospered for one reason -- the trust that comes from representing their readers' interest and giving them the news that's important to them. That means covering the communities where they live. Exposing government or business corruption and standing up to the rich and powerful. Technology now allows us to do this on a much greater scale. That means we now have the means to reach billions of people, who, until now, have had no honest or independent sources of the information they need to rise in society, hold their governments accountable, and pursue their needs and dreams. Does this mean we are all going to succeed? Of course not. Some newspapers and some news organizations will not adopt -- adapt to the digital realities of our day, and they will fail. We should not blame technology for these failures. The future of journalism belongs to the bold, and the companies that prosper will be those that find new and better ways to meet the needs of their viewers, listeners and readers. And they should fail, just as a restaurant that offers meals that no one wants to eat or a carmaker who makes cars no one wants to buy should fail. There are some things that do need to happen for the news business to prosper in this digital age. Today I will outline three things that need to happen in my opinion, at news organizations, among our customers and within business for good journalism to prosper into the 21st century. First, media companies must deliver the news media consumers want, and do it in the ways that best fit their lifestyles. That means we must innovate like never before. Second we must do a better job of persuading consumers that high quality reliable news and information does not come free. Good journalism is an expensive

commodity. Finally, the government needs to clear the path for companies to invest and innovate, by reducing unnecessary regulation and eliminating obstacles to growth and investment. Let me take these one by one. First, media companies need to give people the news they want. I can't tell you how many papers I visited where they have a wall of journalism prizes and a rapidly declining circulation. This tells me the editors are producing news for themselves instead of news that is relevant to their customers. A news organization's most important asset is the trust it has with its readers, a bond that reflects the reader's confidence that editors are looking out for their needs and interests. At News Corporation, we provide news, sports and entertainment to audience across borders and continents via newspapers, magazines and books, broadcast, satellite, cable and telco-provided television, mobile devices, and of course, the internet. In the future, we'll provide our content to devices that today are still just a glimmer in the eyes of their inventors, and we are always looking for ways, with a better content or delivery, to meet our customers' needs and interests. We have a good record here. In television, Fox succeeded in taking on the big three networks when everyone said it could not be done. We also compete with the news channel CNN, and the sports channel ESPN. And we continue to produce ground-breaking programming including the first all-digital broadcast of the Super Bowl. More broadly, we've been working for two years on a project that would use a portion of our broadcast spectrum to bring TV offerings and maybe even our newspaper content to mobile devices. For newspapers, Spectrum could well prove an economic vehicle. For our customers, it would allow them to get national and local news, weather, sports, and even their favorite TV show, whether on a train or bus, as a passenger in a car, during their lunch hour at work, or while watching their daughter's soccer practice. Today's news consumers do not want to be chained to a box in their homes or offices to get their favorite news and entertainment, and our plan is to meet the needs of the next wave of TV viewing by going mobile. The same is true with newspapers. More and more, our readers are using different technologies to access our papers during different parts of the day. For example, they might read some of their "Wall Street Journal" on their Blackberries while commuting into the office. Read it on the computer when they arrive, and read it on their larger and clearer e-reader where they may be. Already we've provide news to our readers through websites, e-mail alerts, blogs, Twitter and podcasts. Now we are looking at e-readers. We have no intention of getting into the hardware business, but we have every intention of promoting more choice of our consumers and more competition among distributors by pursuing ways to help us deliver news and information as

cheaply as possible and over as many platforms as we can. Let me add one point here that I'm especially proud of. At a difficult time in our economy, News Corporation is increasing its investment in journalism. We do this because we intend to be the news leader in each of our markets. Excuse me. For example, over the years, we've been continuously expanding the number of ads of local news on the Fox owned television stations. This year alone, we added more than 50 hours of news. Today we are airing more than 700 hours per week of local news. That's more than any other TV station group in the country. And it should tell us that even amid challenging economic times, there are opportunities to improve and expand journalism. We're doing similar things for our papers. "The Wall Street Journal" now offers more national and international news to complement its outstanding business journalism. I've often made the point about newspapers this way. By reminding people that we are in the news business, not the dead tree business. In other words, what makes a newspaper is content and brand. Not necessary the form in which it is delivered. Soon we will launch "The Wall Street Journal" professional edition, which will bring together "The Wall Street Journal" online and Dow Jones Factiva. By giving our readers instantaneous access to breaking news as well as to vast archives, the Journal intend to revolutionize the way business subscribers get valuable information about industries, companies and people affecting their businesses. In short, we believe fiercely that the key to competing during difficult times is to invest more in journalistic content, not less. My second point follows from my first -- quality content is not free. In the future, good journalism will depend on the ability of a news organization to attract customers by providing news and information, they are willing to pay for. Your business model, based on advertising only, is dead. Let's face it. A business model that relies primarily on online advertising cannot sustain newspapers over the long term. The reason is simple arithmetic. The online advertising is increasing. That increase is only a fraction of what is being lost from print advertising. That is not going to change, even in a boon. The reason is the old model was found on quasi-monopolies, such as classified advertising which has been decimated by you and cheaper competitors such as Craigslist, monster.com, careerbuilder.com and so on. Even online display advertising is in such huge supply, that its price is under constant pressure. In the new business model, we will be charging consumers for the news we provide on our internet sites. We are already charging, and successfully so, for "The Wall Street Journal" online. wsj.com boasts more than 1 million subscriber, barrons.com has another than 150,000 subscribers. We intend to expand this pay model to all our newspapers in the News Corporation stable such as The

Times of London, Australian and the rest. Critics say people won't pay. I believe they will. But only if you give them something of good and useful value. Our customers are smart enough to know that you don't get something for nothing. It goes to some of our friends online too. Yet, there are those who think they have a right to take our news content and use it for their own purposes without contributing a penny to its production. Some rewrite, at times without attribution, the news stories of expensive and distinguished journalists who invested days, weeks or even months, on their stories, all under the tattered veil of "fair use." These people are not investing in journalism. They are feeding off the hard-earned efforts and investments of others, and their almost wholesale appropriation of our stories is not fair use. To be impolite, it's theft. Right now, there is a huge gap in costs. Technology makes it cheap and easy to distribute news to anyone for internet access, but producing journalism is expensive. Like all good news organizations, we invest tremendous resources in our products, from my news rooms and studio and cameras and computers to the salaries for the reporters, editors, producers, directors, writers, on-air talent and countless other employees who contribute to producing a newspaper or a newscast. When this work is misappropriated without regard to the investment made, it destroys the economics of producing high-quality content. The truth is that the aggregators need news organizations. Without content to transmit, all our flat screen TVs, computers, cell phones, iPhones and Blackberries would be blank slates. Right now, we have a situation where content creators bear all the costs while aggregators enjoy many of the benefits. In the long term, this is untenable. We are open to different pay models, but the principle is clear. To paraphrase a famous economist, there's no such thing as a free news story, and we are going to ensure that we get a fair but modest price for the value we provide. Finally let me say a few words about government. In the last two or three decades, we have seen the emergence of new platforms and new opportunities that no one could have predicted, from social networking sites and iPhones and Blackberries to internet sites for newspapers, radio and television. And we're only at the beginning. In a few years, we will look back at cutting edge technology today, the same way we smile when we watch a TV show from the 1980s featuring cordless telephones the size of bricks. Finally the government has a role here. Unfortunately, too many of the mechanisms government uses to regulate the news and information business in this new century, are based on 20th century assumptions and business models. We are really concerned about the survival of newspapers and other journalistic enterprises, the best thing government can do is to get rid of arbitrary and contradictory regulation that actually prevent people from investing

in these businesses. One example of outdated thinking is the FCC's cross ownership rule that prevents people from owning, say, a television station and a newspaper in the same market. Many of these rules were written as a time when competition was limited, because of the huge up-front costs. And fortunately, in practice, these restrictions stifled competitive newspaper markets. If you're a newspaper today, your competition is not necessarily the tv station on the same city. It can be a website on the other side of the world or even an icon on someone's cell phone. These developments mean increased competition for people like me, and that is good for consumers. But just as businesses are adapting to new realities, the government needs to adapt, too. In this new and more globally competitive news world, restricting cross ownership between television and newspapers makes as little sense as banning newspapers from having websites. In my view, the growing drum beat for government assistance for newspapers is as alarming as over regulation. One idea gaining in popularity is providing taxpayer funds for journalists or giving newspapers nonprofit status in exchange, of course, for papers giving up their right to endorse political candidates. And the most damning problem with government health is what we saw with the bailout of the U.S. auto industry. Help prop up those for abusing things that customers do not want. In other words it subsidized the failures and penalizes the successes. The prospect of the U.S. government becoming directly involved in commercial journalism ought to be chilling for anyone who cares about freedom of speech. The founding fathers put the first amendment first for a reason. They knew that a free and independent press was vital for any self-governing people. They also knew the key to independence was to allow enterprises to prosper and serve as a counterweight to government power. It is precisely, because newspapers make profits and do not depend on the government for their livelihood, that they have no resources and wherewithal to hold the government accountable. This is also what builds readers' trust and confidence. In the long run it's true, politicians, bureaucrats and corporate executives can be sacked because of an angry electoral board. But in the day-to-day of ordinary life, the press is perhaps the only institution that truly holds them accountable and they know it, and they fear it. Earlier this year, for example, the chairman of the New York Fed resigned after "The Wall Street Journal" revealed he had taken out new Goldman Sachs options after the fed has bailed them out. This summer the "Journal" also exposed the plan by members of Congress to buy themselves corporate jets with taxpayer money. Reporting that helped lead to the cancellation of that order. In the same way long before the housing bubble popped, "Wall Street Journal" editors were taking on republican and democrat

politicians alike for the mischief they were creating with Fannie Mae and Freddie Mac. "The Wall Street Journal" is the most trusted newspaper in America. Because people understand "The Journal" is willing and able to take on the rich and powerful and well connected. Every good newspaper does the same. Whether it's forcing a mayor's resignation over some illegal activity, exposing some harmful practice of a business or just sticking up to some ordinary citizen in a fight with the faceless bureaucracy, accountability in a free society depends on a free and robust press. The United States has the most robust press in the world because it is the most free of government intervention. And we ought to keep it that way. I'm encouraged that some government officials have been taking the larger view when it comes to specific regulations. For example House Speaker Nancy Pelosi has suggested that the Department of Justice, when reviewing mergers involving newspaper, take into account the other sources for news and advertising in the market, including electronic sources. Are there any conclusions reached, reflect current market realities. This is exactly the kind of leadership we need on this issue. As we go forward, we need to remember that the business of good journalism cannot be separated from the ability of news organizations to prosper as a business. The brave new digital world can be a complicated one for news organizations, but the principles for success are clear. Let news organizations innovate to give their customers the news they want, when they want it, and how they want it. Ask consumers to pay for the products they consume. Let aggregators desist and start employing their own journalists, and that the government use its power to ensure the most innovative companies are free to reach new customers instead of looking for ways to prop up failures or intervene in a constitutionally sensitive business sector. Though our formal topic today is the future of newspapers, in many way, I think we do better to think in terms of the future of democracy. When the representatives of the 13 former British colonies established a new order for the ages, they build it on a sturdy foundation, a free and informed citizenry. They understood that informed citizenry requires news that is independent from government. That is one reason why they put the first amendment first. Our modern world is faster moving and far more complex than theirs. But the basic truth remains. To make informed decisions, free men and women require honest and reliable news about events affecting their countries and their lives. With the newspaper of the future is delivered with electrons or dead trees is ultimately not that important. What is most important is that the news industry remains free, independent and competitive. Thank you for listening. [Applause]

>> Male Speaker: Mr. Murdoch, Glen Beck called Obama a racist. Do you agree with his statement?

>> Female Speaker: Excuse me, sir, you may now sit down and take your place, sir.

>> Male Speaker: Do you say you agreed to this statement? Do you stand by that?

>> Female Speaker: May I ask our first panelist to come forward?

>> Male Speaker: Answer the question. Why won't you answer the question, Mr. Murdoch? Do you agree that Obama is a racist?

>> Susan Athey: Could you please take your seats, and we'll start again? Thank you very much. Chairman Leibowicz will join us in a moment. But in the meantime we have a lot of ground to cover. So we're going to go ahead and start. Our first panel today will begin to take us further into the future of news by addressing the state of news not just today, but also tomorrow. We'll begin the three-minute opening remarks with Mark Contreras who's sitting to my right. He's senior vice president for newspapers at the E.W. Scripps company. He is also vice chairman of the executive committee of the Newspaper Association of America. And he's speaking on behalf of both organizations today. Mark?

>> Mark Contreras: Thank you, Susan. Thanks for your leadership in trying to further the interest of journalism with these workshops. I'd like to start with a very brief discussion of what's happened to the newspaper business model over the last several decades. There have been really three major areas that have contributed to the financial challenges our industry currently faces -- the decline of classified advertising, the fixed cost nature of our business, and the realities of the online marketplace. Over the last several decades, most American newspapers developed a burgeoning stream of highly profitable classified advertising revenue which until the last few years represented between 40% to 60% of advertising revenue and the lion's share of our profits. There are two reasons for the decline in classified advertising. First the advent of interactive tools that efficiently connected buyers and sellers and the increasing penetration of broadband internet access in the

United States. While many newspaper companies have a variety of online strategies, the amount of profit associated with these efforts pales in comparison to the traditional print model. Our print business generates roughly \$500 per year per set of eyeballs but our online businesses only generate roughly \$75 per year. \$500 for print has traditionally paid our fixed costs, which include our commitment to journalism, expensive distribution systems and capital intensive production operations. At Scripps, our online audiences have grown from 30% to 50% each year for the last four years, but as our audiences shift online, we're faced with a brand new phenomenon that internet advertising has introduced to the media advertising ecosystem. According to a recent study for every dollar spent on internet advertising, traditional media loses \$3. I would like to suggest a few necessary steps toward a more healthy industry. While there are no silver bullets, we believe that there are several areas that will help us continue our journalistic missions. First, many newspapers offer services which allow us to sell specific audience to advertisers. This is especially true in the online space as targeted advertising has become an essential part of our future. Because of our long-standing relationship with our communities which is based on trust, newspaper publishers are highly sensitive to consumer concerns about online privacy. Second, newspapers feel that it's incumbent on government to update its view of competition in the local media market to expand the evaluation of competition beyond the comparison of just newspapers to an evaluation of the entire market including newspapers, broadcast, internet and direct mail and others. If newspapers faced competition only from other newspapers, we probably would not be having this conversation today. Third, unlike other industries, such as the music industry, we don't have structures in place to help publishers to monitor the content we produced. This content is often copied and redistributed without compensation by third parties. The industry is working on a marketplace solution that will make it convenient for unauthorized users of its newspaper content to license such use and pay reasonable fees. It is still, however, a work in progress. And lastly for more than 15 years after the widespread adoption of the internet, there is no single universally accepted definition of online audience. There are several creating one gold standard definition, would assist all publishers, to derive fair value for the sale of their online advertising inventory. Thank you again for this opportunity to be with you today.

>> Susan Athey: Thank you very much, Mark. Next we'll here from Tonda Rush. Tonda is president of American Press Works and also serves as counsel to King & Ballow, a Nashville based

law firm in her media law work with newspaper clients. She previously served as president and CEO of the National Newspaper Association, and she is here today to represent that organization.

>> Tonda Rush: Thank you, Susan. I think it's impossible to really understand where the newspaper world is right now. If you begin our history with the day Craigslist showed up on our media web browsers, if you took a "Washington Post" from the breaking of the Watergate stories, in addition to the painstaking factual digging that that newspaper did, you'd be seeing ads on those pages from Hecks and Woodies and Raleighs and McCrory's, a lot of stores that no longer exist. The restructuring of retail in the United States has had a huge impact upon the fates of newspapers. It was when the door hanging advertising service in 1949 began to strike the idea that if they went to the postal service and got a discount, they could pull advertising out of a newspaper and put it in the direct mail stream. When I began my legal career in Washington, in 1980, newspaper market share was about 33%, direct mail was 12%. Those lines crossed earlier in this decade. And part of it was a public policy decision to help the postal service support its then 600,000 workers and deliver the mail. Two critical points there, I think. One is public policy decisions can have a huge impact on newspapers. They have had, probably if that one had been as rigorously covered on our own newspapers as the dawning of the internet advertising has been, we would have had a little bit more thoughtful conversation about that public policy decision. But the second point is, those stores didn't advertise in the newspaper because they were supporting the social mission of covering the news. They advertised because it helped them sell toboggans and iPod docks. And thanks be to God that there is Macy's and the JCPenney's that still buy those ads on the page, and they believe that it helps to sell products. My second point is about our community papers. There are probably about 6,000 to 8,000 of them. They exist in rural communities, the 25% of America that exist outside major metropolitan areas. They do cover the news. They cover their local school boards, their city councils. It was a newspaper in Miami, "The Daily Business Review," that broke a story about a secret criminal case that went all of the way through the Federal Court docket without ever being publicly docketed. And they are as important to their communities as daily metropolitan papers have been to theirs. The biggest danger that they face right now, even though probably 80% of America reads a community paper every week, is the premature obituary of newspapers. Those newspapers are suffering with recession. But they aren't dead. They do have business plans that continue to be supported by advertising, and they are developing websites. So I think we're gonna

see some changes in evolution with them. But there are a lot of newspapers that are very much alive in their marketplace.

>> Susan Athey: Thank you very much, Tonda. that's an important perspective. Now we'll hear from Marty Kaiser. Mary is the editor and senior vice president of the "Milwaukee Journal Sentinel." Under his leadership, the "Journal Sentinel" won the 2008 Pulitzer Prize for local reporting. Mary is also president of the American Society of News Editors.

>> Martin Kaiser: Thank you. So much of what we hear today about the present state of journalism comes from the "New York Times," "The Washington Post," "The Wall Street Journal" and "USA Today," national newspaper. This is understandable. These are the titans of our industry, but you can't judge what's happening to the state of journalism without looking at newspapers and their online sites in large and small communities across this country. There are hundreds and hundreds of newspapers truly serve their communities. I speak for these organizations, as president of AS&E, the leading organization of newsroom leaders including print and online, and as editor of the "Milwaukee Journal Sentinel," an independent newspaper that is consistently among the leaders in local readership. I live with what happening to journalism in this country every day through my own news room and the editors I talk with daily in AS&E. I understand we are going through the most dramatic change in the history of our industry. In the last three years we have drastically reduced our staff. Like most other news rooms, there are stories we used to cover that go uncovered now. Like many editors across the country, we're focusing our reduced resources on what is most important. Maintaining our emphasis on investigative enterprise and explanatory reporting, the journalism of accountability. We are also embracing new technology, to reinvent how journalism is both done and delivered, all to continue connecting with our communities. Still today, the "Journal Sentinel" does what only newspapers do, although now on different platforms. Connecting our community. Many of our readers understand what we do for them. At a recent speaking engagement, I was asked about circulation. When I told the audience it was down there was a large moan from the crowd. At another recent speech I talked about our investigative reporting on 18-month-old Detavius, whose mother starved him to death, and 5-month-old Will, who drowned during an unsupervised visit with his mentally ill, unstable mother. These are just two of at least 22 children who died in foster care from 2004 to 2008 despite clear warning signs to

the bureau of the Milwaukee county child welfare that these children were at risk. Since we reported on the first victim, the bureau has been overhauled. And for the first time in more than a decade, according to the department, no child has died in 2009 and number of children abused or neglected is the lowest since the bureau was created in 1998. At this point in my speech the audience interrupted me by breaking out in applause. In the last year, I received more positive comments about our news organization at any time in my almost 13 years as the top editor. The e-mail, voice mail, phone calls and letters tell me and thank me, are all because -- I'd like to think are all because of the great work we are doing. But what I really believe is going on, that is, our community knows the value of our news organization. They know accountability reporting is vital to the Milwaukee area and Wisconsin. They know that we set the agenda for tv, radio and other websites in our community. They know public officials and businesses can't ignore us. As we take advantage of technology in the future, we can't lose the traditional values of journalism. Truth seeking, loyalty to citizens, a discipline of verification, independence from those we cover and being accountable to our readers. The fear today is that the quality of journalism and the business of journalism are two different things, but one is having profound negative impact on the other. If high quality journalism diminishes or disappears who will set the community agenda and will there even be one.

>> Susan Athey: Thank you very much, Marty. Next we'll hear from Bryan Monroe. Bryan is a visiting professor at Northwestern University's Medill School of Journalism and the CEO of the Monroe Media Group. He's been the vice president and editorial director of "Ebony" and "Jet" magazines at Johnson publishing company, and while at Knight-Ridder he helped lead the team that won the 2006 Pulitzer Prize for coverage of Hurricane Katrina.

>> Bryan Monroe: Thank you, Susan and Chairman Leibowitz. I'll have to shout over the leaf blower in the back. I don't want to take too much of your time with my remarks. Thanks to Arianna, there's a full version up on Huffington Post. But I want to talk about a few points -- technology, diversity, hope and our future. Firstly, I think it's important to acknowledge where we are today. Fresh exciting digital news initiatives are cropping up all over the country, but in most cases these new media ventures looking a whole lot like old media, only less diverse in more ways. Look no further than the 17 of 17 white staff members of AOL's new sphere.com, or the single

African-American reporter at the Politico. Or the initial lack of diversity at Chicago's new co-op journalism venture. You know, we're starting off on the wrong foot. With the recent closures, bankruptcies, declining circulation, layoffs and the legacy media business, it's proven that cutting its way to success won't work. We know we can't grow from a crouched position. But journalism is not dead, by a long shot. It is, however, in the process of painfully shedding its old skin for a new one. But in that battle for its soul between old media and new media, something important is being lost. We are now living for a new America. For the underlying DNA of journalism, accuracy, inclusion, clarity, story-telling, fairness and truth, to live on, it must find a new host. To succeed, we must make sure diverse voices, all voices, are represented in digital and on the web. It's time for media to start to play offense not just defense. Just as a few leaders in traditional medium saw the vital business and journalistic need to make sure they cover and reflect a richly diverse America, now internet news ventures must, too, understand that it just doesn't make economic sense to write off a third of the nation as a market. Not to survive but thrive, we must change a changing nation. The U.S. Census Bureau projects that by 2023, half of all U.S. children will be nonwhite. By 2042 people of color will outnumber whites in America. And if you look at our young students, for most of them, that diverse America already exists. It's already their reality, those 18 to 35 have grown up in a much more diverse nation than that of their parents. They're more likely to hang out with blacks, latinos, asian-americans, and more likely to have biracial friends and more likely to be exposed to diverse ideas. And by the way, most young people under 30 have come to expect their news and information for free, like the air they breathe, for free. But I remain optimistic. I'm encouraged by the passion of the young students that I run into across Medill and other campuses. They know that they want to learn the fundamentals of journalism, of editing and good writing, of ethics and discipline, and the solid techniques of story telling but they got to take new skills and they now want to launch their own media start-ups or community news platforms. And for many of those young talented minds, many of those are media entrepreneurs of color. As an industry and a nation, they need, they demand our support. We must clear the way for them. They need that access to capital, that access to technology, that access to jobs, and access to hope. Thank you.

>> Susan Athey: Thank you very much, Bryan. Next we'll here from Nina Link. Nina is president and CEO of the Magazine Publishers Association where she advocates on behalf of the consumer

magazine industry. Under her leadership the MPA has held several conferences about digital platforms for magazines, and recently developed the magazine industry's first innovation summit.

>> Nina Link: Thank you for inviting me to be part of this illustrious panel and for recognizing that magazines need to be part of the conversation. So we know that much of the concern about the impact on the internet journalism has centered on newspapers, the journalism in consumer magazines is equally valuable and equally at risk. Magazines create passionate communities around content and the professional journalism practiced by magazines help to create a literate and informed citizen. Magazine publishers investment and trustworthy content has always been substantial, but has increased significantly during the internet age. Print and online audiences and experiences are different and require different kinds of content. Print magazines are a lean back, relaxed experience, while online reading is a lean forward and search-oriented experience. Our magazine online content is not simply repurposed from the print product. It is new. These are very difficult times for the magazine industry. Especially for our news, our business, and our technology publications. Publishers are drastically cutting costs, but it is clear that our traditional business model has been disrupted. Print advertising pages and revenue are down dramatically, revenue down, year to date, around 20%. Due, of course, to the recession and the advertiser's migration and fascination with all things digital. Our online advertising revenues are weak, and the success of paid content has been spotty, but we are optimistic about several emerging trends. We're having good success selling print subscriptions online over 20% in our industry, and won major publisher over 40% of print subscriptions are coming from online. We're seeing growth and revenue from e-commerce and e-readers, represent we think a wonderful potential opportunity both for advertising, as well as for paid content. On the other hand, we are concerned about the dominance of a few big players who have the power to disrupt the marketplace. So publishers need to be able to work together, to leverage resources, to compete against these potential market disrupters. So the path forward is unclear. It's a time of innovation, transformation, investment and experimentation, and I look forward to the discussion.

>> Susan Athey: Thank you, Nina. Next we'll hear from Fred Young who will bring us local broadcast TV perspective.

>> Male Speaker: Thank you, Susan. I'm here to remind everybody that local television and radio stations are alive and well and functioning at a very high level. In language of emergency management, we are electronic first informers, providing critical news and information in communities across this country. Like everybody here today, we've experienced economic challenges. As the economy improves, advertisers reinvest in our programs. We continue to be the preferred source of news for most citizens. It should be noted that those who write about us and purport to predict our future, are oftentimes those who are experiencing the downturn with us, are hoping to redirect our audience and revenues in their pockets. We all know there are many ways to get news today, many more competitors for eyeballs and ad dollars, but the broadcaster message today is that we need to stand together and share our enthusiasm for the value of relevant local news coverage rather than predict the death of excellence in journalism while tearing each other down. We're observing the transition of some electronic and web-based journalism into a medium of communicators who throw out content without substantiation, without balance, with rare admission of error or without many ethical missteps. All journalists, regardless of the distribution platform, need to be reminded that they should be well trained and produce content that is invested in their respective communities. Today there's much chatter about shared investigative reporting, a good concept, by the way. But it should be noted that many local broadcasters continue to support their own investigative reporting. My company, many of our peer groups have Peabody and Merrill awards on our shelves reflecting excellent local reporting of local stories. The Hearst group received five Cronkite awards for political reporting, contradicting those who say local broadcasters don't know how to cover politics. While we do this good work, we are not waiting for our audience to come to us. Our brands have been extended, our distribution channels are changing, next generation news technology is making it easier to broadcast in post breaking news instantaneously. We have many synergies, and you can see improvements every day on the air, on the web, and on our PDAs. Before I go, I want to speak to the pending retirement of Oprah Winfrey and the media speculation of the impact of her departure. Oprah has been a major audience destination for 24 years, driven by her skill, assisted by local stations that have aggregated viewers. These days I'm somewhat offended by those who write about broadcaster panic tied to Oprah's departure. I can tell you that if local broadcasters cover hurricanes, tornadoes, ice storms, government misdeeds, political campaigns, 9/11, Fort Hood, health care and swine flu, ladies and gentlemen, we'll survive Oprah's departure. There will be new programs, new news programs and

new syndications. Yes, there are fewer people in most stations than there were a few years ago, but good work will be done by good people, and there's still an excellent future for those who want to work in local TV.

>> Susan Athey: Thank you very much, Fred. Next we'll hear from David Westphal. David is executive in residence at the Annenberg School for Communication and Journalism at the University of Southern California where he teaches and writes about new media and before joining USC in 2008, he was the Washington Bureau chief for McClatchy newspapers for 13 years.

>> David Westphal: Susan, thank you. Today, anyone can aspire to be a news provider, so perhaps it's not surprising that increasingly that's exactly what many people in institutions want to be. The new players come in all sizes and forms, including, of course, for-profit models. I'll focus here on nonprofits and non-news organizations that are springing up at a very rapid rate. I would not argue that these newcomers are replacing the news resources shed by mainstream media, but in places like San Diego and New Haven, it's clear a more robust news environment has already arrived. It won't be long, I think before nearly every community has at least one news site that reports on civic life. Seems it will be a citizens passion, and others a paid staff of one or five or maybe ten reporters. You can see the ten reporter version at nonprofits now like the Voice of San Diego as well as recent start-ups like Texas Tribune. While these staffs small it's noteworthy that most are targeting the heart of civic life, the territory we're most worried about. We're also seeing rapid growth in investigating reporting nonprofits not just nationally but places like Massachusetts, Wisconsin, Colorado and other states. Will these new nonprofits find sustainability before their funders move on? Impossible to know, but the example of the Center of Public Integrity and its upcoming 20th birthday suggest sustainability is not impossible. Other institutions like University Journalism schools are becoming increasingly important news providers. Still others brand new at the game of producing news. Foundations like the Kaiser family foundation and nonprofits like the Heckerling Institute have established their own news organizations, devoted to issues they care about. Labor unions in Chicago and California are bankrolling news sites that pay attention to worker issues. And then there's government. My USC colleague, Jeff Cullen and I wrote this week that government directs more than \$1 billion a year in subsidies to for-profit news businesses. These subsidies are destined to decline, new ones are emerging. In Los Angeles, the county

recently hired a "Los Angeles Times" journalist to report on county government issues for its website. Why? First, because it felt the public was uninformed about critical issues, and second, it now could do something about it. These two factors are spawning a very robust cycle of innovation and renewal. We don't yet know whether a better informed citizenry will be the result. There's little doubt, though, that the potential is there. Thank you.

>> Susan Athey: Thank you. We'll next here from Robert Picard who is leading expert on media economics. He's written 23 books, serves as a consultant and business school professor on that topic and is editor of the Journal of Media Business Studies. Robert?

>> Robert Picard: Thank you very much. I've studied economics of news media for about 30 years, and I'm one of the few in this room probably that remembers the FTC holding hearings on newspaper concentration in the late 1970s and the history that the commission has had with that regard. I prepared a background paper that's been submitted to the commission. It's online, that gives more extensive time to remarks. Clearly, we're living in turbulent and transformational times in terms of newspapers, magazines and television. And the primary reason that this is occurring is because of the increasing preference of audiences and advertisers for cable, satellite and internet content provision. The problem isn't the internet, it only exacerbates what's been happening for about four decades. Now, although it's clear that the news industry is being seriously shaken by the forces of change, that the organizational structures that they have in place are being damaged and that the firms are having to undergo significant restructuring, the situation is not as dire for news, or for journalism as it would appear. And much of this comes from an unfortunate misunderstanding that confuses the contemporary situation resulting from a short-term economic developments with the longer term trends in the city. To give you an idea of how I view the situation, in a longer term, last year, the U.S. newspaper industry was a \$55 billion industry. It had average profits of 4% that -- of 12%, four times more than those are other industries last year in the midst of the recession. It is becoming a major player, news and advertising provision online and last year alone, received \$3 billion from online advertising. Certainly, the situation wasn't as good as it has been in the past. Certainly not like the 1990s. But the industry is nowhere near on death's door. In fact, if you look at the financial condition of the industry, it's better today than it was in the 1950s, better today than in 1960s. 1970s, 1980s and the first half of the 1990s. The strategic position of the industry,

however, is far worse and it needs significant action to ensure that it can move forward. A lot of policy measures have been suggested to respond to certain condition, including copyright, anti-trust, tax and pension law revisions as well as subsidization. I've reviewed those proposals and don't believe they will provide the kind of relief that people want to significantly alter the economic conditions of the news industry. They will, however, provide special privilege not enjoyed by other industries and will shore up profits once the recession is over. Altering copyright to provide protection for news will require rewriting more than a century and a half of copyright law and the fundamental principles, and providing an antitrust exception provision will allow collusion that will do substantial harm to consumers and advertisers. In general I'm optimistic about the functions of news in journalism, but it remains to be seen what news organizations will survive or develop to serve those functions.

>> Susan Athey: Thank you. Finally we will hear from Jonathan Knee, who is senior managing director at Evercore Partners and a professor at the Columbia School of Business where he teaches media mergers and acquisitions and strategic management of media. He recently authored "The curse of the mogul: What's wrong with the world's leading media companies."

>> Jonathan Knee: Thanks. The internet has radically reduced the fixed cost requirements to collect, aggregate and distribute news and information. That means that there's a lot more competition in a business that didn't have a lot competition. That lack of competition is reflected in the 30% to 40% margins that the guts of the newspaper business that is 90% plus of the circulation that was represented in the local papers has had for many, many years. So to the extent you want to think of policy implications of that development, it's not really different than the kinds of policy implications that happen whenever there's more competition. That is, there are winners and losers, and if you think that the natural fallout of who is a winner and who is a loser is bad for policy, you might do something to change it. The losers, in this new world of increased competition, are obviously the shareholders of the newspaper companies who used to benefit from these enormous margins, as well as the employees, including most notably, the journalists who lived under the protection of companies that had those kinds of margins. And to be clear, the source of this change has been the reduction in the fixed costs. Newspaper circulation has been falling since the '80s. Indeed, readership has been falling since the '60s even as the number of journalists at these

journalists has increased by 50%, 60% during that period of time. The reason we have a problem doesn't relate to that. That trend has continued and has existed during the period that newspapers outperformed the market significantly. It's a function of the fixed costs that allowed them to be the only place in town if you had a classified ad that you could put there. Who are the winners? Well, whenever there's competition, increased competition, presumably, the consumers, who are now able to get news from any number of other sources, potentially the people that Mr. Monroe referred to, who might have been excluded for one reason or another from being able to communicate their ideas, purvey their craft through the one monopoly place that you could do it through town. Now they can set up a website themselves because there really are no significant fixed costs to doing that. So, at the end of the day, the relevant question is, whose interests are you looking to serve? The consumers are doing well. The shareholders and the folks who benefitted from the monopoly rents, including the journalists, are not doing as well. The only thing I would warn you against is people who argue that competition that now hurts them when they had the benefit of it before, is bad for public policy, should be looked at at least with a somewhat skeptical eye.

>> Female Speaker: Thank you very much. All right, Chairman Leibowitz, do you want to start?

>> Jon Leibowitz: Let me just follow up with you, Jonathan, because I think you made a very, very good point. So just to follow up, you're not worried about the state -- we're dealing with a product that's widgets, to a certain extent we look at it from a competition perspective, which is the way we often look at these issues from the FTC, but we also kind of want to look at it from the perspective of sort of the long-term benefits of consumers of having the information they need to be informed participants in democracy. You didn't come out and say it. But it seems to me you weren't were getting close to saying, this isn't the problem.

>> Jonathan Knee: I think if you are honest about how much information you can get today, the ability to collect information and distribute it is much better than it was before. Previously, if you lived in Opelaka, Alabama, if it wasn't in the Opelaka paper, you weren't going to really read about it or hear about it. Now you have lots of other ways to learn about it. What has changed in the world is, predominantly, in terms of negative, is, as I say, journalists aren't able to make the money that they used to. These companies don't have the profits they used to, but me as a consumer,

there's no question that I have much more information, because lots of people can collect it in much cheaper ways and get it to me, and smart innovators will think of ways to aggregate it and provide it to me in a way I find interesting and hopeful.

>> Jon Leibowitz: Let me just follow up with Marty for a second, if I could, and I need to come clean with you and the audience that I'm a reader of "Journal Sentinel" online, and mostly for the sports, by the way, and for the Wisconsin Badgers and Milwaukee Bucs, but let me ask you this. In a city like Milwaukee, who has gone from two newspapers to one in the last 20 years and where you have -- you seem to be struggling to some extent, what coverage is being cut, and what do you worry about most? And I guess in a certain sense, if you want to respond to Jonathan, who I think made a series of very, very good points, that the future is pretty bright, and from the perspective of the people in Milwaukee? Do you agree with them?

>> Martin Kaiser: I agree with the point in Opalaka, that they're getting news from all over. The concern is, who is covering the events that take place in Opalaka? In Milwaukee, there are things we don't cover. Luckily, we own a community of newspapers that cover some of these small communities, but not with the quality of journalism that we had before, and so we have to make very tough choices about what we want to cover and what we don't want to cover.

>> Female Speaker: Let me follow up with Mark, and pose a question for you. How long do you, and the other publishers in your organization see print newspapers surviving? Surely, some of us have thought about the possibility -- the transition to online. There are newspapers that are undergoing that right now. How do you all look at that? What do you think about the transition, and the factors, the critical factors that are going to determine how long print newspapers will last?

>> Mark Contreras: You're talking to somebody whose company is just completing a brand new printing facility in Naples, Florida, at great expense, because we believe in the essential form as well as the content that we produce. So I think long after all of us in this room are retired, there will be printed versions of what we do. One of the difficult things about explaining our challenges of industry is to put a very fine point on the fact that we don't have -- that audience is not our issue. Print circulation is declining, but if you look at what's happening with online audiences, you can

make a very credible argument that our audiences have never been bigger, and yet we're 15 years into the internet, and we don't have a defined standard on what a unique visitor is. That is exactly what happened to the broadcast industry 10 to 15 years after it started, and eventually Congress didn't directly regulate it, but they did create conditions that created a gold standard of how to measure audience. And I think that will help balance what is currently an imbalance between publishers and advertisers which will be part of our path back to health. Hope that's helpful.

>> Susan Athey: So you're saying basically, that once you can show advertisers more convincingly what your audience is online, you think you can get additional revenues and that will make a difference? Is that the implication?

>> Mark Contreras: I think it will help. And again, I don't want to imply that there's any one single bullet here, but when you look at what happened to television advertising revenues in the '60s before standards were imposed and after, television advertising revenues grew like a rocket ship. Today, we're trying to exist and sell advertising in the midst of chaos. And chaos does not benefit the creators of content. Eventually, when an order does come, we think it will have some uplifting effect. Again, not sufficient to supplant what we've lost in classified, but it will sure as heck help.

>> Susan Athey: Mark, I'd like to ask you and also ask the audience, will everybody raise their hand if you know someone under the age of 30 who reads a newspaper in print? You are a very erudite crowd. I am impressed with you, and maybe, Mark, you're right. Jonathan Knee, I do want to follow up with you, as well. In your book, you maintain that content does not generally lead to entry barriers. And that entry barriers are what you need in order to create the market power that will enable you to get higher revenues. In this industry, how you see this pattern evolving, because what we've been talking about this morning and certainly what we just heard from Rupert Murdoch is that content is key. Content is how you are going to make sure that consumers will, in fact, value your product sufficiently to pay for it. And that's where newspapers and other news media, regardless of the platform, need to innovate. What's your take on all of that?

>> Jonathan Knee: There are two different points here. That is content is hugely valuable to those who consume it, and that's the parts of media that we all think about and know about. The question

is whether or not the businesses are good businesses where you can get super normal returns. And creating content does not have any barriers to it, which is why people who -- you know, my daughter, who is 5, decides -- comes to me and says she wants to be a musician or and actor, and now, although before, when there are high barriers in the newspaper business, I wouldn't have said this. And now if she said a journalist, I would say God bless you, if that's what you want to do, I will support you. Don't expect to be rich. There will be many people, you will be unemployed, probably, but it doesn't mean that there aren't businesses that might be built and can -- related to those that are profitable. So newspapers, to the extent they were in the printing and distribution businesses, which is an aggregation function, and there were scale economies to that, that's how they were able to have the high margins. Similarly on the broadcasting side and rest of it. It's possible that content businesses can be businesses that are profitable businesses, but typically, only if they are aligned with some kind of distribution function that has some scale effects that can stop anybody else from doing the same thing.

>> Susan Athey: Tonda, what's the view from community newspapers on these prospects?

>> Tonda Rush: Interestingly enough, there are new ones being created. So I think it's premature to say that we're gonna set a timeline for the death of newspapers. We have a member in southern Illinois who made an offer for a small daily that was in a company that was shedding some titles, and the offer was refused. So he started a new paper, worked it around a local person who was very much into the local politics, had no journalism background or business background. Got a stake in the business, started it up. They ran it as a free newspaper for about three months. When they decided to convert it to paid, they had about 700 people walk in and subscribe before they even began to promote the paper subscriptions. That interest is out there. I think what we are seeing, and the reason I raise the department store anecdote is that at the very micro-hyper local level, if you will, those business models have already been scaled to the revenues that are available from the local businesses that advertise and provide the information for those consumers. Now, clearly, the recession has not helped. I think the most recent impacts that we've seen that kind of came out of the blue is the closing of so many auto dealerships, that's not helping. The real estate market's not helping. But I think the essential business model there isn't broken to the degree that it

is with the larger papers. There are businesses out there that can be viable. And people are going into them, and yes, young people do read them.

>> Susan Athey: Thank you. I want to follow up with you, Bryan, on the point that you made about the need for diversity of voices, especially as the country moves toward 2050 when we are supposed to be, I guess you would say majority minority. What is currently the minority would be the majority. And one of the things that the report in 2009 noted was that minority users tend to use mobile devices, mobile platforms, more frequently than other types of platforms. And I'm wondering if you could speak to some of the innovative efforts that you are involved in, and that you may be hearing about to meet the demands of that population.

>> Bryan Monroe: I, too, am an optimist in that while the tradition industry are going through the struggles, there are some really exciting things happening in mobile and in other business. For instance, I'm working with a group of guys in Chicago right now that are in the digital, out of home space which is everything from, drive down the freeway and you see the big electronic billboards on the side of the road to if you're in an elevator, and you have a little screen showing CNN. These guys are going into black-owned barber shops and beauty salons and distributing through -- they're giving them 42-inch LCDs hooked up to an internet router, an IP address, and pumping to them advertising and content and soon to be journalism. Another group I'm working with in Silicon Valley, a start up, ripple.com, is looking at a very different way of doing social media. Almost a safe and secure Facebook alternative. Both of those companies are run by young African-American engineers and entrepreneurs. That's one of the biggest problems is that we still need access to that capital, and access to technology and technologists who go to engineering schools. You don't see a lot of people like me coming out of that.

>> Male Speaker: And Bryan if I could follow up. We just got a question from the audience who asked about, why there hasn't been significant V.C. capital to support digital ventures by multicultural groups, especially when there are such low barriers to entry here. There ought to be, seems to be more investment.

>> Bryan Monroe: You think so? Part of it is fundamentally that it's access to the circles where the money is happening, to the venture capitalists, to the angels, to the conversations when the deals get made or the ideas get floated. They're not just journalists of color, but entrepreneurs of color need to be in those rooms, need to be in those -- when you're at school you have your friends and your buddies that you come up with. The circle needs to be wider, and I think by that, you'll see more ideas go from just a back room thought to a full-fledged venture, and the closer they get to becoming a venture, the better the chance for their success will be.

>> Male Speaker: Can I just ask about news aggregation, because this has been a topic that sort of percolated up a little bit on this panel. And I'm just sort of curious, Mark, you know, some critics of news aggregators differentiate among those who take only a headline in a sentence and link you directly to a newspaper story, I think Arianna Huffington is going to talk about this a little bit, versus those who take a headline, a couple of paragraphs, and may or may not link. Do you see a difference there?

>> Mark Contreras: What's interesting is how people actually consume news. If you looked at the consumption, the Fairness indication study just showed, the consumption of headlines is much more prevalent than a deep vertical reading of a news story. So consumers are consuming much more horizontally. And by that I mean nuggets, headlines, even a word in a headline represents consumption, far less consumption deep and vertically, and that, to me, indicates that the headline is just as valuable, and the content that we originate and create is just as valuable for the internet world as the depth of the reporting. Both are critical to what's -- to what journalism is, but the consumption indicates that there's far more sporadic consumption than in the print product.

>> Male Speaker: So we are becoming a nation of sort of internet browsers, right?

>> Mark Contreras: Yes.

>> Male Speaker: But from a legal perspective you see the difference.

>> Mark Contreras: Yes, and unlike other industries, music industry, for example, the music industry generated \$10 billion in CD or digital sales and generated \$2.5 billion for people who reused that content. There is no such construct in the newspaper business. Americans spent \$10 billion on newspaper subscriptions or single copies last year and we don't have that extra source or structure yet to be able to recoup some of the reuse that currently exists. I think that that would be a smart thing for us to do.

>> Male Speaker: Does anybody else want to come on that? Looks like Robert you want to.

>> Robert Picard: I think we have to remember a little history in here, as well. When we go back to the beginning of radio, for instance, back in the days of rip and read. Essentially it started first by taking the local news and then reading it. Over time they developed their own news reporting. Television news started with 15 minutes with no correspondents and no bureaus that took the news headlines from the newspaper and did the same thing. So we've been there before. The essential problem with the various kinds of aggregating, in terms if you want to apply copyright law to them, is you cannot copyright information or ideas, only their expression. So anybody who thinks that we are going to suddenly get 180 nations, 190 nations around the world to agree that we're going to suddenly no longer protect ideas and information has got a big fight ahead of them in trying to change those copyright laws.

>> Male Speaker: Bryan, I'll turn to you, but I just want to point out, the only time we get all those nations together is when they want to extend copyright protection, and I don't think you can do that anymore.

>> Bryan Monroe: The other thing that's changing is the speed at which information is being delivered. I'm sitting here, and there's probably a dozen folks in the room tweeting right now. Jeff Jarvis is probably doing 20 tweets per second? But it comes so fast. We saw when Michael Jackson died, a story I got to be very close to -- 8,000 text messages per second, AT&T reported, at the peak of that story. The Tiger Woods story last week. News is happening so fast, you can't stop and wait for it all to come together and then write the long 30-inch story because it's moving too quickly.

>> Male Speaker: Anyone else want to comment?

>> Male Speaker: Yes, I want to go back to what Rupert Murdoch said and the whole idea of trust and as it splinters, and we go after this local accountability reporting. Where is the mass audience to make action happen in a community to go after the mayor, to go after the business that is doing things wrong? And that's one thing that the news organizations do now that I'm worried about, as we make this transition going forward.

>> Susan Athey: Marty, let me ask you this. Are you at all worried about competition from online competitors? One of the things that we've been thinking about is the extent to which, as has been pointed out on this panel, online competitors have very low fixed costs. Existing newspapers have much greater legacy cost, and how does that influence the competition as it unfolds between you and online news competitors?

>> Martin Kaiser: What I'm worried about is carving up little pieces of sports. Maybe carving -- which, for years, funded the coverage of city hall, as much as former sports editor and I love sports that's what funded it. Getting the late baseball scores from the west coast, we don't --we can get that other places. That doesn't serve a purpose. And in the newspaper, we're still gonna report that when we can. So carving out those little things that bring readers in, the crossword puzzle brings readers in. Someone asked me when I was speaking to kids recently, does it bother me, that he and his five friends buy the newspaper just for the crossword puzzle? No, it doesn't bother me. It's great. Buy it for that, and maybe they'll read the news stories. But we need a large enough audience to hold public officials accountable.

>> Male Speaker: Let me ask this question. Following you up, I was visiting the "Las Vegas Sun" last week, and they were doing some very, very interesting things in terms of getting subscribers off of Facebook and to their site? Do you guys think about doing stuff that?

>> Martin Kaiser: We do it all day long, on Twitter and on Facebook and everything we can to try and bring in the audience and make the audience part of the news and to make it a conversation, get us tips and get better sourcing.

>> Susan Athey: David --

>> David Westphal: I think it's important to point out. Paul Stieger talked about propublica's success, early on success, at investigative journalism that really had an impact and righted some wrongs, that's not the province of the big national players now, and you see the voice of San Diego, for example, won an investigative reporters and editor's award last year for their coverage of city hall that resulted in resignations of public officials for wrongdoing there. And I agree, Marty, that there will be questions about what mass you need, what weight you need to have really had an impact. This is a newsroom of ten people that is having impact.

>> Male Speaker: I think the other thing you really need to think about is, there's no question that that monopoly paper that has a 40% margin, could do a bunch of stories that a paper that is under pressure now only has a mere 20% margin as the average community paper has, which is still double the margin of most media businesses. They are going to do less stories, but the reason they're going to do less stories is because the same phenomena that reduced the margin, I.E., competition, has created more than enough compensating new information, whether it's that kind of investigative journalism otherwise. If you really think that this is the one place where we, as a policy matter, should insist on a big monopolist who has 40% margin as the sole place for information, and it will net, do better that way than we would, letting the lower fixed cost benefit all of the consumers, then I think we have gone very far from our general principles of how we think about the economy, the world and democracy.

>> Male Speaker: I'm not saying that. I'm saying the days of three or four newspapers, they had power to do that.

>> Mark Contreras: What we're really trying to figure out here is a way to create sustainable servants of our communities. In the days of three and four newspapers, what most newspaper

staffs, what most newsrooms consisted of was very few full-timers and a whole network of correspondents and stringers back in the '30s and '40s. What we're doing in many companies is taking a bit of a step back to the future, but what we need to preserve are trained, reasonably well-paid professionals who know how to do investigative journalism and just relying on, "only the low cost operator," may work in the next couple of years, but it's not, I don't think, a sustainable model to ensure that our communities are being consistently well served for decades into the future.

>> Susan Athey: Let me ask -- let me follow up with Fred.

>> Fred Young: I just wanted to add that the difference today with respect to my friend here, and we compete in the same market, the thing that still allows broadcasting to fuel enterprise reporting is the competition factor. There are three, four and five stations in a market out there elbowing each other to beat the other person, the other guy, if you will, on that big investigative story. So we provide that fuel, and to the point of aggregation, and everything that it leads to, there are good, solid journalists at every one of these places that we've been talking about doing the work and then somebody else eventually is taking it and running with it. I'm teaching at a college right now and I still have trouble separating aggregation from plagiarism. There's a little of both there.

>> Susan Athey: David, I'm wondering if you can speak to your experience with some of these new news organizations. I'm just wondering to what extent can they do the regular accountability reporting that has been so important over time. In other words, yes, they may be able to do wonderful investigative, very specific stories, but are they showing up at the voting commission meetings? Are they showing up at all of the city council meetings? Are they showing up at all of the other smaller zoning meetings, where traditionally, just having a journalist there, can make a difference to, and knowing that they are being observed, can make a difference to government officials.

>> David Westphal: First of all, they generally keep their mission very focused and narrow, and so they're not trying to do everything. Not even trying to -- it's not just that they're not trying to do sports and entertainment and so on, they are not trying to do suburbs and so on, they've got a focus that's often at the heart of the community, city hall, schools and so on. But I would also say that

going a little bit beyond examples like the Voice of San Diego that we're talking about, there are others that often -- citizen journalists, who are showing up at meetings that no one would be at otherwise, some cases showing up there for the first time, perhaps at a level that -- of geography that just is not -- no one would be able to do that in an organization where you're trying to cover the Waterfront. So, yes, in some cases, of course, the organizations that I've been talking about are limited, but they are doing that by choice and I think that there will be more and more and more of them filling in the gaps.

>> Susan Athey: Nina, I'd like to bring in the magazine perspective again and have you talk a little bit more about the differences between online magazines versus print magazines, and how consumer use is affecting how you meet their needs.

>> Nina Link: I think one of the surprising statistics is the overlap of an online and offline audience. For a magazine on average, is only about 15%. So the online reader is a very different reader in many cases, or is introduced to the magazine brand online and is not a print reader, and as well, many print readers are not going to the web for that online brand experience. They are perfectly satisfied with the print experience. So what has evolved is very, very different content and experiences, offline from online. Hence, more of an investment in terms of creating content for the online product. The third variable, which we're all very excited about, is mobile. And e-readers which could be on a cellphone or a smart phone or laptop which begins to get you closer to the physical experience of reading a magazine. And what that art form is, we think we'll be closer to a magazine but will also have interactivity and some of the attributes of what happens online. So I think the evolution of how our content interacts with these communities is going to be very, very interesting going forward. We believe that the pay for content model online, that genie is kind of out of the bottle. And that is going to be a very tough one to try to stuff back in. We do think there'll be hybrids and when there is really very important, interesting differentiated material that the consumer wants, they will probably, and there are instances where they'll pay for some of that online, but in general, we believe that most of the content is going to continue to be free. Whereas, as we start to look at the e-reading and the mobile experience, that's where we see, really, more of that pay for content, and also, of higher value to the advertiser. And therefore, we believe, there will be higher CPMs and all kind of new revenue models, particularly as you look at location

based, couponing, you know, e-commerce, there are just a lot of different ways that we think there will be new revenue opportunities for our brand.

>> Susan Athey: This leads to another question that I'm just going to throw out on the floor, which is, related to the fact that in order to get content to the consumer, there's usually some intermediary that you need to negotiate with. There are ISPs. When you talk about e-readers and getting revenue from e-readers, you're still talking about how you're going to negotiate with the company that's sending you digital content out to the e-reader to make sure that you have a share of that revenue, and I'm wondering how people are thinking about approaching that. Yes, Mark?

>> Mark Contreras: I'll take a crack. We have an agreement with Amazon for the Kindle. And the way that the economics work there is that, about a third goes to the publisher, a third goes to Amazon and a third, according to Amazon, goes to the cell phone providers which provide the cell phone service on the device. And so we're used to being able to dictate the price that we charge for our products. In this case, when we have an alliance with an organization like that, it's a kind of a set menu that we, in order to participate, we have to agree to their basic price list.

>> Male Speaker: Yes, although, I think you're going to see more competition to the Kindle coming out in which case you'll have some more negotiations going on, and presumably, also the Kindle, it may replace local reading of local newspapers, but it also is the way in which people who are traveling can download for 35 cents or a dollar or 75 cents.

>> Mark Contreras: We're viewing it not as something that's going to supplant our loss revenue but as ancillary stream of revenue which we're excited about.

>> Male Speaker: Robert, did you want to follow up?

>> Robert Picard: One of the most important things that is happening here is transformation of the economics of distribution, as Jonathan said. And one of the problems for newspapers particularly, it's a very highly efficient way to produce for a mass audience. But as the audiences have gotten smaller and become -- it's a terrible way to produce. Because 15% or less of all of your -- of every

dollar you spend in the newspaper industry goes to news and the rest goes to something else. So over time, as functions move online, move to e-readers, move to mobile services, they will shift that cost that is being lost to these other distributive and productive functions to the intermediaries, and actually probably have a greater amount left over that can go to news production. So it's a long-term kind of trend. These things aren't happening over night. There's a point at which you will get enough happening in these other digital media that then the paper will become less desirable. Keeping the paper alive today is not a matter of the readers. What's keeping newspapers alive today are retail advertisers who don't do very well on the internet yet. In the future, that may change.

>> Bryan Monroe: I think the pipeline question is an issue and I talked to some pipeline providers, they are still hungry of this content. I mean, that's part of what's behind this NBC Comcast deal. Comcast is a big cable company that does do much content, and they need content. Oddly enough we're pretty good at that stuff. We know journalism. We know story telling, we know how to put it together and connect the dots. There's tons of information out there but it's like this fire hose of water, and people can't drink from a fire hose. They need someone to take a little cup, make sense of it, put it in context and say here.

>> Nina Link: I also think as we're looking to 2010 and beyond and made the point there are going to be many more devices and they are getting cheaper and cheaper. I've seen offers of laptops for \$79, if you sign up for a two-year contract with a cell phone carrier. So, as they get cheaper, in a sense, they get more commoditized, and what's going to differentiate them is content. So I think that brings to shift the balance a little bit from what we have with an Amazon situation.

>> Fred Young: I just couldn't help but think when you were talking about the e-reader dilemma of negotiating with different companies, welcome to our world. We call that retransmission consent, where you were negotiating with any number of cable companies to carry your product. I'm sure there are broadcasters out there who will be pleased to do you a deal.

>> Susan Athey: I do want to follow up. There's been a suggestion that during this time of transition, newspapers should be looking at all possible sources of revenue and that newspapers,

and this would be true for magazines and other news media as well, should think through all of the value they create from the very beginning. And as one example, I recently brought a greeting card that had a headline from the Onion, the satirical newspaper on it. And when I turned the greeting card over, it said "the Onion, just one more way for us to make money." I'm wondering to what extent newspapers and other news media are actually thinking through all of the value that they have, and innovating to find ways to make revenue out of value that they may not have thought of in a particular way before.

>> Bryan Monroe: Absolutely. I think from the magazine world, we I was at "Ebony" and "Jet," we had probably the largest photo archives of African-American life in the world and cut a deal with the Associated Press to help scan them and distribute that photo archives to a much wider audience and bring in revenue, also did a deal with American greetings to take the brand of "Ebony" magazine and attach the covers to greeting cards. And so you absolutely -- for a lot of legacy organizations that have great brands, there's value in the brand beyond just the words we write, as long as it's consistent with our values. As long as it's consistent with our ethics and our journalism.

>> Male Speaker: We're doing the same thing with expertise with events where you hear the experts on different topics. Also have a pay Packer website. If you want certain information about the Packers, you got to pay to get it.

>> Mark Contreras: We also have a number of niche products that serve discreet audiences. All of those, though, pale in comparison to, "A," the audience that they aggregate and "B," whether or not they're news focused. And if you look at what the soul of a newspaper really should be in our opinion, it's to deliver great news and content. That's -- we are investing in other innovations to help shore up the core mission, but the core mission's model drastically and permanently changed.

>> Male Speaker: Robert, go ahead.

>> Robert Picard: Actually this isn't new, and what's new is that after 1950, between 1950 and 2000 advertising increased 300% in real terms. Newspapers actually used to do these things. Most of

them if you go back to the 1800s, early 1900s, did commercial printing, book printing, magazine printing, advertising services, some of them had travel agencies, they had book shops, they had all of these, but when advertising made them not needed, they shed them and now it seems wrong to move into these services, because the history of what most executives have known for last 20, 30 years have not been that, but it was actually part of financing journalism in previous years.

>> Male Speaker: They had a band that traveled around the state.

>> Male Speaker: And it could still have a band. And I'm reminded a few years ago, I read Ben Hecht's autobiography, and he ran away from his home in Racine, Wisconsin or somewhere, Kenosha, Wisconsin, to go to Chicago. He was 15 years old. And was hired as a stringer by one of the now defunct and for a long time Chicago newspapers to go cover fires and jump into windows where larger adults couldn't get in. That was his first shot as a stringer. To some extent, Mark, when you compare -- I know you're familiar with Chicago journalism, you worked for Paul Simon. When you contrasted the days of three and four newspapers with stringers, I don't know that that's such a contrast. Because I think a lot of days in three, four newspapers before the advent of radio had a lot of stringers and had a lot of -- or about a lot of competition that might be just as discordant as some of the competition we see today.

>> Male Speaker: Stringers really are going to continue to be a growing part of our mix. I guess the dilemma that we face in the '70s, '80s and '90s grew dependent on the full-time staffers as the primary news gathering model. The reality is, in order to serve the community news as well as the hard-hitting, impactful news, we need a combination of both. When we've opened our arms to the communities to solicit stringers and correspondents, all of our communities have responded incredibly well. It is a more economically efficient way to get news, but it is not a trained professional journalist that you rely on to uncover corruption in city hall.

>> Male Speaker: That's a fair point. David, I want to turn it over to you, and I just want to ask you something. I know in 1990s the "Los Angeles Times" had about 2,000 people in their newsrooms and in various bureaus. Was that, maybe you can answer this too. Was that too many journalists, now that --

>> David Westphal: I would never say any number is too many. They are obviously putting out a very fine newspaper with 550. So I guess in a way you might say that. But they've also cut back tremendously the scope of their coverage. Say on the new media front, not surprisingly, these are small operations, their profit margins are a lot closer to zero than 12 or whatever. And so you're seeing a lot of innovations, there too, and Marty, you mentioned events being one of them where Jonathan Weber of new west has a quite profitable conference business, where he invites people to come for a fee on the topics that are their special topics in New West. Texas watch dog is small investigative nonprofit is making some money, going around, having training sessions for citizen journalists, that charges a nominal fee. In a somewhat probably more controversial idea, that Global Post, which is a for profit, and also New England center for investigative reporting, are trying, and that is research for hire. Having separate arms where they assign, sometimes freelancers, I think but to do contract research and then to use that money to put back into their journalism.

>> Susan Athey: I would like to just go back to --

>> Tonda Rush: I just wanted to respond to Robert's comment about the advertiser's needs here and also, I was pleased Jonathan told me they're making 20% margins. I'm definitely raising my fees. The community papers had done the diversity of revenue act for a long time. We've had newspapers that opened fudge shops to keep news in business when one industry left town and that's what they needed to do. If you look at a typical community paper I think you'd find that the advertising base looks much more like a magazine than it does a metropolitan daily newspaper. The revenues coming out of the annual county fair edition where you saw signature ads to the title companies and insurance people and whatever around town. I think one of the confusing things about analyzing the newspaper business is because it's a social mission wrapped inside an economic model. The temptation is try to draw a straight line between the content producer and the reader, or the viewer or the listener, and if you don't keep the advertisers' subsidy in the mix there, that I think you wind up with a distorted result. If you do keep it in the mix, then it enables you to look at an audience for those newspapers that's based upon all of the different exposures that they have, whether it's the news column, the special section, the website, the event, and all of the places where the consumer -- the news consumer comes across information that is really supported by the

advertiser, and it may be the kids sports scores that draws them in. But in the process they probably see the zoning story. I think the mix is more complicated than some of the analysts that are looking at the changed business model are giving us credit for.

>> Female Speaker: Thank you. I'd like to conclude by going back to the issue of the aggregators and Mark, you had made the point that even headlines alone could be -- you would consider valuable, because that's what people are browsing during the day. And Robert, I believe, made the point that copyright law generally doesn't allow protection of facts and ideas. And I'm wondering what your response to that is?

>> Mark Contreras: Well, maybe the best analogy is to use music industry. If you are a consumer and you buy a CD, you can listen to that CD to your heart's content. If you're at a bar with your friends having a beer, chances are that bar has made an agreement with an ASCAP or a BMI to license the redistribution of that content. And I guess, there are some very poignant similarities here that there is nothing wrong with sharing information, as long as the originator for whom -- we've made the up-front investment in paying a salary, paying insurance and having personnel policies -- that we get some compensation for that initial investment and for that service that we're providing during communities.

>> Female Speaker: Okay. Well, even if I -- let's grant you all of that, what would you suggest is a legal mechanism by which to do that, because people don't usually pay unless they have to.

>> Mark Contreras: Well, again, the debate is whether or not you know "B" to "B" or "B" to "C." Business to business or business to consumer. At the moment, this is my own personal view, I'm much more of a fan of trying to go business to business, not business to consumer, so an ASCAP or a BMI model would be arranging with other redistributors of our content, not going after consumers, because our evidence, so far, at scripts with a few experiments, has shown that getting paid for our content has very limited audience results, and even scantier revenue results at the moment. But for now, I think we would favor going business to business, as opposed to business to consumer.

>> Male Speaker: Anybody else want to comment on that?

>> Bryan Monroe: You know, I want to sort of double back on that point and double back to part of this conversation we've been having today has been focused around particularly newspapers and the print world, a little bit of broadcast. But I don't want us to get confused that this should -- I love newspapers, I spent 20 years at "Knight Ridder" and newspapers but this should not be a conversation about how newspapers should survive. It should be how journalism survives and on focusing on the content and seeing the mediums as just that, mediums, and figuring out best mediums for the content and the best mediums for the journalism. I think we'll have a better chance of getting it right.

>> Male Speaker: You're right. I think you're absolutely right. This is an issue that crosses platforms and should not be specifically associated with one particular platform. The only other point I would make, anybody else have a last word -- I want to say one thing, which is that we're going to come back in March with a couple more hearings that focus more on possible remedies if there's a problem that needs solving. Marty, why don't you go ahead?

>> Martin Kaiser: One quick example of the business model I talked about earlier trying to connect it to a readership model. We had a story about a month ago about couple where the wife got ovarian cancer and the husband lost his job. They had no insurance. He joins the army, so now he's going off away from her to be able take care of her and the kids because they have no insurance. The story got picked up by Yahoo! We had 1.9 million page views on the story. Record before maybe 300,000 page views, but there wasn't much money made from that. Fantastic readership, fantastic story. We gotta figure out a business model to make money off of that.

>> Male Speaker: Anybody else like to add anything before we move to our next speaker? I just want to say, you've been an absolutely terrific panel. It's been extraordinarily educational. Those of us at FTC and, I believe, folks in the audience. We may have follow-up questions, we'll take any written submissions to put into our record. Susan, anything else?

>> Susan Athey: No, I'll ask the audience to join us in thanking these panelists. [Applause]

>> Male Speaker: In about 15 seconds, I think we're going to try to move this along. We are going to go to our next speaker, so if you folks could take your seats or take your conversations, perfectly legitimate, mostly into the corridor, that would be fabulous. And we'll wait a little bit and then we'll bring up our next speaker.

>> Male Speaker: All right, if folks could take their seats, that would be great. It seems that a big part of my job today is to introduce people who actually need no introduction at all. Arianna Huffington is a prominent author, radio and television personality, and political observer. She's the cofounder and editor in chief of "The Huffington Post," a news blog site that has quickly become the most widely read, linked to and frequently cited news sources on the internet. One of them, certainly. Like the folks on the last panel and I think like Rupert Murdoch, Arianna has strongly held beliefs, and while her views may be far from Murdoch's, for example, on matters of politics, they both believe in the vital importance of news to our democracy, and for someone so youthful, she's already had extraordinary success in a variety of occupations, and for someone who is such an astute political observer, she's also, in the words of -- I'm sure I'm Butchering them -- but in the words are Theodore Roosevelt, she's not afraid to enter the arena. We're delighted to have you here with us today. Please come up, the microphone is yours. [Applause]

>> Arianna Huffington: Thank you. Thank you very much. The conference is about saving journalism. I'm definitely fast becoming journalism's biggest fan. You know, Tom Friedman recently said that whenever there is a discussion about who is going to win the 21st century, China or the United States, he likes to quote his Russian grandmother who said never cede a century to a country that censors Google. So whenever there's a discussion about which media company is going to shape the 21st century, I like to quote my great grandmother who always used to say, never bet on a company that takes itself out of Google. My remarks are going to be divided into three parts. The first part is desperate times lead to desperate metaphors. The second part is desperate times lead to desperate revenue models, and the third part is desperate times require, desperately require better journalism than we have had. Ever since we decided to launch "The Huffington Post," I've talked about how the future of news is going to be hybrid. That there was no point in doing either/or, old media versus new media, because the hybrid future was going to be

traditional media adopting the best of online media, transparency, immediacy and interactivity and new media, adopting the best of traditional media, accuracy, fairness and impact investigative journalist. But playing nice has increasingly become a one-way street. Suddenly, the air is filled with shrill, misplaced and completely nonsensical verbal assaults on those in the new media. Apparently some in the old media have decided that it is in fact an either/or game, and that the best way to save, even our journalists, at least themselves is by pointing fingers and calling names. It's a tactic familiar to school yard inhabitants everywhere. When all else fails, reach for the nearest insult and throw it around indiscriminately. So let me just quote a few things that Rupert Murdoch especially and his team have called news aggregators -- parasites, content kleptomaniacs, vampires, tech tapeworms in the intestines of the internet, and of course, thieves who steal all our copyright. It's the news industry equivalent of your mama wears Army boots, and it's less persuasive. In most industries, if your customers were leaving in droves, you would actually try to figure out what to do to get them back. In the media industry, you instead spend your time accusing aggregators of stealing your content. Of course, let me just remind Rupert Murdoch and Robert Thompson and everybody else, that you can shut down the indexing of your content by Google, right now, right now, this very minute, wherever you are, simply by actually clicking disallow in your dot text file. Would you like me to repeat that? It is really, really simple. It's actually much faster than whining, but be careful what you wish for. Because as soon as you do that, and this is why you haven't done it. You will start denying your content to other sites that aggregate and link back to your original source and you tend to lose a large part of your traffic overnight. Now, as they say in Australia, good on you. And as someone who cares deeply about this country, I would say that having Glenn Beck not searchable on Google is a really good thing for democracy. But a good business move, not so much. I was recently on a panel in Monaco with Mathias Dophner, the CEO of the German publisher Alex Springer. He decided to play a really confusing metaphor game with me by comparing news content for beer. He said if you want to sell beer for free, fine. But don't take our beer and sell it to someone else. This struck me as a really bizarre metaphor. Information is hardly the same thing as beer, and the problem is, that if you start with a false metaphor, if you start with a false premise, you will inevitably be led to a false conclusion. Or to put it another way, if you chugalug too many of old medias, metaphorical beers, you will end up staggering down the street of illogical thinking and hanging onto the lamp post of wrong revenue models. And we heard that from Rupert Murdoch today. First of all, he confused in his speech aggregation with wholesale

misappropriation. Now, there's a law against wholesale misappropriation right now. He can have legal redress. We link to "The Wall Street Journal" daily. We have never had a single complaint. If misappropriating, retail, even not wholesale, we would have heard from them, right? If they're so serious about it, we have never heard from them. You know why? Because we drive a lot of traffic to them, and they like it. And on top of it, there is absolutely nothing about aggregation that is not also consistent with original content. "The Huffington Post" aggregates and has masses of original content every day, both original reporting and at least 250 original blog posts. But aggregation within the fair use exceptions of the copyright law is part of the web's DNA, period. Most sites understand the value of this, and we understand the value of this. At the "Huffington Post," we love it when other sites link to us. We love the traffic. We love the eyeballs that we can monetize with advertising. That's why because so many other sites understand it, too, get hundreds of requests from news outlets every day to link back to them. It's not a zero sum game. It's what Jeff Jarvis constantly refers to as the link economy. Plus, let's be honest. Many of us complaining the loudest are working both sides of the street. Take, for example, Rupert Murdoch's news call once again. Just look at the site news call, as sector.com did recently, and you will see example after example after example of the pot calling the kettle black and aggregating the kettle's content. Let me give you a few examples. The "Wall Street Journal" has a tech section that's nothing more than a parasite, I mean, aggregator of outside content. Foxnews.com, has a politics back tracker that blood sucks, I mean, aggregates and links to stories from a variety of different sources including "The New York Times," "Washington Post," MSNBC and others. All things has a section called Voices that not only aggregates headlines but also takes a nice chunk of text and puts the links out at the bottom of the story. News Corps owns IGN, did you know that? And did you know that IGN has a variety of web properties including the rotten tomatoes movie review aggregator site which is entirely made up of movie reviews pulled together from other places. Did anyone say wholesale misappropriation? Talk about having your aggregation's stake -- sorry, aggregation cake and bitching about others eating a slice too. I was talking to Robert Thompson, the managing editor of the "Washington Street Journal" right outside after Rupert Murdoch's speech. And I did tell him that I could only roll my eyes when he wags his finger at Google and complains that it promotes promiscuity among news consumers. Heaven forbid. Let's be honest. While promiscuity is not a good thing in relationships, it's a great thing for those looking for news and information. Trying to deny news consumers as wide a range of options as possible seems short-sided and ultimately self-

defeating. This is a golden age for news consumers who can surf the net, use search engines, access the best stories from around the world and be able to comment, interact and form communities. The value of having the world of information at your fingertips is beyond dispute. So it's time for traditional media companies to stop whining and face the fact that far too many of them lied by a lack of competition and years of pretax profits of 20% or more, put cash flow above journalism and badly missed the web when it arrived on the scene. The focus was on consolidation, cost cutting and pleasing Wall Street, not modernization and pleasing the readers. That's exactly what Detroit did, remember, and look how well it worked out for them. They were asleep at the wheel. Missed the writing on the wall. Let the train leave the station. Let the ship sail, pick your metaphor of choice, and quickly found themselves on the wrong side of the disruptive innovation the internet and new media represent. And now they want to call time-out. Ask for a do-over. Start changing the rules. Questioning fair use, Rupert Murdoch did today, did you notice that, as well as praising the First Amendment and Nancy Pelosi, I hope you noticed that, too. And he is going to hear it from Glenn Beck tonight. And he also questioned fair use, and basically attacking the new media for being, well, new and different, and transformational and here to stay. Suddenly, it's all about thievery and parasites and intestines. Get real, you guys. The world has changed. Here are some facts that I culled from one of the most popular anthems on Youtube, to the impact of technology on our world. A video originally put together by a math teacher, Carl Fish. Did you know that newspaper circulation is down 7 million over the last 25 years? While unique readership of online news is up 34 million in the last five years? Did you know that newspaper advertising fell nearly 19% this year while web advertising is up 9%? And mobile advertising is up 18%. Did you know that more video was uploaded to Youtube in the last two months than ABC, CBS, and NBC had been airing all new content every minute of every day since 1948? And did you know that we have access to more than 1 trillion web pages, 100,000 iPhone apps and sent more text messages in one day than the people on the planet? And Rupert Murdoch still thinks that aggregators are the problem? We are not in Kansas, anymore, Toto. And some things better, while some things for the moment are undoubtedly worse, in terms of upheaval and especially the painful loss of jobs. But this is inarguably a brave new media world and there's no use living in digital denial. The information super highway is a busy thoroughfare, and there is going to be some roadkill along the way, but only among those who insist on merging into traffic, riding a horse and buggy. Okay.

Here's my second point. Desperate times also lead to desperate revenue models. Practically every day now, we hear about a new initiative designed to harness digital media and get people to pay for their news on the web. Well, the big buzz last week was about news corps fantasies of breaking up with Google and tying the knot with Microsoft, giving its heart and all its content to Bing. Well, I'll gladly wager my share of "The Huffington Post" that this ain't gonna happen. The charge-for-content crowd seems to change strategies as often as Lindsay Lohan switches meds. First, paywalls were going to be the answer. Then, it was micropayments. Then, per-article purchases. Then, day passes. James Harding, the editor of the "London Times" and member of team Murdoch, recently said that he preferred the idea of charging for 24-hour access to his paper's website over the use of micropayments, which he fears could lead to newspapers, and I quote, "writing a lot more about Britney Spears and a lot less about Tamils in Northern Sri Lanka. Now, for those of you in the room who are up on Britney but not on the Tamils, they were on the losing side of the Sri Lankan civil war. In any case, only 3% of consumers say they prefer the micropayment method. But hey, who cares what they prefer, they're only consumers, right? Now, James Harding is a really nice guy, a really smart guy. I was recently at his office in London, I love "Times" online, a great site, but seriously, on what grounds would a reader decide, not on any particular day, instead of surfing around the web, clicking on the stories they find interesting, snacking, sampling and moving on, or digging deeper by following a link, they are going to purchase a 24-hour pass to every bit of content on just one single site. Is it because-- of course, you fool, Tuesdays at "The Times" are always so much newsier than anywhere else? Meanwhile, Steven Brill, who I think is speaking here tomorrow. He has his "Journalism Online," that has, reportedly, come up with 16 different payment schemes that it plans to offer its member publishers. Nieman Lab recently listed six payment models that Brill has trademarked, and that news publishers can employ. I just want to read them to you quickly. Because, it's really payment made simple. High activity pay points. Selective content pay points. Time-based pay points. And half service pay points, market access pay points and preview activity pay points. Did anyone say, "that's good revenue models"? Or take The "New York Times." A quick search of headlines in the business press shows that, in the summer of 2009, the headline was, "'New York Times' Company CEO Confirms Likelihood of Pay Wall for 'New York Times' Content by Autumn." We're kind of past the Autumn. By September, that had become "'New York Times' Pay Wall Decision to be Gut Call." By November, it had become, "'New York Times' Pay Wall Decision Coming Within Weeks." Are you holding your

breath? It amazes me that Murdoch and Brill and the pay wall team at "The Times" continue to believe that people are prepared to pay for news online. I'm sorry to quote myself again, but I think people are only going to pay for specialized financial information and weird porn. And 80% of U.S. news consumers recently said that they wouldn't bother to read news and magazines online if the content were no longer free. Sure. Free news content is not a perfect system. But it's a lot like what churches said about democracy. It is the worst form of government, except all of those other forms. That's the reality. Free content is not without problems. But it's here to stay, and publishers need to come to terms with that, and figure out how to make it work for them. And many, many passionate entrepreneurs around the world are making it work for them. I just picked three examples. Is monetizing its engaged and highly informed community by turning them into focus groups for hire. We heard from Paul Stieger, that propublica model is great model of using a not for profit model with the help of many, including from the Knight Foundation, that's doing such incredible work supporting real journalism, both at the national and at the local level. To produce impact investigative journalism. Our own "Huffington Post" is following the same model. Again, a combination of resources from "The Huffington Post" and from foundations. We are producing open-source investigative journalism, available to anyone in real time. And there are many different powerful local journalism models. Already, people have mentioned "Voice of San Diego," which supports its award-winning journalism with a combination of advertising and public radio style contributions from foundations and users. So, the new paths to success are still being chartered. And much remains uncertain, no question about that. But this much is clear, we can't use an analog map to expect to find our way in a digital world. Okay, here's my final point. Desperate times call for better journalism. It's very important for us to recognize that the current media culture, with a few honorable exceptions that I have written again and again about, fail to serve the public interest, by mixing the two biggest stories of our time. They lead up to the war in Iraq and the financial meltdown. Just go back and read financial magazines, cheerleading all the way. Until the end. And don't tell me that that's the kind of journalism you want to preserve. I repeat, there were many honorable exceptions, but they were not given much of a voice, or they were drowned out by the thumping sound, thumping sound of journalists, walking in lock step. So as a result, we've had far too many autopsies and not enough biopsies. So, we need journalism that gives us a lot more biopsies, including right now, with what's still happening around the country. And that's where online media, because of their persistence, because they tend to stay on a story

and stay on a story and stay on a story, until something happens, have a huge contribution to make. We've only begun to see the beginnings of that. We also hear lots of talks these days about saving newspapers, including congressional antitrust exemptions, bailouts, but the question should never be phrased like that. Although, I personally love newspapers, subscribe to about six of them a day, including "The Wall Street Journal," and I actually believe that they are going to be here indefinitely. But the question that we are addressing is not the future of newspapers, but the future of journalism. And the two do not always coincide. Indeed, the future of journalism is to be found, at least partly, in the rapidly growing number of people who connect with the news in a whole new way. News is no longer something we passively take in. We now engage with news, react to news and share news. It's become something around which we gather, connect and converse. We are all part of the evolution of a story now. In short, the news has become social. And it will become even more community powered. Stories will be collaboratively produced by editors in the community. And we saw the power of citizen journalism during the uprising, earlier this year, in Iran. People tweeting from demonstrations in a video of brutal violence, taken with camera phones, were able to tell story in real time and circumvent the efforts of their regime to control the media and the flow of information. In fact, the new paradigm was illustrated perfectly by The "New York Times," which covered the stories, both in the old way and the new way. The former came by way of executive editor of Bill Keller, who was in Tehran for the election. Three days after the fraudulent vote, and well after the street protests had been revved up and hundreds of videos had been uploaded and thousands of tweets have been posted, he wrote, and I quote, "With this election, Mr. Ahmadinejad appeared to have neutralized for now the reformed forces that they saw as a threat to their power, political analysts said. Clearly, political analysts were not on Twitter. Not exactly, right? At the same time, "The Times" also run a blog by Robert Mckey. That was like the terrific one that our own national editor, did on "The Huffington Post," a 24/7 nerve center of updates, video and tweets, largely by citizen journalists, curated by the Robert at The "New York Times" and by Nico at "The Huffington Post." I'm not saying that it's going to be either/or, we need great reporters on the scene. But we also need the citizen journalists, thousands and thousands of them, all around the world, reporting on the stories. At "The Huffington Post," we started with the best coverage during the election, and now, we have a citizen journalist program called "Eyes and Ears." And a specific project, "Bearing Witness 2.0," that has been bringing flesh and blood stories from around the country, really bringing to life the statistics of the economic crisis. And

here's really my final point, that I don't quite understand. These contributions of citizen journalists, bloggers and others, who are not paid to cover the news, it's constantly mocked and derided. It's as though people in the old media cannot really understand that technology has enabled millions of consumers to shift their focus from passive observation to active participation. From couch potato to self expression. You know, writing blogs, sending tweets, updating your Facebook, editing photos, uploading videos and making music are just a few of the active entertainment options now available to people. But when they dare to begin to show a significant shift in consumer habits, traditional media responded by belittling web journalism. The same people who never question why consumers would sit on a couch and watch TV for eight hours straight, can't understand why someone would find it rewarding to weigh in on the issues, great and small, that interest, and even though this is not the way they make their living. They don't understand the people who contribute to Wikipedia for free, they really don't. They don't understand the people who maintain their own blogs for free. They don't understand people who write blogs for "The Huffington Post" for free, we constantly get that. They don't understand people who Twitter for free, they constantly don't understand people who update their Facebook pages for free. Who want to tell the stories of what is happening in their lives and in their communities for free. And they need to understand that, if they are to understand the future of journalism. Now, "The Huffington Post" and "The Huffington Post" investigative fund, we also deeply value the role of professional reporters and editors. And who have dozens of them on payroll. And as our advertising increases, and it is increasing, we are going to be hiring more and more of them. It's not an either/or model. But we are also going to be expanding our citizen journalism projects. And the value of them is absolutely irreplaceable. But at the same time, the value of editors as guides and curators, is going to become more and more essential to keep us from being swept away by all the mass of information coming our way. So, the sooner we all embrace this brave new world, the sooner we put aside the increasingly desperate metaphors and increasingly desperate revenue models, the sooner we'll be able to focus on what really matters and what the purpose of this conference is about, ensuring that in the future, journalism will not only survive, but be strengthened and thrive. Thank you. [Applause]

>> Jon Leibowitz: But what is Arianna really thinking? Thank you so much. And we are going to go off to lunch now. We're going to come back at 1:15. The one thing I want to mention is, please

keep your badges, it helps us process people in more quickly. And again, thank you all. It was a wonderful and informative morning. Bye.