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THE CURRENT: What does the Gannett-GateHouse merger mean for local journalism?

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PARTICIPANTS:

Host: Adrianna Pita, Office of Communications, Brookings

Guest: Clara Hendrickson, Research Analyst, Governance Studies, Brookings

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PITA: You're listening to The Current, part of the Brookings Podcast Network.

America's two largest newspaper publishers, Gannett and GateHouse Media, have merged, creating a new conglomerate that will own more than 250 daily newspapers from the national USA Today to regional Florida Times-Union, the Milwaukee Journal Sentinel, down to weekly community papers. Meanwhile, two other publishers, Tribune Publishing and McClatchy, are also eyeing a possible merger.

Here to discuss the repercussions of major mergers like these for journalism, particularly local journalism, and why that matters, is Clara Hendrickson, research analyst in GS at Brookings. Clara, thanks for being here.

HENDRICKSON: Thanks for having me.

PITA: So what can you tell us about how this Gannett and GateHouse merger came about?

HENDRICKSON: At the beginning of the year, the president of Alden Global Capital, which is a hedge fund, eyed Gannett and offered to purchase this company. Alden Global Capital owns Digital First Media, which has sort of made a reputation for itself in the local news industry for slashing the news-gathering functions of its newspapers and really milking them for a profit. So, Gannett naturally panicked, and seeing an opportunity here, GateHouse decided to step in and offer to purchase Gannett instead. They sort of positioned themselves as a much more friendly owner than Alden Capital.

PITA: I had been surprised to hear about how big GateHouse was, b/c I didn't recognize the name, unlike Gannett, which has been a news name for a long time. What can you tell us about GateHouse?

HENDRICKSON: GateHouse owns local newspapers in almost every U.S. state. I believe they own newspapers in 39 states across the U.S., including major metro dailies in Jacksonville, Florida, Columbus, Ohio, Austin, Texas, and others, but it really specializes in smaller community newspapers that it publishes on a weekly basis.

PITA: With GateHouse – it's actually GateHouse's parent company that purchased Gannett – they're on the hook for more than a billion dollars - this was a pretty pricey deal – pressure is on to

generate more than \$300 million in annual savings. And while some of this will be achieved by the back-end offices – you don't need two HR departments or two legal departments, that kind of thing - this is certainly going to mean newsroom cuts as well, right? Do we know yet what that might look like?

HENDRICKSON: So we don't know yet the exact number of newsroom jobs expected to be cut in the wake of the merger, but it's estimated that around 3000-4000 employees at the new Gannett will lose their jobs. As you mentioned, in addition to the consolidation of digital and marketing operations and combining design and editing operations, there will also be a significant number of newsroom jobs cut. That's going to entail a further deepening of the local news crisis that we're already seeing playing out in so many communities across the U.S.

PITA: Why are so many newspapers struggling? Is this really about the move online – everyone started expecting content for free and so now no one has any subscription revenue, or what's going on behind the news crisis?

HENDRICKSON: So, in part it's the inability to convert digital readers to paying digital subscribers, but more than that, as fewer readers consume their news in print and they've moved online, so has advertising, and that's entailed a really steep loss in print advertising revenues for newspapers across the country, but the rise in digital advertising hasn't come close to making up for this loss in print ad revenue. So we've seen that as digital ad revenue has made up a growing share of total ad revenue, total ad revenue is actually declining. Another way to think about it is that digital advertising is making up a growing share of a shrinking pie. This is due in part to the fact that Facebook and Google dominate the digital ad market and local publishers, particularly smaller ones are really struggling to compete.

PITA: Can you explain the Facebook and Google angle? Why does that contribute to revenues going down?

HENDRICKSON: It's important to remember that Facebook and Google don't just distribute and aggregate news. They're also competing for news publishers in digital advertising. For a long time, newspapers held an advantage in advertising because they could offer advertisers something that was really compelling, which was exclusive access to their readers. Because Facebook and Google track users as they move across the internet, Facebook and Google often know more about a news publisher's readers than the news publisher does itself. So, if you're an advertiser, selling with Facebook and Google is much more compelling because they're going to be able to more effectively target your advertisement than any news publisher would.

PITA: So the ad dollars are going to Facebook and Google and not to the newspaper directly, gotcha.

HENDRICKSON: Exactly.

PITA: OK, so, can you talk a little bit more about what this means for local journalism especially?

HENDRICKSON: Sure, if Gannett goes the way of laying off thousands of newsroom employees, that'll mean that communities across the country will be deprived of individuals whose full-time job is to hold local leaders accountable and track important developments in issues from what happens at the local school board meeting to how local politicians are addressing various public health crises. Research

shows that where local newspapers thrive, communities see more candidates running for mayor, and they see higher turnout for local elections. So, we know that local newspapers are very important to the health of our local democracy. You mentioned that we have a local news crisis in this country, and that's reflected in the fact that thousands of newspapers have closed across the country, but there's another component to this crisis and that's that thousands of surviving newspapers have reduced coverage, they've laid off reporters, and they've cut back circulation. It's no surprise that an understaffed and under-resourced newsroom can't adequately serve its community. So GateHouse, as the largest owner of local newspapers in the country, may actually be deepening the local news crisis rather than alleviating it if it decides to further constrain the newsrooms that it owns.

PITA: In researching this, I was looking back at some past content, there was some work from Jennifer Lawless and Danny Hayes that this can cause increases in polarization; and there was also a research paper produced by researchers at Notre Dame and the University of Illinois that shows there's also effects on local financing – you don't think about that, that local costs go up because there's no watchdog anymore.

HENDRICKSON: Absolutely, so, in addition to being essential to local political health, newspapers also play a role in supporting local economic health as well. And, I should note that the effects here aren't just playing out at the local level, they're also playing out at the national level. As you mentioned, research shows that places that see local newspapers disappear also see an increase in partisan voting, where voters aren't splitting their ticket between members of different parties. So the local news crisis in this way is exacerbating national political polarization and it's also playing out in national newsrooms as well that aren't able to rely on local reporters to feed into their national news coverage.

PITA: I was actually really surprised that - speaking of Tribune and McClatchy merger – that the Tribune doesn't have a DC bureau any more. The Chicago Tribune is a big paper and that was astounding. So speaking of that, the New Gannett board, they aren't going to have any journalists or any former journalists making up a part of their board. At Tribune Publishing, they just recently instituted quarterly cash dividends paid out to shareholders. I follow a lot of journalists on Twitter and when this was announced there was a lot of snarking about how long it's been since the reporters have seen any raises and how much more they're paying into their healthcare. What does it mean for journalism that the fates of so many of these newspaper companies are now being controlled by these mega corporations that are pretty removed from the process?

HENDRICKSON: So, this is a trend that goes back to previous decades where we saw the rise of corporate owners and away from family-owned newspapers. Family-owned newspapers have historically been much more generous and much more willing to make significant investments in their newsrooms compared to corporate owners and while corporate owners have promised investors that they're going to be able to increase their profits, so far, we're not really seeing the consolidation game paying off.

PITA: One possible path out of this – maybe – some newspapers are trying to pursue becoming nonprofits. The Salt Lake Tribune is one of the latest, and a large one. What can you tell us as a possible path?

HENDRICKSON: The Salt Lake Tribune move comes after the Philadelphia Inquirer became a nonprofit a couple of years ago. So we may see more newspapers trying to take that same route. In the

meantime, we've seen a number of nonprofit ventures spring up in places that have lost local newspapers. But they're mostly doing it in urban areas, so a lot of less-densely populated communities that are really struggling in the wake of this local news crisis haven't really benefited in the same way from the rise of these nonprofit ventures. I should also note that philanthropy, while playing an increasing role in alleviating the local news crisis, is really only making up for a small portion of the total loss, which amounts to around \$30 billion in advertising revenue over the last decade that's really plagued local newspapers across the country in recent years.

PITA: All right. Clara, thanks for being here and explaining this to us.

HENDRICKSON: Thanks for having me.