



Testimony Submitted for the Record

U.S. House Judiciary Committee

Antitrust, Commercial and Administrative Law Subcommittee

“Reviving Competition, Part 2: Saving the Free and Diverse Press”

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Chairman Cicilline, Ranking Member Buck: Thank you for the opportunity to testify today.

My name is Jon Schleuss. I am president of The NewsGuild-CWA, which represents more than 20,000 workers in the news industry. Our parent union, the Communications Workers of America, represents workers in telecommunications, customer service, media, airlines, health care, public service and education, and manufacturing.

Local news is facing a crisis in the United States. It is a crisis of democracy - from the grassroots in cities and towns across the nation to the halls of this building. It is a crisis of public policy where we have far fewer journalists covering local government and community issues. This was the key function our nation’s founders saw in news gathering when they referred to the industry in the First Amendment. How this oversight is nourished is an important question that demands an understanding of the balance between news companies and technology platforms, ownership and market concentration, and business practices that harm media companies, cost consumers, and hurt our democracy.

The problem we are addressing is not merely the equitable split of money among a handful of giant corporations. For the local news business, which now faces an unprecedented, dangerous decline, the

product is information and analysis that your constituents need to cast an informed vote, to make decisions about their health, and to understand what is happening in their own neighborhood.

The Withering of Local News

Between 2008 and 2019, traditional newspapers lost 36,000 jobs, according to the Pew Research Center, a decline that shrank those newsrooms by more than half.¹ Subsequently, since the pandemic started in March 2020, newsrooms have lost several thousand additional jobs. In April 2020, The New York Times reported that 37,000 news workers had been “laid off, been furloughed or had their pay reduced.”² The outplacement firm Challenger, Gray and Christmas found that 14,265 jobs were lost across broadcast, digital, and print newsrooms.³

It should be noted that employment has crept up in digital-native outlets. Between 2008 and 2019, digital native news jobs more than doubled to 16,090 jobs. This increase in no way compensates for the loss of jobs or local news coverage, as the largest employers in this sector tend to target a national audience, with heavy focus on entertainment, sports or opinion coverage. Moreover, many of these digital outlets have likewise been hit hard by the pandemic: outlets such as BuzzFeed, Vox Media, Vice Media, Maven Media, and The Athletic suffered significant layoffs in 2020.

There are today fewer watchdogs in our communities. Researcher Penny Muse Abernathy found that 2,100 newspapers stopped publishing between 2004 and 2019.⁴ At least 60 closed in 2020. Hundreds more are “ghost newspapers,” with so few staff that they can barely provide coverage of breaking news, much less investigative reporting.⁵ The hardest-hit areas of the country are the small- and medium size towns where most Americans live — as of last year, according to the Bureau of Labor Statistics, one in five journalists works in either Washington, New York City or Los Angeles.⁶ One of our NewsGuild-CWA members, a municipal reporter at The Mercury in Pottstown, Pennsylvania, is now tasked with reporting on elections and governmental actions in over 50 jurisdictions.

We are truly facing an extinction-level event for local news. Researchers at the University of North Carolina’s Hussman School for Journalism have developed a term, “news deserts,” to describe communities that have no source of local news, and there are 2,000 of them across the country, in red

¹ Pew Research Center, “Newsroom employees by news industry, 2008 to 2019,” April 20, 2020: https://www.pewresearch.org/fact-tank/2020/04/20/u-s-newsroom-employment-has-dropped-by-a-quarter-since-2008/ft_2020-04-20_newsroomemployment_03a/

² Marc Tracy, “News Media Outlets Have Been Ravaged by the Pandemic,” The New York Times, April 10, 2020, updated December 4, 2020: <https://www.nytimes.com/2020/04/10/business/media/news-media-coronavirus-jobs.html>

³ J. Clara Chan, “US Newsrooms Lost a Record 16,160 Jobs in 2020, Study Finds,” The Wrap, January 7, 2021: <https://www.thewrap.com/2020-newsroom-layoffs-data/>

⁴ Penny Muse Abernathy, “News Deserts and Ghost Newspapers: Will Local News Survive?” Hussman School of Journalism and Media, University of North Carolina, 2020: https://www.usnewsdeserts.com/wp-content/uploads/2020/06/2020_News_Deserts_and_Ghost_Newspapers.pdf

⁵ Margaret Sullivan, “Ghosting the News: Local Journalism and the Crisis of American Democracy,” Columbia Global Reports, 2020

⁶ Pew Research Center, “One-in-five U.S. newsroom employees live in New York, Los Angeles or D.C.,” <https://www.pewresearch.org/fact-tank/2019/10/24/one-in-five-u-s-newsroom-employees-live-in-new-york-los-angeles-or-d-c/>

states and blue states, but mostly in poorer communities, whether they are within urban areas or in small towns and rural communities.⁷

Chart 1 in the Appendix looks at the percentage of counties in select states - represented by members of this subcommittee - without a single newspaper, daily or weekly. Over 10% of the counties in Georgia and almost 9% of the counties in Florida lack any news outlet whatsoever.

Counties with weekly newspapers cannot expect the same level of government oversight as those with dailies. Certainly, if an area has only one weekly, such coverage is likely to be thin. Chart 2 in the Appendix examines the counties without daily newspapers and only one weekly. The problem of weak news coverage is expanding. Almost 68% of Georgia counties, 40% of Colorado counties, almost 40% of North Dakota counties, and almost 35% of Maryland counties fit this description. News deserts are a nationwide problem. Some 65 million people live in areas with limited access to local news.⁸

While comprehensive data on outlets serving Black and brown communities is more limited, many of these papers have also faced similar problems. For example, the Charlotte Post at one point had 38 newsroom staff, but now has just 19.⁹ Meanwhile, New America Media, an association of ethnic news outlets that once involved 3,000 organizations, closed in 2017.¹⁰

The crisis in local and community-based news is a crisis of jobs, of news beats, and of communities not served with the information they need.

The Implications of Local News Destruction

Lack of local news sources leads to identifiable losses for a community. When news jobs are axed, meetings of government officials with the public are not covered. Budgets are being voted on and contracts tendered without outside scrutiny. Communities that have no local news sources see taxes rise, and the rates they pay for municipal loans increase, all signs of weaker fiscal health. Areas with no local news source show increasing political partisanship, and also lower voter turnout.

The deterrent effect of local news coverage on political corruption is well known in cross-national research. It is a small wonder that the lives of journalists around the world are constantly under threat. PEN America highlights the case of Bell, California, in which a lack of news coverage enabled the city council to circumvent state mandates on salaries, leading to exorbitant paychecks for city officials.¹¹ The investigative reporter Julie Reynolds recalls an instance of police corruption in southern Monterey (California) County that the newsroom at the *Monterey Herald* (a paper owned by the hedge fund Alden

⁷ In fact, they define a news desert as "a community, either rural or urban, with limited access to the sort of credible and comprehensive news and information that feeds democracy at the grassroots level." See Abernathy, "News Deserts and Ghost Newspapers."

⁸ Hendrickson, Clara. "Local Journalism In Crisis: Why America Must Revive Its Local Newsrooms." Brookings Institution report, Nov. 12, 2019. <https://www.brookings.edu/research/local-journalism-in-crisis-why-america-must-revive-its-local-newsrooms>

⁹ Abernathy 2020.

¹⁰ Walsh, Joan. "New America Media Is Closing—and That's Bad News for All American Media." *The Nation*, Nov. 3, 2017. <https://www.thenation.com/article/archive/new-america-media-is-closing-and-thats-bad-news-for-all-american-media/>.

¹¹ PEN America, "Losing the News: The Decimation of Local Journalism and the Search for Solutions," November 20, 2019: <https://pen.org/wp-content/uploads/2019/12/Losing-the-News-The-Decimation-of-Local-Journalism-and-the-Search-for-Solutions-Report.pdf>

Global Capital) had heard about but could not spare the staff to cover. The next year, the scandal came to light when six police officers were arrested and convicted of felony charges.¹²

Scholarly research has suggested that towns without newspapers pay higher rates for municipal bond offerings when the local newspaper shuts down because finance companies assume a higher risk of corruption.¹³ They also experience higher rates of municipal taxation when the local paper closes.¹⁴

Other studies suggest diminishment of news coverage lowers civic engagement. The Pew Research Center in association with the John S. and James L. Knight Foundation found that those individuals who were high consumers of news were more likely to be active participants in their communities - via voting in local elections, attending meetings, or volunteering in charitable efforts.¹⁵ This does not show a causal relationship but it suggests that news vacuums suck the oxygen out of local communities. National news outlets do not fill that void.

Voter turnout is lower and partisanship is stronger in news deserts.¹⁶ Voters are less likely to split their tickets between candidates for the two main political parties in news deserts after local news outlets have been lost, showing that lack of information about community issues is driving an increase in the partisan political divide after local news outlets have been lost.¹⁷ As newspapers close, residents rely more on other media - cable television and the Internet - for their political coverage, which is focused on topics of national interest. Social media is self-selective and reinforces ideological silos and partisanship.¹⁸

Fewer newspapers cover your districts. There are substantial, quantifiable losses for your constituents. The reasons for this drastic, dangerous decline in local news are many. The consequences are many as well, and serious. They demand public policy solutions to sustain an industry that the founders of our nation knew to be essential to American democracy.

¹² Lee Romney, "Scandal Rocks Police Force in Monterey County Town, Los Angeles Times, February 25, 2014:

<https://www.latimes.com/local/la-xpm-2014-feb-25-la-me-king-city-police-20140226-story.html>

¹³ Kriston Capps, "Uncovering the Financial Impacts of Local News Deserts," Pacific Standard, June 5, 2018:

<https://psmag.com/economics/economic-damage-from-losing-local-news>. The academic paper can be found here: Pengjie Gao, Chang Lee, and Dermot Murphy, "Financing Dies in Darkness? The Impact of Newspaper Closures on Public Finance," May 2018:

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3175555

¹⁴ Gao, Lee, and Murphy.

¹⁵ Michael Barthel, Jesse Holcomb, Jessica Mahone, and Amy Mitchell, "Civic Engagement Strongly Tied to Local News Habits," Pew Research Center, November 3, 2016:

<https://www.journalism.org/2016/11/03/civic-engagement-strongly-tied-to-local-news-habits/>

¹⁶ Matthew P. Hitt, Joshua Darr, Johanna Dunaway, "Why Losing Our Newspapers Is Breaking Our Politics," *Scientific American*, March 26, 2019: <https://www.scientificamerican.com/article/why-losing-our-newspapers-is-breaking-our-politics/>. See also Lindsay H. Hoffman & William P. Eveland Jr. (2010) Assessing Causality in the Relationship Between Community Attachment and Local News Media Use, *Mass Communication and Society*, 13:2, 174-195:

<https://www.tandfonline.com/doi/full/10.1080/15205430903012144>

¹⁷ Joshua P. Darr, Johanna L. Dunaway, and Matthew P. Hitt, "Want To Reduce Political Polarization? Save Your Local Newspaper," NiemanLab, February 11, 2019:

<https://www.niemanlab.org/2019/02/want-to-reduce-political-polarization-save-your-local-newspaper/>

¹⁸ Joshua P Darr, Matthew P Hitt, Johanna L Dunaway, "Newspaper Closures Polarize Voting Behavior," *Journal of Communication*, Vol. 68, No. 6 (December 2018): <https://doi.org/10.1093/joc/jqy051>

Recapturing Lost Revenue

The problem for news outlets has been the dramatic loss of revenue, such that news organizations have felt compelled to reduce costs. Between 2004 and 2018, revenues of U.S. newspapers fell 57.2%.¹⁹ Unfortunately, the cutbacks have frequently taken the form of headcount reductions. These reductions lead to fewer news beats covered. As Abernathy put it, “the loss of journalists always results in a loss of journalism, as editors have to make hard decisions about which stories to cover and which to ignore.”²⁰

The loss of advertising revenue drove this revenue shortfall. Between 2004 and 2018, advertising revenues fell 70.3%.²¹ This advertising migrated to the Internet at large and the major platforms in particular.

The reasons behind this migration are evident: due to the size and reach of the platforms, they can reach customers at substantially lower costs. One consultancy estimated costs to reach 1,000 people at \$32 for newspapers and \$0.25 for Facebook.²² The Senate Committee on Commerce, Science, and Transportation had similar orders of magnitude in the comparison between print and digital: it found the following costs to reach 40,000 readers:

- \$400,000 Los Angeles Times print
- \$5,600 Los Angeles Times digital
- \$16 Google Search²³

The comparative pricing is due not to better business practices but instead to scale and predatory business practices.²⁴ The platforms now attract the vast majority of online advertising. Overall, the Internet attracts over 8 times the digital advertising revenue of the newspaper industry.²⁵ Facebook and Google together consume over 50% of display ad revenue, and Facebook alone captured 58% of the mobile digital display advertising.²⁶

A similar problem plagues newspapers that provide coverage of interest to Black and brown communities. Many of these outlets already had to confront challenges that made it harder for them to secure advertising revenue. For example, some of these papers have not historically been audited by

¹⁹ Source: Pew Research Center, "Newspapers Fact Sheet," July 9, 2019: <https://www.journalism.org/fact-sheet/newspapers/>

²⁰ Penny Muse Abernathy, "News Deserts and Ghost Newspapers: Will Local News Survive?"

²¹ See Chart 3 in the Appendix.

²² Ryan Flanagan, "The Cost to Reach 1,000 People," nd: <https://nuancedmedia.com/cost-reach-1000-people/>

²³ Senator Maria Cantwell, Ranking Member, U.S. Senate, Committee on Commerce, Science, and Transportation, "Local Journalism: America's Most Trusted News Sources Threatened," October 2020: https://www.cantwell.senate.gov/imo/media/doc/Local%20Journalism%20Report%2010.26.20_430pm.pdf

²⁴ News Media Alliance, "White Paper: How Google Abuses Its Position as a Market Dominant Platform to Strong-Arm News Publishers and Hurt Journalism," June 18, 2020: <http://www.newsmediaalliance.org/wp-content/uploads/2020/06/NMA-Google-White-Paper-Design-Final.pdf>

²⁵ A. Guttman, "Advertising spending in the U.S. 2019-2023, by medium," September 28, 2020, "Statista: <https://www.statista.com/statistics/191926/us-ad-spending-by-medium-in-2019/>

²⁶ Source: Pew Research Center, "Newspapers Fact Sheet," July 9, 2019.

independent organizations that review their circulation, which makes it more challenging for the outlets to secure advertisers. More generally, some large advertisers have historically failed to invest in newspapers focused on Black and brown communities.²⁷ These dynamics have put important news outlets in a precarious financial situation to begin with.

Sandy Close of Ethnic Media Services has noted that, even as many papers serving Black and brown communities have transitioned into digital media, they're "nowhere at the level of revenue" needed, in large part due to the market power of Facebook and Google.²⁸ According to John Stanton, co-founder of the Save Journalism Project, "Google and Facebook's death grip on online ad-revenue is harmful to everyone, but especially the Spanish language news industry."²⁹

The NewsGuild-CWA has examined various public policies to level the playing field for news publishers. We believe that Chairman Cicilline's "Journalism Competition and Preservation Act" accurately identifies the problem of the excessive market power of Facebook and Google and we appreciate his focus on rectifying this core power imbalance. This legislation could be helpful to address the imbalance between the platforms and the news companies. Google and Facebook benefit from the stories produced by journalists and they use the traffic they get to sell ads, capturing a majority of the digital ad revenue. The companies should pay their fair share when benefiting from the sharing of news content.

We do have a couple of recommendations that we believe would strengthen the bill and help ensure that it results in higher quality local news coverage. As I describe below, many news companies prioritize cash extraction over local news investment. Contemporary American newsrooms at all but a handful of national publications operate at a fraction of the size they were even a few years ago. Fewer reporters are able to pursue fewer news stories, but publishers have consistently heaped new duties— filming video, preparing online polls, "aggregating" competitors' content, or live-casting events on social media — on top of daily reporting of two or more stories per day. These practices are geared to chase pageviews instead of news, and leave already short-staffed newsrooms with little capacity to do the time-consuming work of long-term investigations.

Even worse, public news companies have increasingly diverted funds from core reporting purposes into dividends and stock buybacks. Table 1 in the Appendix looks at the cash distribution by public companies in the news industry between 2015 and 2020. These companies paid \$691.5 million in dividends and stock buybacks. Those payouts could have financed **1,536 journalists** for 6 years just at those papers, assuming the total cost of a journalist to be \$75,000 per year. As such, we recommend that 60% of all additional revenue garnered through collective industry bargaining be dedicated to new jobs. Furthermore, because of our extensive experience facing aggressive union-busting and refusal to negotiate in good faith at many news organizations, the bill should include provisions ensuring that

²⁷ Abernathy, 2020.

²⁸ Ibid.

²⁹ Save Journalism Project. "Where the News Industry Stands Without Hispanic News Media." <https://savejournalism.org/2019/12/10/where-the-news-industry-stands-without-hispanic-news-media/>

participating companies be “high-road” employers that treat their workers fairly, just as Congress has done as a condition of companies participating in many COVID relief programs.

Second, because bargaining between companies and the platforms would favor the large national papers, since their large aggregate audiences spread across dozens or hundreds of titles will garner many more page views than medium-to-small local papers, provisions should be added to ensure that some of revenue garnered through collective industry bargaining be dedicated to small-to-medium-sized papers outside the chains.

Third, the legislation offers an opportunity to help the 2,000 existing news deserts by providing that revenue be dedicated to seeding start-ups in these locations.

Ultimately, the bill and the enhancements recommended by the NewsGuild-CWA will strengthen the news industry and start a process of re-planting that will rejuvenate local news with increased revenue tied to local jobs and coverage with increased revenue tied to local jobs and coverage.

There has been considerable interest in the Australian legislation - the News Media and Digital Platforms Mandatory Bargaining Code - and the recent agreement between Facebook and the Australian government.³⁰ The NewsGuild and the International Federation of Journalists, a global federation of journalism unions, have criticized the law for its lack of transparency for individual deals between the platforms and news organizations as well as its failure to address the decline in local news through more redistributive mechanisms.³¹ The advance made by the legislation is the mandatory bargaining between the companies and the platforms. This is an important improvement, but the legislation does not remedy the flaws of companies deciding on their own what to do with additional funds, nor does it re-distribute funds to smaller papers or fund news deserts. What we have seen is that news organizations increasingly are owned by investors who have little interest in the public service mission of journalism, and indeed do not even seem interested in running news organizations that have a sustainable business model.

The revenue loss resulting from the platforms’ dominant market position has, of course, left many newspapers in a weakened financial condition. That has, in turn, left them vulnerable to takeover by predatory financial actors who, rather than revitalizing the papers, have acquired papers, usually in leveraged buyouts, and then stripped them of their assets and staff, leaving them as skeletons of themselves.

³⁰ Sara Morrison, "Why Facebook banned (and then unbanned) news in Australia" Vox/Recode, February 25, 2021: <https://www.vox.com/recode/22287971/australia-facebook-news-ban-google-money>

³¹ Jon Schleuss, "Unions condemn Facebook bullying, call for bolder steps to tackle news deserts," February 24, 2021: <https://newsguild.org/unions-condemn-facebook-bullying-call-for-bolder-steps-to-tackle-news-deserts/>; Ben Chacko, "Australia enacts law making Google and Facebook pay for news," The Morning Star, February 25, 2021: <https://morningstaronline.co.uk/article/w/australia-enacts-law-making-google-and-facebook-pay-news>

The Dangers of Cash Extraction and Market Concentration

The NewsGuild-CWA has long been concerned with ownership and market concentration in the news industry itself. Hedge funds have extracted cash that could have funded news jobs. The increasing concentration of the industry, financed by burdensome debt, has constrained the chains to prioritize debt servicing over news jobs and community accountability.

Hedge funds. Three hedge funds have played a significant role in the news industry – Fortress Investment Group, Alden Global Capital, and Chatham Asset Management. Fortress assembled GateHouse Media (a subsidiary of the public company New Media Investment Group) through bankruptcy purchases and later acquisitions and then shepherded its merger with the Gannett Company, assuming its name. Alden assembled MediaNews Group (formerly known as Digital First Media) from the assets of two companies in bankruptcy and then added additional properties. Chatham had been a McClatchy bondholder since 2014 and gradually increased both its debt and equity positions afterwards. At the time of the McClatchy bankruptcy it was the largest creditor and assumed control of the company when it exited reorganization in August 2020.

Fortress built the largest newspaper chain in the United States with the GateHouse-Gannett merger. The NewsGuild-CWA had many criticisms of GateHouse, not the least of which was the process of constant acquisition – 53 newspapers purchased between 2014 and 2018 – to build scale such that newsrooms were short-staffed and journalists themselves suffered wage stagnation.³² As the manager of GateHouse, Fortress extracted fees for both managing the assets and profitability. Between 2014 and its merger with Gannett in 4Q2019, GateHouse paid Fortress \$111.2 million in management fees.³³ The merged Gannett then paid another \$25.3 million in management and incentive fees. When Fortress left management of the merged Gannett, it received another \$30.4 million in fees.³⁴ Altogether Fortress extracted \$166.9 in cash from GateHouse and Gannett. If we assume the average total cost of hiring a Gannett journalist has been \$75,000 per year, those fees would have paid for **238 journalists** a year for seven years.

Alden built Digital First Media (now known as MediaNews Group or MNG) largely through the purchase of distressed debt around bankruptcy. Alden owns 70% of MNG and has been vilified for what it has done to the publications at the company. At twelve newspapers represented by the NewsGuild-CWA, the private news company has reduced employment by more than 75% since 2012. For media analyst Ken

³² The NewsGuild-CWA, “GateHouse-Gannett Merger Threatens Journalism,” October 2019: <https://newsguild.org/wp-content/uploads/2019/11/Statement-on-GateHouse-Gannett-Merger.pdf>

³³ Ibid.

³⁴ SEC Form 8-K, Gannett Co., Inc., December 22, 2020: https://www.sec.gov/ix?doc=/Archives/edgar/data/1579684/000114036120029198/nc10018164x1_8k.htm

Doctor, Alden's strategy is to "milk its newspapers until they run dry."³⁵ Doctor concluded that Alden's goal is to run papers into the ground and then leave: "If it's not profitable you turn out the lights."³⁶

Since MNG has been a private company, we do not have access to significant data. However, we know that the company created a subsidiary Strategic Investment Opportunities LLC (SIO). SIO has invested in a wide array of activities, some in the news industry, others outside. It took a 7.1% stake in Lee Enterprises, the fifth largest chain of newspapers.³⁷ It has a 3.9% stake in Gannett, Inc., the largest chain.³⁸ It bought a stake in legacy Gannett (7.5% stake) in January 2019 to launch a purchase offer and, when rejected, waged an unsuccessful proxy fight to force three designees on the board.³⁹

Outside of news, MNG Enterprises has invested across sectors, including in pharmacy chain Fred's Inc.,⁴⁰ where it took control of the board and ultimately the company filed for bankruptcy and liquidation. MNG has also invested in online job site owner Monster Worldwide⁴¹, Peabody Energy (the largest private coal producer in the world),⁴² Payless Holdings debt,⁴³ and Alden's own Alden Global CRE Opportunities Master Fund LP.⁴⁴ While the NewsGuild-CWA estimates that MNG sunk \$168 million in Fred's,⁴⁵ we do not know the total value of MNG/SOI investments and its cash extraction from the news company's balance sheet. If we assume a multiple of 3 of the investment in Fred's, then MNG may have extracted up to \$504 million to invest outside the company. If we assume the total cost for a journalist would average \$75,000 per year, that cash extraction could have paid for **840 journalists** a year for the last 8 years.

³⁵ Ken Doctor, "Newsonomics: Alden Global Capital is making so much money wrecking local journalism it might not want to stop anytime soon," Nieman Lab, May 1, 2018: <http://www.niemanlab.org/2018/05/newsonomics-alden-global-capital-is-making-so-much-money-wrecking-local-journalism-it-might-not-want-to-stop-anytime-soon/>

³⁶ Andrea Dukakis, "When Papers Like The Denver Post Cut Staff, Critics Say Hedge Fund Owners Profit," Colorado Public Radio, March 19, 2018: <https://www.cpr.org/news/story/what-happens-when-hedge-funds-run-newspapers>

³⁷ SEC Form 13D/A, MNG Enterprises, Inc. and Lee Enterprises, Inc. June 10, 2020: https://www.sec.gov/Archives/edgar/data/58361/000092189520001742/sc13da112121lee_06102020.htm

³⁸ SEC Form 13D/A, MNG Enterprises, Inc. and Gannett Inc., December 4, 2019: https://www.sec.gov/Archives/edgar/data/1579684/000092189519002929/sc13da212121003_11252019.htm

³⁹ Communications Workers of America and International Brotherhood of Teamsters, "Letter to Gannett Shareholders," April 11, 2019: https://www.sec.gov/Archives/edgar/data/1635718/000177316119000004/gannettcwaibtltr_2pt.htm

⁴⁰ SEC Form 13 D, Fred's, Inc., Dec 22, 2016: https://www.sec.gov/Archives/edgar/data/724571/000092189516006396/sc13d08392006_12212016.htm.

⁴¹ SEC Form 13 Monster Worldwide SEC Form 13D, Oct 24, 2016: <https://www.sec.gov/Archives/edgar/data/1020416/000090266416008507/p16-2007sc13da.htm>

⁴² SEC Form 424B5, Peabody Energy, August 21, 2017: <https://www.sec.gov/Archives/edgar/data/1064728/000119312517263781/d444294d424b5.htm>

⁴³ Application of the Debtors Pursuant to 11 U.S.C. §§ 105(a) and 363(b) to (I) Retain Alvarez & Marshal North America, LLC as a Consultant, March 20, 2019: <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=43&ved=2ahUKFwjB04Sx9OHjAhUFIqwkHXG9CmY4HhAWMAx6BAgBEAI&url=https%3A%2F%2Fcases.primeclerk.com%2Fpsps%2FHome-DownloadPDF%3Fid1%3DMTA4NTIvMg%3D%3D%26id2%3D0&usg=AOvVaw3dOOxxRcW4TKmc4YCO2fU>

⁴⁴ Sola Ltd and Ultra Master Ltd. v. MNG Enterprises, February 28, 2018: <https://dfmworkers.org/wp-content/uploads/2018/03/MNGSuit.pdf> Defendant's Answer to Verified Complaint for Relief Pursuant to 8 Delaware Code Section 220 to Compel Inspection of Books and Records, C.A. No. 2018-0134-VCS, March 19, 2018: <https://dfmworkers.org/wp-content/uploads/2018/03/MNGresponse.pdf>

⁴⁵ Bernie Lunzer, "Testimony Submitted to U.S. House Committee on Financial Services."

We note an attempt by Alden Global Capital to negotiate with the online platforms. Alden President Heath Freeman circulated a letter to other owners recommending garnering fees from the platforms.⁴⁶ No where in the letter does Mr. Freeman suggest the future fees from the platforms will be devoted exclusively to news jobs. Likewise, we find no acknowledgement that the cash extraction of the past has also led to job loss or that the insistence on maintaining high levels of profitability in MNG papers has come at the cost of local news coverage and jobs.⁴⁷ This episode demonstrates why the NewsGuild so strongly supports attaching labor protections to platform negotiation legislation, as it would be unfortunate if the laudatory goal of decreasing the platforms' market power in the news industry did not ultimately achieve the underlying goal of enhancing news coverage.

We do not have sufficient data on Chatham's extraction of cash from McClatchy. The hedge fund does have a history of forcing employment reductions, as witnessed by its behavior at Postmedia, the Canadian chain in which it has a 66% stake. Data is not yet available to document the dividend Chatham is taking from McClatchy. As for GateHouse/Gannett and MNG, however, the private equity modeland cash extraction cost hundreds of jobs over the last 5-8 years.

The chains. The NewsGuild-CWA has long been concerned with the increased concentration in the news industry. GateHouse long had an appetite for acquisitions, which, along with its dividend, attracted investors. The GateHouse-Gannett merger, as we predicted at the time, has eroded news beats.⁴⁸ At the end of 2019, just weeks after the merger, the company reported to the SEC that it had 21,255 employees in the U.S.⁴⁹ A year later, that number was reduced to 18,100 employees.⁵⁰ Remarkably, Gannett reduced its workforce by 14.8% in one year. Some of those cuts occurred through the sale of isolated papers, but the vast majority was purposeful - through buyouts, turnover, and layoffs.

The Alden-proposed takeover of Tribune Publishing, announced in December 2020 and approved by the Tribune board of directors in February 2021, promises similar cutbacks. The Alden mode appears to be: buy an asset and immediately reduce staffing. MNG acquired *The Boston Herald* out of bankruptcy in February 2018. Since the purchase, NewsGuild-CWA representation has dropped from 108 to 25 workers.⁵¹ The paper laid off another 11 workers in late June 2020. Alden bought *The Reading Eagle* from a bankruptcy court in May 2019 and terminated all 221 employees, requiring employees to

⁴⁶ Twitter, Ben Smith, April 30, 2020: <https://twitter.com/benyt/status/1255964149210808331>

⁴⁷ Media analyst Ken Doctor received data on revenues and profitability from a confidential source for fiscal year 2017. The company showed an operating profit margin of 17%. Doctor concluded this was the highest margin among the newspaper chains. Slash and burn can be lucrative. Ken Doctor, "Alden Global Capital is making so much money wrecking local journalism it might not want to stop anytime soon," Nieman Lab, May 1, 2018: <https://www.niemanlab.org/2018/05/newsonomics-alden-global-capital-is-making-so-much-money-wrecking-local-journalism-it-might-not-want-to-stop-anytime-soon/>

⁴⁸ The NewsGuild-CWA, "GateHouse-Gannett Merger Threatens Journalism," October 2019:

⁴⁹ SEC Form 10-K, Gannett Co., March 2, 2020:

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1579684/000157968420000006/gci-20191231x10k.htm>

⁵⁰ SEC Form 10-K, Gannett Co., February 26, 2021:

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1579684/000157968421000009/gci-20201231.htm>

⁵¹ Nik DeCosta-Klipa, "Boston Herald lays off columnists and reporters amid coronavirus outbreak," April 3, 2020:

<https://www.boston.com/news/media/2020/04/03/boston-herald-lays-off-columnists-and-reporters-amid-coronavirus-outbreak>

re-apply for their jobs.⁵² (140 jobs were re-hired.⁵³) In April 2020, 19 workers at the Eagle were laid off.⁵⁴ In July 2020, Alden bid unsuccessfully for the McClatchy company's assets in bankruptcy court, but its bid included 1,000 layoffs (out of a workforce of 2,800 employees) and the repudiation of McClatchy's collective bargaining agreements with the NewsGuild-CWA.⁵⁵

Two factors seem to be driving this employment reduction in the chains. First, many of these acquisitions are facilitated through leverage. Debt servicing puts enormous pressure on companies to reduce costs, and news is a human-capital intensive industry. The financing for the GateHouse-Gannett merger came with an annual interest rate of 11.5% from Apollo Global Management. At the time of the merger, in November 2019, the AAA-rated corporate bond rate for a similar 5-year time period was 2.21%.⁵⁶

Second, the chains use shared services to reduce headcount. Some of the shared services make sense from a practical standpoint. Certainly, combining legal, accounting, perhaps even human resources makes sense to reduce costs. However, design and layout are now being done in centralized hubs, reducing the role of local graphic designers, copy editors, and other job titles in the newsroom. This appears to be the function of Gannett's Austin design center as well as MNG's design hubs in Boulder, CO, and Chico and Monrovia, CA, and Tribune's Design and Production Studio in Chicago. MNG has taken consolidation a step further by outsourcing jobs to the Philippines.⁵⁷ Gannett followed suit in December 2020 with its decision to outsource business-side jobs to India.⁵⁸

Consolidation has also led to price increases for the diminishing population that buys newspapers. Between 2004 and 2018, the number of newspapers fell 47.7% but the subscription revenue garnered by the industry was flat, dropping just 0.06%.⁵⁹ A call to the circulation department of the MNG-owned Mercury News, made on March 8, 2021, revealed that the price of an annual subscription was \$731. The Gannett-owned *Louisville Courier-Journal* cost \$900 per year.⁶⁰ The chains appear to be milking elderly

⁵² Keith J. Kelly, "Cost-cutting MNG reaches deal to buy bankrupt Reading Eagle," *The New York Post*, May 23, 2019: <https://nypost.com/2019/05/23/cost-cutting-mng-reaches-deal-to-buy-bankrupt-reading-eagle/>

⁵³ Joe Nocera, "A wealthy owner opted for quality and commitment at the Reading Eagle. It didn't work," Bloomberg, October 8, 2019: <https://www.bloomberg.com/opinion/articles/2019-10-08/reading-eagle-withers-along-with-local-reporting>

⁵⁴ "Furloughs, Layoffs at Denver Post, Other MNG Papers," *News & Tech*, April 13, 2020: https://newsandtech.com/dateline/furloughs-layoffs-at-denver-post-other-mng-papers/article_bb40d32e-7dc0-11ea-9457-ab3688aa5034.html

⁵⁵ Both Alden and MNG have taken cost-cutting to extremes. It has refused to pay rent for many MNG offices as well as Alden headquarters. See Guelda Voien, "Alden Global Capital, Under Contract To Buy Tribune, Sued For Millions Over Unpaid Rent By Lipstick Building Landlord," *Debtwire*, February 26, 2021: <https://www.forbes.com/sites/debtwire/2021/02/26/alden-global-capital-under-contract-to-buy-tribune-sued-for-millions-over-unpaid-rent-by-lipstick-building-landlord/?sh=49c4dc955bfd>

⁵⁶ U.S. Department of the Treasury, "The Treasury High Quality Market (HQM) Corporate Bond Yield Curve": <https://www.treasury.gov/resource-center/economic-policy/corp-bond-yield/pages/corp-yield-bond-curve-papers.aspx>

⁵⁷ Julie Reynolds, "Hedge Fund-Owned Newspaper Group Outsources Design Abroad, Chasing Higher Dividends," *The Intercept*, October 11, 2019: <https://theintercept.com/2019/10/11/digital-first-media-layoffs-outsourcing/>

⁵⁸ Rick Edmonds, "Gannett will outsource 485 business-side jobs to India," *Poynter*, December 10, 2020: <https://www.poynter.org/locally/2020/gannett-will-outsource-485-business-side-jobs-to-india/>

⁵⁹ Source: Pew Research Center, "Newspapers Fact Sheet," July 9, 2019.

⁶⁰ Ken Doctor, "Newsonomics: Here are 20 epiphanies for the news business of the 2020s," *Nieman Lab*, January 24, 2020: <https://www.niemanlab.org/2020/01/newsonomics-here-are-20-epiphanies-for-the-news-business-of-the-2020s/>

readers who are paying higher prices for thinner newspapers. The costs of newspapers now effectively precludes their purchase by marginalized consumers. The chains seem to be redlining poorer communities.

Private equity ownership has resulted time and time again in owners' indifference to the content of their newspapers, their staff, and the communities they serve - and unfortunately it is the news workers and communities they service that suffer. The current framework allows firms to avoid responsibility for the financial and legal liabilities incurred by the companies they control and so these firms are incentivized to load companies to enrich themselves and mislead their investors.

One solution to regulating these private institutions that are devastating newsrooms is the Stop Wall Street Looting Act, which was introduced by Senator Warren and Representative Mark Pocan last Congress. The Stop Wall Street Looting Act curbs the worst private equity abuses by requiring private equity companies to share responsibility for the liabilities of companies under their control, including the debt. The legislation would address the negative consequences of debt driven acquisition, such as layoffs, and protect the interests of the company and the workers.

The legislation also closes tax loopholes that encourage predatory financial activities. For example, the carried interest loophole allows these firms to avoid their fair share of taxes, giving them an inherent advantage over companies that pay full tax rate. Furthermore, as discussed above, the private nature of the ownership of these papers keeps material information about ownership, fees and other key data points in the dark. You can certainly imagine that the NewsGuild believes deeply in the importance of transparency, which is why we support the provisions of the bill that would enhance transparency on these key factors. The NewsGuild knows firsthand the destructive role private equity firms have played in local journalism - Congress must work to pass the Stop Wall Street Looting Act and reduce the incentives for private equity firms to drive companies into bankruptcy.

Looking Forward

The NewsGuild-CWA supports legislation that will increase news jobs and therefore news coverage for our communities. We speak for our members, employees across newsrooms in the United States, and for American democracy. The cuts to newsrooms threaten the very existence of a free press.

The predatory behavior of the online platforms needs to be addressed to return revenues to news organizations. By virtue of their size they are able to capture the bulk of digital advertising. Redressing balance between news organizations and platforms, however, will be most successful if accompanied by tangible proof that new revenues are funding jobs and meeting the information needs of all our communities, including those with small-to-medium sized news outlets or none at all.

Finally, we hope that chains can be reduced in size and investors interested purely in cash extraction will be encouraged to leave the industry. We encourage the chains to refrain from bulking up through additional acquisition. We encourage the chains to consider the sale of individual papers to nonprofit or

low-profit organizations so as to make news coverage more local and more attuned to the needs of communities.

Most generally, Congress should pass the Stop Wall Street Looting Act to prevent the predatory practices that the private equity owners of many news chains have employed to suck resources out of the industry. While much attention has understandably focused on retail and other industries that have been hit hard by private equity, Alden and the other private funds have also looted the news industry and contributed to the shrinking of news.

More directly, simply getting these hedge funds to sell their papers would do a lot of good. There are promising examples of what can happen to a local newspaper when local, civic-minded investors have stepped up to take on the public service role the founders envisioned for the media.

We support a “replanting” of local news to get publications out of the grips of hedge funds and large chains and bring them under local control. Report for America President Steve Waldman has written about the need to support non-profit models and mission-driven owners to help fill news deserts.⁶¹

The Philadelphia Inquirer had endured declines for years after changing hands multiple times, including through the clutches of Alden, before a group of local investors led by Gerry Lenfest purchased the paper and donated it to the Lenfest Institute, a non-profit organization. These new, non-profit owners have reinvested the profits of the Inquirer into improving newsroom technology and hiring staff, including doubling the size of the investigative reporting team.

In Salt Lake City in 2019, the Huntsman family converted the Salt Lake Tribune to a 501(c)3 organization, creating the first non-profit major city daily newspaper. In Chicago, a coalition led by local labor unions and philanthropists purchased the struggling Sun-Times and have expanded newsroom staffing to restore coverage of labor, business and the environment. In Baltimore, local philanthropist Stewart Bainum has bid to purchase The Sun and Tribune Publishing’s other Maryland newspapers with the intention of donating them to a newly-created foundation dubbed “The Sunlight For All Foundation.” This incredibly exciting proposition for Maryland residents, sadly, is contingent on the sale of all of Tribune Publishing’s other newspapers to Alden.

These sorts of transactions are to be celebrated, and public policy must do more to encourage more of them by ensuring that one large predatory news conglomerate does not simply buy another when it goes up for sale.

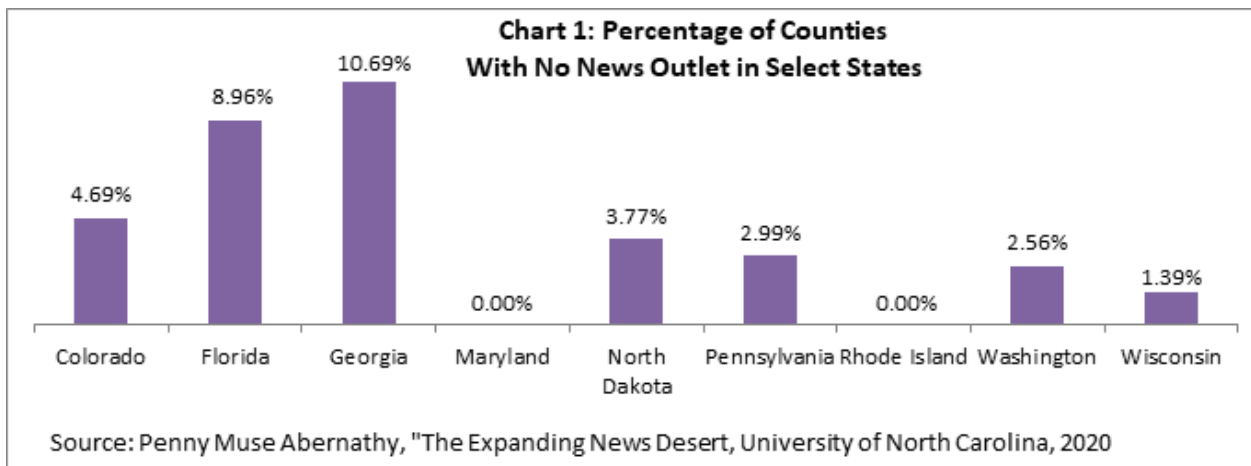
⁶¹ Steve Waldman, "A Replanting Strategy: Saving Local Newspapers Squeezed by Hedge Funds," Center for Journalism and Liberty, September 18, 2020: <https://www.journalismliberty.org/publications/replanting-strategy-saving-local-newspapers-squeezed-by-hedge-fund>

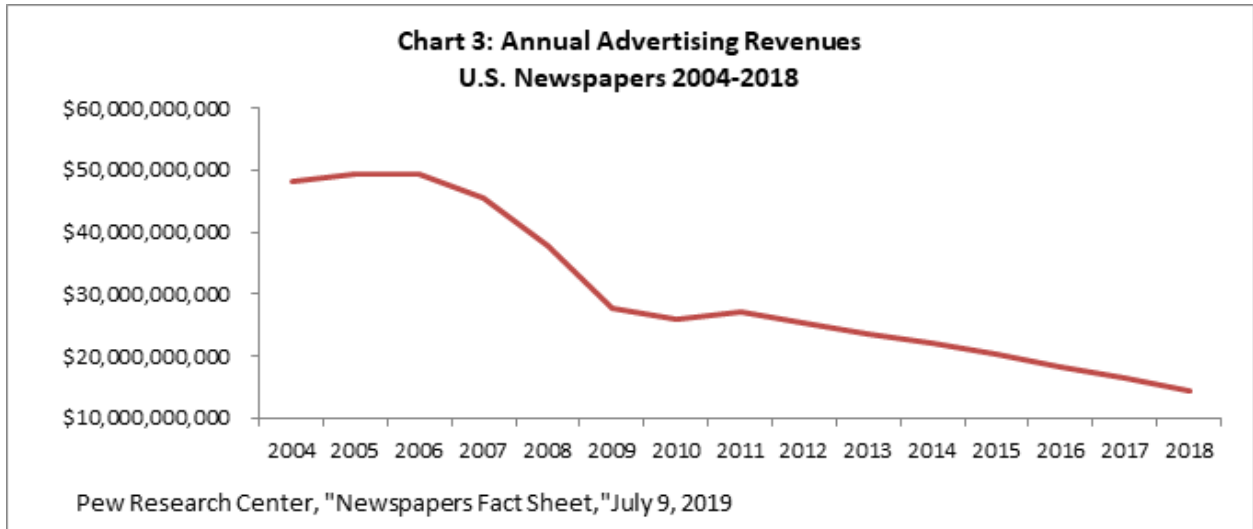
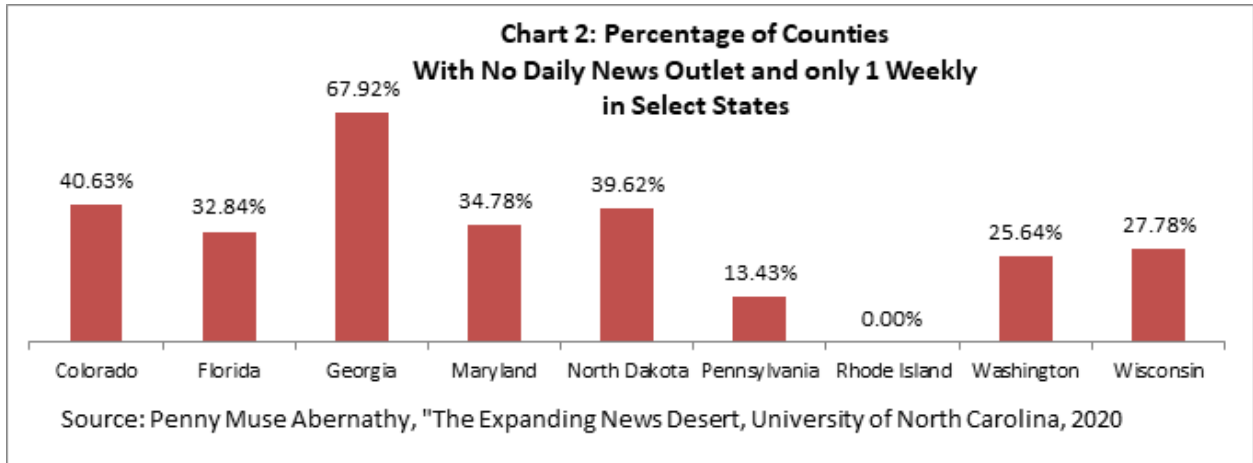
Tax credits and exemptions could be targeted to incentivize news companies to sell to local investors who are dedicated to public service. These incentives would likely have to be generous, given the profits vulture investors can wring from a newspaper, but it is worth noting that the market capitalization— the total value of all shares— of publicly traded companies that own newspapers totals at around \$3 billion. Furthermore, the Internal Revenue Service should work to ensure that owners looking in good faith to turn their papers into non-profits, as the Salt Lake Tribune did, have clear guidance and a straightforward path to do so.

Further, in communities where there are few philanthropists with the resources to buy and revamp a local news outlet, refundable tax credits or low-interest loans could provide capital that could allow non-profit organizations to save local news outlets in rural or impoverished communities. Similar incentives have re-invented public housing construction, and could be adapted to serve the news industry.

We look forward to a news ecosystem that prioritizes local coverage, jobs and our communities over unsustainable business practices.

Appendix





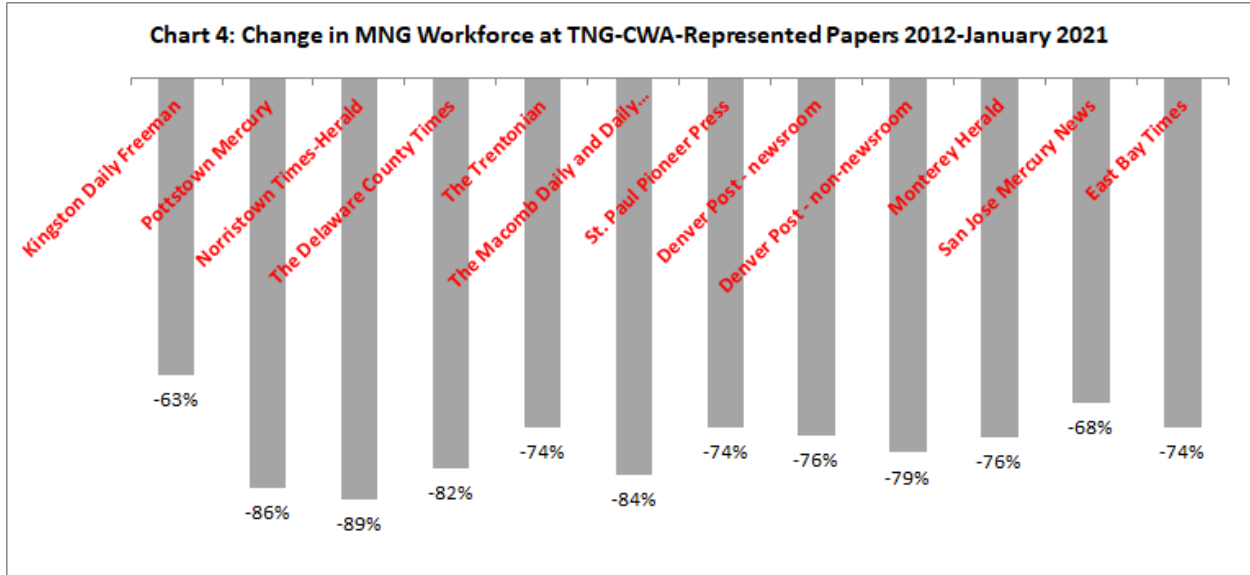


Table 1: Public News Companies - Cash Distributions 2015-20

\$ million	Dividends	Share Buybacks
McClatchy	\$0.0	\$27.2
Gannett (legacy)	\$183.3	\$61.0
Gannett (merged)	\$0.0	\$0.0
NewMedia (aka GateHouse)	\$326.0	\$7.6
Tribune Publishing	\$17.9	\$68.5
total	\$527.2	\$164.3

Source: Capital IQ