I N D E X

AGENDA ITEM:	PAGE:
Welcome, Chairman Jon Leibowitz	3
Remarks by Paul Steiger	19
Remarks by Rick Edmonds	32
Remarks by Rupert Murdoch	43
Panel: The State of Journalism Today and Tomorrow	58
Remarks by Arianna Huffington	119
Presentation by Ken Doctor	138
Presentation by Len Downie	150
Presentation by Lem Lloyd	163
Presentation by Josh Cohen	176
Panel: Emerging Business Models for Journalism	190
Presentation by Mike Bloxham	262
Presentation by Susan Athey	275
Presentation by David Evans	288
Panel: Online Advertising and Consumer Demand Trends	302
Conclusion	331

UNITED STATES OF AMERICA

FEDERAL TRADE COMMISSION

FROM TOWN CRIERS TO BLOGGERS: HOW WILL JOURNALISM SURVIVE THE INTERNET AGE?

TUESDAY, DECEMBER 1, 2009

FEDERAL TRADE COMMISSION

601 NEW JERSEY AVENUE, N.W.

WASHINGTON, D.C.

P R O C E E D I N G S

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MS. DeSANTI: Good morning, thank you all for coming. Could you please take your seats and we are going to start now.

(Whereupon, the Minnesota Public Radio Future of News video was played for the audience.)

MR. LEIBOWITZ: Hi there, I'm Jon Leibowitz, Chairman of the Federal Trade Commission, hold on one second while I put my papers and my coffee down and that's a great little film. That's the first time I've ever seen a clip of the Hindenburg without someone saying, oh, the humanity.

(Laughter.)

MR. LEIBOWITZ: 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 a more 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 will 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 destruction. It usually involves an innovative business model, sometimes combined with new technologies, that explodes past practices and gives long-term benefits to consumers. 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 that creative destruction caused by Internet competition will destroy more than it creates. Whatever the new business models for journalism may be, and we've certainly seen some glimmers of light in endeavors such as the voice of San Diego, Talking Points Memo, and ProPublica, they are aren't yet fully apparent, and/or fully sustainable, at least in a broad sense yet.

At the same time, we're witnessing a quantifiable, and some would say qualitative demise of the old world order of news delivery. That's why it remains an open question about whether the changes to news gathering amount to creative destruction or simply destruction. It seems to me that it's a little bit of both.

We're here today to discuss these issues with many of America's 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? I should say, I was reading a blog last night that asked this very, very legitimate question, it also complained that we didn't post our agenda in HTML format, only in PDF, and I know it's early in the morning, but that was a joke.

(Laughter.)

MR. LEIBOWITZ: 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 and 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 Commission 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 joint speech to the joint session of Congress.

Lawmakers agreed with this vision, they gave our

agency under the FTC Act the jurisdiction 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 a 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 this workshop today, we continue to fulfill that Congressional, or Wilsonian mission, to bring out facts in the marketplace. 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 2008. Consumers still used TV as their primary news source, but major changes are under way, 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

news rooms of American dailies may employ between 20 and 25 percent 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.

You can't walk into a meeting at the Los Angeles Times, like I recently did, without feeling a sense of shock of the row after row of empty desks in what was once a bustling news room.

The shuttering of a foreign bureau, or office covering the 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 some highly leveraged media deals. But at the core of these, is this: The Internet is dramatically reducing advertising revenue for news organizations.

Now, for many years, newspapers earned about 80 percent of their revenue from advertising. Recently, however, ad revenue for newspapers has been dropping significantly, falling 23 percent 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 a 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. 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 some of us, for sports, several times a day, instead of waiting for the local news broadcast at 6:30 or 7:00, or the headlines in tomorrow morning's newspaper. We can advertise on Craig's List,

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 Gutenberg invented the printing press, that was bad, of course, for those who illustrated bibles by hand. 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 owned 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 whose 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 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 that cover all the costs 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 subsidize the news through public funding.

Indeed, 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 nonrivalrous. 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 order of magnitude.

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. Consumer protection policy, the other thing that the FTC 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.

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 policy makers 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 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 costs 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. Here, in the front, there's a better seat up 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 website Talking Points Memo. Tomorrow, Henry Waxman, Chairman of the House Energy and Commerce Committee, will give opening remarks, and later in the day, he will 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 amongst speakers about the best way to move forward, and that's probably an understatement. 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 the 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 antitrust treatment for news-gathering organizations. Of course, we here at the FTC do not generally like antitrust exemptions, to look at changes in copyright law, cross-ownership restrictions, look at government subsidies as 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 Genachowski, has begun a major effort to look closely at the full range of issues relating to news media and open Internet, and 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. We have an overflow crowd I think in our other building. Thank you 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.

Now I'll turn it over to Susan DeSanti, if Susan DeSanti is here. Oh, she's right here. 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.

(Applause.)

MS. DeSANTI: Thank you very much, Mr. Chairman. Jon got to lay out the grand themes that we are going to be hearing 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 am required to read. Anyone who goes outside the building without an FTC badge will be required to go through the magnetometer and x-ray machine again prior to re-entry into the conference center.

In the event of a 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 is 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 will be told where to go inside the building. 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/ftcnews. People who are following the webcast can send questions for panelists using Twitter via @ftcnews. We will try to pass some of these questions to the moderators, and the general counsel's office wants me to remind you that your messages may be subject to disclosure under FOIA or other applicable laws.

Also, there is Wi-Fi access available for those who want to write about the workshop in realtime. You will need to get an instructional pamphlet with the log-in code, and those are available on the table just outside 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, 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 a 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 will have 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 will have a moderated discussion. 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 that's included in your folder, and give that card to Katherine Viajs. Katherine? Okay, give your card to Michael Wroblewski, who is standing over there, and he will bring your questions to the co-moderator and we will try to make time for the audience questions to the extent possible.

Now we are ready to begin, and I am going to start by introducing our first speaker, Paul Steiger. Paul is the editor in chief, editor 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?

MR. 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 national critic of government, a civil one, I hope, rather than a 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 Weber, 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 funded by philanthropy, including major support from the Sandler Foundation.

Just a few years ago, there would have been a 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 has 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 at ProPublica. They joined a staff we recruited from around the country, and the early results are in, in the 16 months since we began publishing, ProPublica has published in exclusive partnerships with nearly 40 other news organizations.

From those two dozen pieces in the Los Angeles

Times to half a dozen in the New York Times, from more than ten with Politico to another half dozen in the Washington Post, to multiple stories also in USA Today, on CBS's Evening News and ABC News, in the Denver Post, on the Huffington Post, on public radio's Marketplace, and it's WNYC, in Business Week and the Chicago Tribune and in metro papers like the Albany Times Union, Pittsburgh Post-Gazette and Newark Star Ledger, and on websites such as Slate, MSN and Salon.

When we began, people wondered if such leading news organizations would accept articles from a nonprofit web-based upstart like ourselves. More than 150 major stories later, I think that has been established. The California nursing piece detailed how the state board that licenses nurses was failing horribly to do its job. Specifically, the board was taking an average of three and a half years, and sometimes as much as six years, to remove the licenses of nurses convicted of stealing drugs from their patients, of beating their patients or being in a stupor from drugs or alcohol while their patients faced emergencies. If these nurses were fired from one hospital for such misdeeds, they simply took their licenses down the street to another hospital, often to begin a new cycle of mistreatment and endangerment.

The day after the Times published these revelations, Governor Schwartzenegger fired a majority of the 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 has been granted subpoena power, has finally begun to set enforcement priorities and has more than doubled the number of cases it initiates. ProPublica will continue to monitor their progress.

I tell this story not to brag on myself, as the editor of ProPublica, or even to praise my brilliant colleagues, Ornstein and Weber, who are the ones who deserve credit. The point is to show the importance of this kind of work. Journalism intended to shine a spotlight on abusive power and failure to uphold the public interest, and by so doing, to give the public the information needed to produce positive change.

We used to be able to count on robust metropolitan dailies to provide a steady flow of this valuable work. Now, while many newspapers continue to do as much of it as they can, the destruction of the business model they once depended on and the resultant shrinkage and even shuttering of newspapers around the country are robbing the American people of an important bulwark of our democracy.

This change, of course, is just one of the many effects of a revolution in the way we get our news and information, caused by the dazzling rise of the Internet. This revolution has transformed the typical large and mid-sized metro newspaper from a hugely profitable, locally dominant player, turning out a must-have product for vast swaths of society, into an at-best, break-even business with a dismal prospect of flattening or shrinking revenues.

Today newspapers are in the position of producing at legacy expense a product that is 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 of my friends in print journalism, where I spent a 40-year career, it is terrible.

Moreover, while the details are different, much is similar at network television news and at the serious magazines. At the same time, however, it's important to remember that this revolution has also brought many, 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 say newspapers. As major studies by the Knight Commission on information

needs of communities, and by Columbia University, have wisely concluded, the goal instead should be to extend the benefits of the revolution more broadly and to assure the continuation of journalism.

The negatives of the revolution are easy to see. Newspapers are shrinking staffs and news space, the Seattle Post-Intelligencer has gone web only, while the Rocky Mountain News, among others, has closed. Great old newspapers, like the Philadelphia Inquirer, have been operating in bankruptcy proceedings, as have entire chains, like Tribune. Even the New York Times Company has been losing money much of the past year and has had to borrow at junk bond rates from a Mexican industrialist.

In total, in just the last two calendar years, newspapers have brought out or laid off almost 47,000 workers. Staff cuts have hit two areas particularly hard, investigative reporting and foreign reporting, in part because these are the most expensive types of coverage. The Boston Globe, the Baltimore Sun, Newsday and many others have shut their once proud foreign bureaus entirely.

While ProPublica is focused on investigative reporting, I believe that creative solutions are also badly needed to provide the kind of competitive,

in-depth international reporting of politics and economics 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 that not only is there corruption that won't be reported, but also that politicians, lobbyists and others who might have toed the line will now be tempted to cross it because nobody will be watching. Multiply that by 50 states and you have the bad that the Internet revolution has wrought.

But there's plenty of good. First is speed. Clearly we're getting much important news faster. The first detailed information about this past summer's brutal crackdown against dissidents in Iran came not from reporters, but from ordinary Iranian citizens who were tweeting and emailing from the scene of the horror. Reporters were kept away and had to wait to verify the sickening reports.

Then there is access to extraordinarily detailed information across a wide range of subjects, from weather reports for travelers to game scores and

summaries for sports fans of out-of-town teams.

Consider also another kind of ubiquity. Last year, a young, self-taught Internet genius named Amanda Michel mobilized hundreds of politically active citizens to supply input for her off-the-bus report on the Huffington Post website. When Candidate Obama voiced the notion that some folks who were losing out on the global economy were clinging to such things as religion and guns to compensate, Michel's network captured it and we soon all heard about it.

Without that network, we might never have known, because reporters weren't invited into the area where Mr. Obama spoke. Michel now works for ProPublica and has put together a team of more than 2,700 volunteers to do similar reporting for us. Careful sifting and sorting of reports from this army commits us, for instance, to track progress on 500 representative federal stimulus projects in realtime, even though our own news staff numbers just 32.

The rise of the web has also produced a torrent of opinion, some is a mixed blessing, folks riffing in their pajamas about news they wouldn't know about, but for the reporting of traditional media and giving it an often angry, often exaggerated spin to fit their particular vision of the world.

But some is of real value, finding connections that no one else has spotted or keeping the heat on important story, as Josh Marshall of Talking Points Memo and his then colleague Paul Kiel, now a colleague of mine, famously did a few years ago with a story about politically motivated firings of U.S. attorneys.

Given examples like these, some prophets of web paradise argue that in the future there will be no need for newspapers, there will be no need for organizations of trained professional journalists. Not so fast.

The process of finding and communicating what we used to call news may no longer require newspapers, at least not as we have known them, as seven-day-a-week, ink-on-paper compendiums of new information on a broad range of subjects. But the press is still required -- journalism and journalists to smoke out the most difficult-to-report situations, to test glib assertions against the facts, to probe for the carefully contrived hoax. These are reporting activities that take a great deal of time, money and skill.

The example of the Ornstein/Weber piece in the LA Times on how inept the California board was in removing their licenses from felonious nurses amply demonstrates the importance of journalism and journalistic organizations like the Times and

ProPublica. Without such people and institutions, there is no way such a report would have emerged on the web.

It took many pain-staking months to assemble the evidence necessary to demonstrate that it was taking the board unconscionable lengths of time to dig into those cases. Scores of people needed to be tracked down and asked if they had any information related to what our reporting had appeared to uncover. Few bloggers have the luxury of such time. Reporters risk being sued for libel or slander if they misidentified any of the miscreant nurses or mischaracterized their behavior. Few bloggers could afford to lose or even defend a libel case. Databases needed to be built, analyzed and made web friendly. Few bloggers have the quantitative or technical skills to do this.

For decades, newspapers, and to a lesser extent magazines and television, have provided the reporting, editing and legal guidance and training necessary for information as crucial as that, as the Los Angeles Times report, to get before the public. Some of those institutions will succeed morphing into more web-friendly forms and will carry on their roles as department stores of news. Public radio and television are likely to play a larger role, as they increasingly pour efforts into their websites, and produce text and

still photography to go along with audio and video. I suspect they will all be joined by a number of new news organizations spawned purely on the Internet.

Carrying the retailing metaphor forward, I also think the relative role of boutiques will rise, both for for-profit and not-for-profit. Quality magazines, web-based national entries and new hyper-local sites all have the potential to extend the practice of investigative or accountability journalism. It will be years, though, before they make up for the losses incurred in the last year or two.

To a significant extent, we're witnessing a series of emerging market failures and the ability of traditional news organizations, or even the for-profit market as a whole, to produce such critical kinds of reporting as investigative journalism or international reportage, or perhaps even state house coverage. Such market failures will, I think, require a range of solutions, some of them nonmarket and nonprofit.

At ProPublica, we strive in the realm of accountability journalism to play a meaningful role in the process. Our news staff may number just 32, but at that it is the largest investigative staff in the nation, and there are some things we believe we're uniquely positioned to accomplish.

Two quick examples, our coverage of the risks to the nation's water supplies from hydraulic fracturing, a promising means of drilling for natural gas, has set off a national debate now reaching the halls of Congress. More than 50 ProPublica stories on hydrofracting have already run in five leading metro newspapers, two major online sites, a national magazine and on public radio, as well, like all of our stories, on our own site.

That is a range and a persistence that many traditional news organizations increasingly are unable to match. At the same time, we can empower other journalists as well. On August 5th, for instance, ProPublica launched its recovery tracker, a database enabling anyone to review federal stimulus spending down to the county level. In the weeks that followed, local reporters around the country dug into the database and produced stories on the impact of the spending in their communities. Such stories, each of them based on original reporting and the use of ProPublica's database, were published by 70 local newspapers and websites.

To be sure, we benefit considerably from tax deductibility for contributions made to us and we face the fairly urgent need to diversify our sources of funding, both to meet the IRS's test for public charters, and as a matter of sound practice for an

institution intent on financial sustainability.

We believe that current laws and regulations are sufficient to make this goal achievable. We got our tax exemption within five months of the public announcement of our project, notwithstanding our announced intention to provide exclusive stories to profit-seeking publishers. In just over two years, we have received funding commitments beyond those of our regional donors of more than $2.3 million from more than 60 donors.

That said, fundraising is probably our greatest remaining challenge, beyond, of course, the imperative to sustain and constantly improve the level of our journalism.

What we are seeking to create in going the nonprofit route is nothing less than a new class of cultural institution in this country, but one that is at least as vital to the maintenance of our way of life and aspirations, as any that now exist. Our efforts, I know, don't lesson the pain being suffered among other journalists today. They don't by themselves remove the threat to accountability and thus to our democracy posed by the business challenges of the press, but they're a start and they hold, I believe, real promise.

Thank you very much.

(Applause.)

MS. DeSANTI: Thank you very much, Paul.

Next we will hear from Rick Edmonds. Rick is a highly respected media business analyst at the Poynter Institute, where he has done research and writing for the last ten years. His commentary on the media appears in his blog on Poynter Online. He has helped coordinate his own conferences at Poynter on emerging nonprofit news and alternatives and the future of advertising.

Rick?

MR. EDMONDS: Chairman Leibowitz, fellow participants, thank you very much for this invitation. I am honored to be asked to speak at what seems to be a very ambitious exploration of the prospects for American journalism.

My assignment, as I understand it, this morning, is to talk about the state of the news business, newspapers in particular, right now and in the near future. Switching holidays, Susan, I guess you could say that makes me the ghost of Christmas present, and that are some unfortunate parallels between the finances of the industry and Bob Cratchet's families. You might even say some formerly robust metropolitan newspapers are in as fragile shape as Tiny Tim.

I'm not among those who think newspapers are dying, however, but these have been excruciatingly hard

times for the news business, and more of the same is in prospect for at least another six to nine months.

Very quickly, what went wrong? Three things, I think. First of all, Internet competitors like Monster, Craig's List, and maybe less directly Google Search, took away much of newspapers' classified advertising franchise.

A decade ago, classifieds made up as much as half of the advertising revenues at some large papers, contributing even more to the 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 hoped 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 are much less than anticipated.

As you probably know, general online advertising display rates have fallen sharply for several years now. Basic questions linger about the effectiveness of a banner and other display ads. There's even insider talk now of so-called banner blindness. Digital revenue growth has stalled out. Then add to these two trends the deep recession, which have affected all kinds of advertising, especially categories like real estate, employment and auto, the latter critical both to

newspapers and local broadcasts.

Updating the figure that Chairman Leibowitz used in the opening, the sum of these troubles is that by the end of 2009, newspaper advertising revenues will have declined roughly 45 percent over just three years. Essentially news organizations have had to cut very deeply to stay in business, even more so if they want to remain profitable. Newspapers have been abysmally outsourcing all sorts of things from office functions to printing. Many metros have cut circulation to outlying areas, spend much less than they used to on selling new subscriptions, and as a result, daily circulation was off ten percent year to year in the most recent reporting period.

Also, at a time when aggressive investment in 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 and editors, downsizing of the 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. The result by a conservative calculation is that newspapers are generating $1.6 billion, that's billion with a B, less in annual spending on news headed into 2010, than they were three years ago.

Now, grant it, some of that spending may have been in efficient, even unnecessary. Inefficient or 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 of exciting new ventures, we've already heard about one, and you'll hear of many more, still finding their way to sustainability, does not match the scale of the work lost.

A bit of what's missing, let me highlight two areas: Specialty beats, including coverage of the arts, higher education, state government, are being closed down all over the country. Science is a particularly good example. Not long ago, every decent metro had a weekly health and science section, or maybe one of each. Now, only the largest newspapers get more than one or two science reportings, if that. The biggest topics, environment, climate, change in 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 who can assess claims critically, treat complicated concepts clearly and accurately, is an endangered species in mainstream media. Citizens with intense interest in these topics increasingly turn to government websites, like NASA's, or those with advocacy organizations for depth and detail.

A second type of news that has taken a sharp hit is metro newspapers' coverage of their extended region. In better times, the big metros fielded bureaus in dozens of suburban towns and school districts. That type of coverage is deemed too expensive now. There isn't space for it either.

As the editor of the San Francisco Chronicle put it to me a couple of years ago, we can't afford to cover the Richmond City Council anymore, Richmond being a close suburb of East Bay. So, remnants of these communities, and there are millions of them, no longer have the 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 a local citizen initiated start-up; otherwise, they do without.

That is the present, and I would say that

magazines, broadcasts and local broadcasts are suffering similar problems, though maybe not in as life-threatening a manner 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 that it's a little less bad. Public newspaper companies reports and industry estimates put the losses at 30 to 35 percent the first half of the year, the third quarter was more like 25 to 30 percent and the fourth quarter may be a little bit better than that.

Cost-cutting actions cycle through the year, so lay-offs in June will turn up as 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 waves of lay-offs and buy-outs. Not to mention furlough programs, pay cuts, benefit reductions in the months ahead. That won't stop until the revenues begin improving, rather than just falling a little bit more slowly.

These cost pressures are perilous for a second reason. In my view, and that of many others, many papers are close to a tipping point where there's so little in some editions that they fail to satisfy loyal

customers who still see a print format as something of value and that they are willing to pay for. That hastens the departure of readers on the margin to the less lucrative newspaper website or to other sources of news all together.

Phil Meyer of the University of North Carolina identified this vicious circle several years ago, in a vanishing newspaper. A weaker product leads to circulation to clients, apparently 10 percent, remember, and lower circulation decreases the value to advertisers, drags down revenue, the lost revenues force further reductions in news space. Repeat indefinitely.

So, further cutting for newspapers, now and in the months ahead, is a risky business proposition, even leaving aside public service considerations. Further cutting will be hard to avoid, however, and there is no date certain for improved revenues.

That brings me to a third point, and I'll highlight this briefly. A number of papers, Washington Post and Boston Globe are good examples, have lost money this year, maybe by dent of cutting will be breaking even, going into next year. That's not a bad result, but preserved a strong franchise for better times, but a great number of papers are additionally burdened by heavy debt, typically taken on earlier this decade by

buying new properties at prices that now seem inflated.

These newspapers may still be making double-digit operating margins, on much reduced revenues, but generally only enough earnings to make interest payments and pay down debt. Such is the situation with McClatchy, the second largest newspaper company, which absorbed most of Knight Ridder in 2006.

Further, the debt is overwhelming, and we see papers such as those in Minneapolis and Philadelphia, companies like the Tribune, in bankruptcy, and a few other papers like San Diego Union-Tribune have been sold to private equity firms without previous news experience.

Long story short, we're seeing, and I think we'll continue to see, unorthodox entrants, that is basically private equity bankers controlling some of the most important newspapers in some of our 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 newsstand prices aggressively. There has been some loss of audience, but generally speaking, those increases have been well received, and some are actually reporting a lot of circulation revenue growth.

That corrects the historic imbalance in which American papers have typically sold for half or less of the going rate in other industrialized countries. So, over-reliance on advertising as a share of revenue is being fixed.

The coming months are almost certain to see some experiments in charging for online as well, getting a better deal from news aggregators is a distinct possibility. I'll reserve the detail of that story for Mr. Murdoch when he chooses to address it, and other obvious speakers.

While this recession gives no sign of ending quickly or completely, certainly some day it will end. Advertising revenues will come back. I even foresee a day when some condo developers are back in business and advertising. I'm an optimist.

Better authority and partnerships are already beginning to show some encouraging improvement in the effectiveness and rates for individual advertising. The extent of the advertising, though, recovery is open to question. A lot of dealers, retailers, resume traditional media spending, or see recovery as an occasion to transfer budgets to digital formats, the majority of which have no journalism content. I don't know, I'm not sure of those businesses, and their ad

agencies don't know either.

But thanks to the aggressive cost-cutting, even a modest recovery of revenues will attempt to drop the bottom line. It should replenish profits, leave some money left over to rebuild news efforts and undertake new ventures.

Newspaper organizations have also diversified their portfolio products with new offerings in both print and digital formats. Another open question, though, is whether newspapers will be able to command share of new revenue streams, say, advertising with mobile devices, if that, indeed, develops.

Realistically, newspapers will not regain the dominance of news or commerce they enjoyed in the latter half of the 20th Century. Most print newspapers will be smaller, more expensive, targeted to older, educated audience, but there's room to service younger audiences and a range of advertisers with those alternative products.

Best case, newspapers and other traditional media would retain a critical role in expanding and in the expanding and diverse media ecosystem, whose potential other speakers will be treating in detail today and tomorrow.

To succeed, newspapers need a sharper focus on

what they do uniquely well, and a consistent high-quality execution of their 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, a happy ending that will be, but it won't happen by Christmas, and that's a far from sure thing in a longer run 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.)

MR. LEIBOWITZ: Thank you so much, Rick, for that excellent update on the state of journalism today.

Rupert Murdoch, the chairman and 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 in any content that consumers can get it. As you might expect, Mr. Murdoch has some strongly held views on the topics -- strongly held views, for those of you who didn't get it -- of the topics we are 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 will turn the microphone over to you.

(Applause.)

MR. MURDOCH: Good morning ladies and gentleman. Thank you very much, Chairman Leibowitz, for that very kind introduction. You and Commissioners Harbour, Kovacic and Rosch 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 this agency that a wide variety of views are represented here today. Clearly, the FTC recognizes that a diversity of viewpoints is vital to the debate and open democracy. I appreciate the opportunity to speak to such a distinguished audience.

I am pleased that this workshop is being carried by webcast so that many more Americans might participate.

We have just heard two excellent reports, accounts on the history of the current state and current state of journalism from Rick Edmonds and Paul Steiger. That leaves me to talk about my favorite topic, the future of journalism. For a news man like me, whose companies assets include print, television, film and digital news properties, this is a particularly compelling subject.

We meet at a time when many news enterprises are shutting down or scaling back. You will actually hear from some at this workshop today that journalism is in dire shape and that 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 unwilling to fight for their readers and viewers, or government using its heavy hand that it will overregulate or subsidize us.

From the beginning, newspapers have prospered from 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 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. They should fail, just as the restaurant that offers meals no one wants to eat or a car maker 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, that news organizations, among our customers, and within business, for good journalism to prosper in 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 need to 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've visited where they have a wall of journalism prizes and a rapidly declining circulation. Some of the editors are producing the news for themselves instead of news that is right for 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, broadcasts, satellite, cable, and teleco-provided television, mobile devices, and, of course, the Internet. In the future, we will 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 for 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 we use a portion of our broadcast spectrum to bring our 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 shows, 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 in to the office, read it on the computer when they arrive, and read it on their larger and clearer e-Reader wherever they may be.

Already we provide news to our readers through websites, email 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 for 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 am 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.

For example, over the years, we have been continuously expanding the number of hours of local news on our 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. It should tell us that even amid challenging economic times, there are opportunities to improve and expand journalism.

We do similar things for our papers. The Wall Street Journal now offers more national and international news to complement its outstanding business journals. 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 its content and brand, not necessarily 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 intends 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. The old 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 increases only a fraction of what is being lost from print advertising. That is not going to change, even in a boom. The reason is that the old model was founded on quasi monopolies, such as classified advertising, which has been decimated by new cheaper competitors such as Craig's List, 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 one million subscribers. Barons.com has another 150,000 subscribers. We intend to expand this pay model to all our newspapers in the News Corporation's stable such as the Times of London, Australia and the rest.

Critics say people won't pay; I believe they

will, but only if they're getting something with good and useful value. Our customers are smart enough to know that you don't get something for nothing. That goes for 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. Their almost wholesale misappropriation of our stories is not fair use. To be impolite, it's theft.

Right now, there's a huge gap in costs. Technology makes it cheap and easy to distribute news for anyone with Internet access. But producing journalism is expensive. Like all good news organizations, we invest tremendous resources in our products, from our news rooms and studios and cameras and computers, to the salaries for the reporters, editors, producers, directors, writers, talent and countless other employees who contribute to producing a newspaper or newscast.

When this work is misappropriated without regard for 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 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, new opportunities, that no one could have predicted, through social networking sites and iPhones and BlackBerries to Internet sites for newspapers, radio and television. 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 in 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. If we are really concerned about the survival of newspapers and other journalistic enterprises, the best thing government can do is to get rid of the arbitrary and contradictory regulations 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 at a time when competition was limited because of the huge up-front costs. Unfortunately, in practice, these restrictions stifled competitive newspaper markets. If you are a newspaper today, your competition is not necessarily the TV station in 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 would banning newspapers from having websites.

In my view, the growing drum beat for government assistance for newspapers is as alarming as overregulation. 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.

The most damning problem with government help is what we saw with the bail-out of the U.S. auto industry. Help props up those who are producing things that customers do not want. In other words, it subsidizes their 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 to any self-governing people. They also knew that the key to independence was to allow enterprisers 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 the resources and wherewithal to hold the government accountable. This is also what builds readers' trust and confidence.

Over the long run, it's true, politicians, bureaucrats and corporate executives can be sacked because of an angry electorate or board, but in the day-to-day of ordinary life, the press is perhaps the only institution that truly hold 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 had 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 industry popped, Wall Street Journal reporters were taking on Republican and Democratic politicians alike for the mischief they were creating with Fannie Mae and Freddie Mac, and 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 for 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 is the most robust press in the world, because it is the most free of government intervention. We ought to keep it that way.

I am 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 newspapers take into account other sources for news and advertising in the market, including electronic sources, so that any revisions reached reflect current market realities. This is exactly the kind of leadership we need on this issue.

To go forward, we need to remember that 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 and how

they want it.

Ask consumers to pay for the products they consume. Let aggregators desist and start employing their own journalists, and let 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 innovating in a constitutionally sensitive business sector.

Though our formal topic today is the future of newspapers, in many ways, I think we do better to think in terms of the future of democracy. When the representatives of the former British colonies established a new order for the ages, they built it on a sturdy foundation, a free and informed citizen. They understood that informed citizenry requires news when it's 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. Whether the newspaper of the future is delivered with electrons or dead trees, it's ultimately not that important. What is most important is that the news industry remains free, independent and

competitive.

Thank you very much.

(Applause.)

(Interruption in the proceedings.)

MS. DeSANTI: Could you please take your seats and we'll start again. Thank you very much. Chairman Leibowitz will be joining us in a moment, but in the mean time, 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 will begin the three-minute opening remarks with Mark Contreras, who is seated to my right. He is 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 is speaking on behalf of both organizations today.

Mark?

MR. CONTRERAS: Thank you, Susan. Thank you for the leadership in trying to promote the interest of journalism in these workshops.

I would 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 three major challenges our industry currently faces, the fixed cost nature of our business and 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 percent of advertising revenue and the lion's share of our profits. There are two reasons for the decline of 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. The $500 for print is traditionally paid on fixed costs, which include our commitment to journalism, expensive distribution systems and capital-intensive production operations.

At Scripps, our online audiences have grown between 30 to 50 percent each year for the last four

years, but as our audiences shifts online, we are 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 there are several areas that will help us continue our journalistic missions. First, many newspapers offer services which allow them to sell specific audiences 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 consumers' 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 a comparison of just newspapers, to an evaluation of the entire market, including newspapers, broadcasts, the Internet, 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 monetize the content we produce. This content is often copied and redistributed without compensation by third parties. The industry's 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.

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 drive fair value for the sale of their online advertising inventory.

Thank you for this opportunity to be with you today.

MS. DeSANTI: Thank you very much, Mark. Next we will hear from Tonda Rush. Tonda is president of American Press Works and also serves as of 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.

MS. 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 Craig's List showed up on our media web browsers, if you took a Washington Post from the breaking of the Watergate stories, in addition to the pain-staking factual digging that that newspaper did, you would be seeing ads on those pages for Hecht's and Woody's and Raleigh's and McCrory's and 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 the 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 percent, direct mail was 12 percent. Those lines crossed earlier in this decade. 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 news pages 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 themselves to bargains and iPod docks, and thanks be to God that there is the Macy's and J. C. Penneys that still buy those ads on the page and they believe that it helps to sell products.

My second point is the better community papers. There are probably 6,000 to 8,000 of them. They exist in rural communities, the 25 percent of America that exists 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 the way through the federal court docket without ever being publicly docketed. They're as important to their communities as the daily metropolitan papers have been to theirs.

The biggest danger that they face right now, even though probably 80 percent 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 going to see some changes and evolution with them, but there are a lot of newspapers that are very much alive and in their marketplaces.

MS. DeSANTI: Thank you very much, Tonda, that's an important perspective.

Now we will hear from Marty Kaiser. Marty 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. Marty is also president of the American Society of News Editors.

MR. KAISER: Thank you.

So much of what we hear today is about the present state of journalism and its future comes from the New York Times, the Washington Post, the Wall Street Journal and USA Today, national newspapers. 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 serving their communities. I speak for these organizations as president of ASNE, 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 is happening in journalism in this country every day through my own news room and the editors I talk with daily in ASNE. 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 news rooms, there are stories that go uncovered now. Like many editors across the country, we are focusing our 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 re-invent how journalism is both done and delivered, all to continue connecting to 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 that 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 Octavius, whose mother starved him to death, and five-month-old Will who drowned during an unsupervised visit with his mentally ill, unstable mother. These were 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 the 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 have received more positive comments about our news organization than at any time in my almost 13 years as the top editor. The emails, voicemails, phone calls and letters tell me and thank me are all because, I like

to think, 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 in 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 a 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?

MS. DeSANTI: Thank you very much, Marty.

Next we will 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 has 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.

MR. MONROE: Thank you, Susan, and Chairman Leibowitz. I will 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 on the Huffington Post. But I wanted 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 are looking a whole lot like old media, only less diverse, and more white.

Look no further than the 17 of 17 white staff members of AOL's newsphere.com or the single African-American reporter at Politico, or the initial lack of diversity at Chicago's new co-op journalism venture.

We are starting off on the wrong foot. With the recent closures, bankruptcy, declining circulation, lay-offs and the legacy of the media business, this is proving that cutting its way to success just won't work. We know we can't grow from a crouched position.

But journalism is not dead, not 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 in 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 media saw that 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.

To not just survive, but thrive, we must reflect a changing nation. The U.S. Census Bureau projects that by 2023, half of all U.S. children will be non-white. By 2042, people of color will out-number whites in America.

And if you look at 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, more likely to have biracial friends and more likely to be exposed to diverse ideas. 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 am 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, that they've got to take those new skills and they now want to launch their own media start-ups, or community news platforms.

For many of those young, talented minds, many of those are media entrepreneurs of color. As an industry, as 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.

MS. DeSANTI: Thank you very much, Bryan.

Next we will hear from Nina Link. Nina is publisher 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.

MS. LINK: Well, thank you for inviting me for being 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 of the Internet on journalism has centered on newspapers, but journalism in consumer magazines is equally valuable and equally at risk. Magazines create passionate communities around content, and the professional journalism practiced by magazines helped 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, relax 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 percent. Due, of course, to the recession, and the advertisers' 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 percent in our industry, and one major publisher, over 40 percent of their print subscriptions are coming from online. We're seeing growth in 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 conduct 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.

MS. DeSANTI: Thank you, Nina.

Next we will hear from Fred Young, who will bring us a local broadcast TV perspective.

MR. YOUNG: Thank you, Susan.

I am here to remind everybody that local television and radio stations are alive and well and functioning at a very high level. In the language of emergency management, we are electronic first informers, providing critical news and information in communities across this country. Like everybody here today, we have experienced economic challenges. As the economy improves, advertisers re-invest 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 oft times those who are experiencing the downturn with us, are hoping to redirect our audience and revenues into 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 with 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 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 MURL awards on our shelves reflecting excellent local reporting of local stories. The Hearst Group has 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 our 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 can cover hurricanes, tornados, ice storms, government misdeeds, political campaigns, 9/11, Fort Hood, health care and swine flu, ladies and gentlemen, we will 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.

MS. DeSANTI: Thank you very much, Fred.

MR. YOUNG: Thank you very much. Thank you.

MS. DeSANTI: Next we will hear from David Westphal. David is executive in residence at the Annenberg School of Communication and Journalism at the University of Southern California where he teaches and writes about new media. Before joining USC in 2008, he

was the Washington bureau chief for McClatchy newspapers for 13 years.

MR. WESTPHAL: Susan, thank you.

Today, anyone can aspire to be a news provider, so perhaps it's not surprising that increasingly that's 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. Sometimes it will be a citizen's passion, in 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 are 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 investigative reporting nonprofits, not just nationally, but in places

like Massachusetts, Wisconsin, Colorado, other states.

Will these new nonprofits find sustainability before their funders move on? Impossible to know. But the example of the Center For Public Integrity and its up coming 20th birthday suggests sustainability is not impossible.

Other institutions like university journalism schools are becoming increasingly important news providers. Still others are brand new at the game of producing news. Foundations like the Kaiser Family Foundation, nonprofits like the Hechinger Institute, have established their own news organizations, devoted to issues they care about.

Labor unions in Chicago and California are bank rolling news sites that pay attention to worker issues. Then there's government. My USC colleague, Jeff Cohen and I wrote this week that government directs more than one billion dollars a year in subsidies in for-profit news businesses. While 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. 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 is little doubt, though, that the potential is there.

Thank you.

MS. DeSANTI: Thank you.

We will next hear from Robert Picard, who is a leading expert on media economics. He has 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?

MR. PICARD: Thank you. Thank you very much.

I've studied the economics of news media for about 30 years, and I'm one of the few in this room probably who remembers the FTC held hearings on newspaper concentration in the late 1970s, and the history that the Commission has had in that regard. I've prepared a background paper that's been submitted to the Commission and is online that gives more extensive time to remarks.

Clearly, we are 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.

Much of this comes from an unfortunate misunderstanding that confuses the contemporary situation resulting from the short-term economic developments with the longer term trends in the industry.

To give you an idea of how I view the situation in the longer term, last year, the U.S. newspaper industry was a $55 billion industry. It had average profits of four percent, that's -- of 12 percent, four times more than those of other industries last year in the midst of the recession. It is becoming a major player in news and advertising provision online, and last year alone, we received $3 billion from online

advertising.

Certainly the situation wasn't as good as 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 the 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.

Now, a lot of policy measures have been suggested to respond to these certain conditions, including copyright, antitrust, tax and pension law provisions, as well as subsidization. I have 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 exemption will allow

collusion that, in fact, will do substantial harm to consumers and advertisers.

In general, I am optimistic about the functions of news and journalism, but it remains to be seen what news organizations will survive or develop to serve those functions.

Thank you.

MS. DeSANTI: 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?

MR. KNEE: Thanks.

The Internet has radically reduced the fixed cost requirements to collect, aggregate and distribute news and information. That means that there is a lot more competition in a business that didn't have a lot of competition. That lack of competition is reflected in the 30, 40 percent margins that the guts of the newspaper business, that is the 90-plus percent of the circulation that was represented in the local papers, has had for many, many years.

So, to the extent you want to think about the 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 there are losers, and if you think that the natural fall-out of who's a winner and who's 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. To be clear, the source of this change has been the reduction in the fixed costs. Newspaper circulation has been falling since the 1980s, indeed, readership has been falling since the 1960s, even as the number of journalists at these organizations has increased by 50, 60 percent during that period of time.

The reason that we have a problem doesn't relate to that, that trend has continued and has existed during the period that newspapers out-performed 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 in 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 benefited 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 have the benefit of it before, is bad for public policy, should we look at it at least with a somewhat skeptical eye.

MS. DeSANTI: Thank you very much.

All right, Chairman Leibowitz, do you want to start?

MR. LEIBOWITZ: Well, let me just follow up with you, Jonathan, because I think you made a very, very good point. So, just to follow up, it seems to me that

you're not worried about the state of -- I mean, we're dealing with a product that isn't widgets, of course, and so to a certain extent, we want to look at it from a competition perspective, which is often how we look at these issues at the FTC, but we also want to kind of look at it from the perspective of the long-term benefits of consumers having the information to become informed participants in the democracy. You didn't quite come out and say it, but it seems to me that you were saying that this isn't a problem.

MR. 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 Opelika, Alabama, if it wasn't in the Opelika paper, you weren't really going to read about it or hear about it. Now you have lots of other ways to learn about it.

I mean, what has changed in the world is predominantly, in terms of the 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 that I find interesting and helpful.

MR. LEIBOWITZ: Let me just follow up with Marty, for a second, if I could, and I need to come clean with you and with the audience that I am a reader of Journal Sentinel online, and mostly for the sports, by the way, and for the Wisconsin Badgers and the Milwaukee Bucks, but let me ask you this: In a city like Milwaukee, right, which has gone from two newspapers to one in the last 20 years, and where you seem to be struggling to some extent, what coverage is being cut, and what do you worry about? What are you worried about most? And I guess in a certain sense, do you want to respond to Jonathan, who has, 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 him?

MR. KAISER: I agree with the point about in Opelika, that they're getting news from all over. The concern is who's covering the events that take place in Opelika? In Milwaukee, the things that we don't cover, luckily we own community newspapers that can cover some of these small communities, but not with the quality of journalism that we had before. So, we have to make very tough choices about what we want to cover and what we

don't want to cover.

MS. DeSANTI: 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 of the transition to online. There are newspapers that are undergoing this 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?

MR. CONTRERAS: Well, if 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 in 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 in industry is to put a very fine point on the fact that audience is not our issue. Print circulation is declining, but if you looked at what's happening with online audiences, you can make a very credible argument that our audience has never been bigger, 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 ten 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.

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.

I hope that's helpful.

MS. DeSANTI: 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?

MR. CONTRERAS: I think it will help, and again, I don't want to imply that there's any one silver bullet here, but when you look at what happened to television advertising revenues in the 1960s, before standards were imposed and after, television advertising revenues grew like a rocket ship. Today, we're 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 that it will have some uplifting effect, again, not

sufficient to supplant what we've lost in classified, but it will sure as heck help.

MS. DeSANTI: Okay, Mark, I would like to ask you and 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 all of 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 do 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?

MR. KNEE: Well, 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. Creating content does not have any barriers to it, which is why people, if my daughter, who is five, comes to me and says she wants to be a musician or actor, and now, whereas before there were high barriers in the newspaper industry, and now if she said a journalist, 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 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 the rest of that.

So, 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.

MS. DeSANTI: Tonda, what's the view from

community newspapers on these prospects?

MS. RUSH: Interestingly enough, there are new ones being created. So, I think it's premature to say that we're going to 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. 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 journalistic background or business background, but got a stake in the business, started it up, ran it as a free newspaper for about three months. When they converted it to paid, they had about 700 people walk in and subscribe before they even promoted subscriptions.

So, the interest is out there, and what we're seeing, and the reason I raised the department store anecdote is 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 one of 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 is not helping. But I think that 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.

MS. DeSANTI: Thank you. I want to follow up with you, Bryan, on the point that you made about the need for a 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.

One of the things that the Pew report in 2009 noted was that minority users tend to use mobile devices, mobile platforms, more frequently than other types of platforms. 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.

MR. MONROE: Well, I, too, am the optimist, in that while the traditional industry are going through the struggles, there are some really exciting things happening, in mobile, and in other businesses.

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 driving 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 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. But 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, and you don't see a lot of people like me coming out of that.

MR. LEIBOWITZ: Bryan, if I could just follow up, because we just got a question from the audience who asked about why there hasn't been significant VC capital to support digital venture by multicultural groups, especially when there are such low barriers to entry here, you know? There ought to be, it seems to me, more investment.

MR. MONROE: You'd 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. Not just journalists of color, but entrepreneurs of color need to be in those rooms. When you're at school you have your friends and buddies that you come up with, and the circle needs to be wider.

I think by that, you'll see more ideas go from just a back-room thought to a full-fledged venture. The closer they get to becoming a venture, the more the chance their success will be.

MR. LEIBOWITZ: Can I just ask a question about news aggregation because this is a topic that percolated up a little bit on this panel, and I'm just curious, Mark, some critics of news aggregators differentiate among those who take only a headline and sentence and then link you directly to the newspaper's story, I think another panel is going to talk about this a little bit, versus those who take a headline and a couple of paragraphs and may or may not link. Do you see a difference there?

MR. CONTRERAS: What's interesting is the way people actually consume news. If you look at the consumption that the Fair Syndication Consortium 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 journalism is, but the consumption indicates that there's far more sporadic consumption than in the print product, for example.

MR. LEIBOWITZ: So, we are becoming a nation of sort of Internet browsers, right?

MR. CONTRERAS: Yes, yes.

MR. LEIBOWITZ: But from a legal perspective, do you see a difference?

MR. CONTRERAS: Yes, and unlike other industries, the music industry, for example, if 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. America 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.

MR. LEIBOWITZ: Does anybody else want to comment on that? It looks like, Robert, you want to.

MR. 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, and essentially it started first by taking the local news and then reading it and 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 these various kinds of aggregating in terms of 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.

MR. LEIBOWITZ: Bryan, I would turn to you, but I would point out that the only time we get those nations today is when they want to extend copyright protections and I don't think you can do that anymore.

MR. PICARD: No, and about half of them are opposed.

MR. MONROE: The other thing that's changing is the speed at which information is being delivered. I am sitting here, and there are probably a dozen folks in the room tweeting right now, Jeff Jarvis is probably doing, what, 20 tweets per second. But it comes so fast.

We saw when Michael Jackson died, a story that I was very close to.

MR. LEIBOWITZ: A story with great news value, yes.

MR. MONROE: 8,000 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.

MR. LEIBOWITZ: Anyone else want to comment?

MR. KAISER: Well, yeah, I think I want to go back a little bit 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.

MS. DeSANTI: 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 costs, and how does that influence the competition as it unfolds between you and online news competitors?

MR. KAISER: What I'm worried about is carving off little pieces of sports, which for years funded the coverage of city hall, as much as a former sports editor and I love sports, that's what funded it. Getting the late baseball scores from the west coast. We can get that other places. That doesn't serve a purpose. In our newspaper, we're still going to 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. That's great. Buy it for that and maybe they'll read the news stories, but we need a large

enough audience to keep public officials accountable.

MR. LEIBOWITZ: Let me follow up, I was visiting the Las Vegas Sun last week and they are doing some very, very interesting things in terms of getting subscribers off of Facebook and to their site. Do you guys think about doing things like that?

MR. KAISER: Yeah, we do it all day long and Twitter and Facebook and everything we can to try and bring in the audience and make the audience part of it, and to make it a conversation, get us tips and get better sourcing.

MR. LEIBOWITZ: Yes, sir, David?

MR. WESTPHAL: I think it's important to point out, and Paul Steiger 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 and editors awards last year for their coverage of city hall that resulted in resignations of public officials for wrong-doing there.

So, and I agree, Marty, that there will be questions about what mass you need, what weight you need to really have an impact, but this is a news room of ten people that's having impact.

MR. KNEE: I think the other thing you really need to think about is there's no question that that monopoly paper that has a 40 percent margin could do a bunch of stories that a paper that is under pressure now only has a mere 20 percent margin, as the average community paper has, which is still double the margin of most media businesses, they're going to do less stories. But the reason they're going to do less stories is because the same phenomenon that reduced the margin, i.e. competition, has created more than enough compensating new information, whether it's that kind of investigative journalism or 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 percent margin as the sole place for information, and that 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.

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

MR. LEIBOWITZ: Mr. Contreras, do you want to say something?

MR. CONTRERAS: Just to react to that, 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 news rooms consisted of was very few full-timers and a whole network of correspondents and stringers back in the 1930s and 1940s. What we're doing, in many companies, is taking 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.

MS. DeSANTI: Let me ask, let me follow up with Fred.

MR. YOUNG: Yes? 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, and there's a little of both there.

MS. DeSANTI: 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 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 and knowing that they are being observed can make a difference to government officials?

MR. WESTPHAL: Well, first of all, they generally keep their mission very focused and narrow, and so they're not trying to do everything. It's not that they're not trying to do sports and entertainment

and so on, they're 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 are often citizen journalists who are showing up at meetings that no one would be at otherwise, and in some cases showing up there for the first time, perhaps, at a level of geography that 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're doing that by choice, and I think that there will be more and more and more of them filling in the gaps.

MS. DeSANTI: Nina, I would 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.

MS. LINK: Well, I think one of the surprising statistics is that the overlap of an online and offline audience for a magazine, on average, is only about 15

percent. 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. As well, many printer readers are not going to the web for that online brand experience, they're perfectly satisfied with the print experience.

So, what has evolved is very, very different content and experiences for 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 cell phone or on a smart phone or a laptop, which begins to get you closer to the physical experience of reading a magazine. What that art form is, we think will 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 will be hybrids, and when there's 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 it will be higher CPMs, and all kind of new revenue models, particularly as you look at location-based, couponing, e-commerce, there are just a lot of different ways that we think there will be new revenue opportunities for our brands.

MS. DeSANTI: 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 is 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 are you going to negotiate with a company that's sending your digital content out to the E-reader to make sure that you have a share of that revenue. I'm wondering how people are thinking about approaching that.

Yes, Mark?

MR. CONTRERAS: I'll take a crack. We have an

agreement at Amazon for the Kindle, and the way that the economics work there is that about a third of the revenue goes to the publisher, a third goes to Amazon, and a third, according to Amazon, goes to the cell phone providers, which provide the down link, the cell phone service on the device.

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 pricing scheme.

MR. LEIBOWITZ: Yes, although I think you're going to see more competition to the Kindle coming out, in which case you will 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.

MR. CONTRERAS: Fifty cents.

MR. LEIBOWITZ: Fifty cents.

MR. CONTRERAS: So, we are viewing it as something that is not going to supplant our lost revenue but is an ancillary stream of revenue that we're excited about.

MR. LEIBOWITZ: Robert, did you want to follow up here?

MR. PICARD: One of the most important things that is happening here is just the transformation of the economics of distribution, as Jonathan said. 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 niche audiences, it's a terrible way to produce, because 15 percent or less 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 distributors in productive functions to the intermediaries, and actually have a greater amount left over that can go to this production. So, it's a long-term kind of trend. These things aren't happening overnight, and 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.

MR. MONROE: And I think the pipeline question is an interesting one. As I talked to some of the pipeline providers, they are still hungry for content. I mean, that's part of what's behind this NBC Comcast deal. Comcast is a big cable company that doesn't do much content. 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 all 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.

MS. LINK: I also think as we are looking to 2010 and beyond, you made the point, there are going to be many more devices, and they are getting cheaper and cheaper. I mean, 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 begins to shift the balance a little bit from what we have with an Amazon situation.

MR. LEIBOWITZ: Yeah, Fred, go ahead.

MR. YOUNG: I couldn't help but think when you were talking about the e-Reader dilemma about negotiating with new companies, welcome to our world, we call that transmission consent where you are negotiating with any number of cable companies to carry your product. I'm sure there are broadcasters out there who would be pleased to do you a deal.

MS. DeSANTI: I do want to follow up. There has 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 bought a greeting card that had a headline from The Onion, this has a 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.

MR. MONROE: Absolutely. I think from the magazine world, when I was at Ebony and Jet, we have

probably the largest photo archive of African-American life in the world, and cut a deal with the Associated Press to help scan and then distribute that photo archive to a much wider audience and bring in some revenue. Also did a deal with American Greetings to take the brand of Ebony Magazine and attach the covers to greeting cards.

So, absolutely, and 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.

MR. KAISER: We're doing the same thing with expertise with events, when you can hear the experts on different topics. We also have a paid Packers website, if you want certain information about the Packers, you've got to pay to get it.

MR. CONTRERAS: We also have a number of niche products that serve discrete audiences. All of these efforts, though, pale in comparison to, A, the audience that they aggregate, and B, whether or not they're news focused. If you look at what the soul of a newspaper really should be in our opinion, it's to deliver great news and content, and we are investing in other innovations to help shore up the core mission, but the

core mission's model has drastically, and I think permanently, changed.

MR. LEIBOWITZ: Robert, go ahead.

MR. PICARD: Actually, this isn't new, and what's new is that after 1950, between 1950 and 2000, advertising increased 300 percent in real terms, and so 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 need it, they shed them.

Now it seems wrong to move into these services because the history of what most executives have known for the last 20, 30, 40 years, have not been that. But it was actually part of financing journalism in previous years.

MR. KAISER: The Milwaukee Journal had a band that traveled around the state.

MR. LEIBOWITZ: It could still have a band again, Marty.

I'm reminded of a few years ago, maybe more than a few years ago, I read Ben Hecht's auto biography and he ran away from his home in Racine, Wisconsin or Kenosha, Wisconsin to go to Chicago at 15 years old and

he was hired as a stringer for one of the now defunct and for a long time defunct Chicago newspapers to go cover fires and jump into windows where larger adults couldn't get in, and that was his first job as a stringer.

To some extent, Mark, and I know you're familiar with Chicago journalism, because you're 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 the days of three or four newspapers before the days of radio had a lot of stringers or about a lot of competition that might be just as discordant as some of the competition that we see today.

MR. CONTRERAS: No, and stringers are really going to be part, a growing part of our mix. I guess the dilemma that we face is we've already in the 1970s and 1980s and 1990s grew dependent on full-time staffers as the primary news-gathering model, and the reality is, in order to preserve both 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, and it is a

more economically efficient way to get news, but it is not a trained journalist that you can rely upon to cover corruption in city hall.

MR. LEIBOWITZ: It's a fair point, David, and I want to turn it over to you and I want to ask you something, I know in the 1990s, the Los Angeles Times had about 2,000 people in the news rooms and in various news bureaus. Is that too many journalists?

MR. WESTPHAL: I would never say any number is too many. They're 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.

I was just going to say on the new media front, not surprisingly, these are small operations, their profit margins are a lot closer to zero than they are 12 or whatever. So, you're seeing a lot of innovation there, too, and Marty mentioned events being one of them, where Jonathan Weber at New West has a quite profitable conference business where he invites people to come for a fee on the topics that are in their special topics in New West.

Texas Watchdog, a small investigative nonprofit is making some money going around having training sessions for citizen journalists that charges a nominal

fee. A somewhat probably more controversial idea that Global Post, which is a for-profit, and also the New England Center For Investigative Reporting, are trying, and that is research for hire, having separate arms where they assign sometimes free-lancers, I think, but to do contract research, and then to use that money to pull back into their journalists.

MS. DeSANTI: I would like to just go back to -- I'm sorry, Tonda?

MS. RUSH: I just wanted to respond to Robert's comment about the advertisers' needs here, and also I was pleased Jonathan told me they're making 20 percent margins, I'm definitely raising my fees. The community papers have done the diversity of revenue act for a long time. We have had newspapers that opened fudge shops to keep the news in business when the one industry left town, and that's what they needed to do.

If you looked at a typical community paper, I think you'd find that the advertising base looks much more like a magazine than it does like a metropolitan daily newspaper. The revenue is coming out of the annual county fair edition, where you saw signature ads to the title companies, and the insurance people, and whatever around town. But I think that 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 to 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 advertising subsidy in the mix there, then 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 the newspaper that's based on all the different exposures that they have. Whether it's the news column, the special section, the website, the event, all 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 that the mix is more complicated than some of the analysts that are looking at the changed business model are giving us credit for.

MS. DeSANTI: Thank you. I would like to conclude by going back to the issue of the aggregators, and Mark, you had made the point that even headlines alone 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. I'm

wondering what your response to that is.

MR. CONTRERAS: Well, I mean, maybe the best analogy is to use the music industry. If you're a consumer, and you buy a CD, you can listen to that CD at home 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 who we've made the up-front investment in paying a salary and paying insurance and in having personnel policies, that we get some compensation for that initial investment, and for that service that we're providing to our communities.

MS. DeSANTI: Well, okay, let's grant you all of that, what would you suggest as a legal mechanism by which to do that, because people don't usually pay unless they have to.

MR. CONTRERAS: Well, and again, the debate is whether or not you go B2B, or B2C, business to business or business to consumer. At the moment, personally, 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 Scripps with a few experiments, has shown that getting paid for our content has very limited audience results, and even scanter revenue results. At the moment. But for now, I think we would favor going business to business as opposed to business to consumer.

MR. LEIBOWITZ: Anybody else want to comment on that?

MR. MONROE: I want to sort of double back on that point, and double back to a 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. I love newspapers, I spent 20 years in my career in newspapers, but this should not be a conversation about how newspapers should survive. It should be about how journalism survives. By focusing on the content, and seeing the mediums as just that, mediums, in figuring out the best mediums for the content and the best mediums for journalism, I think we'll have a better chance of getting it right.

MR. LEIBOWITZ: And I think you're absolutely right, this is an issue that crosses platforms and

should not be specifically associated with one particular platform, and then the only other point I would make, and anybody else can have a last word.

MR. KAISER: Sorry.

MR. LEIBOWITZ: Let me say one thing, which is that we're going to come back in March with a couple of more hearings that might focus more on possible remedies if there is a problem that needs solving, but Marty, why don't you go ahead.

MR. KAISER: Just one quick example of the business model that I talked about earlier in trying to connect it in the readership model. We had a story about a month ago about a 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 to 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 that story. Our record before was maybe 300,000 page views. But there wasn't much money made from that. Fantastic readership, fantastic story, we have to figure out a business model to make some money off that.

CHAIRMAN LEIBOWITZ: Anybody else like to add anything before we move to our next speaker?

(No response.)

CHAIRMAN LEIBOWITZ: I just want to say, you've just been an absolutely terrific panel. It's been extraordinarily educational. I think to those of us at the FTC, and to I believe folks in the audience, and so we may have some follow-up questions, we will take any written submissions to put into our record, and Susan, anything else?

MS. DeSANTI: No, I think I'll ask the audience to join us in thanking these panelists.

(Applause.)

CHAIRMAN LEIBOWITZ: 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 co-founder 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 has already had extraordinary success in a variety of occupations, and for someone who is such an astute political observer, she is also in the words of, and I'm not I'm butchering them, but in the words of Theodore Roosevelt, she is also not afraid to enter the arena.

So, we're delighted to have you here today, and please come up, the microphone is yours.

(Applause.)

MS. HUFFINGTON: Thank you very much.

Conferences about saving journalism are definitely fast becoming journalism's biggest growth sector. Tom Friedman recently said that whenever there's 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 also 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 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. New media adopting the best of traditional media, accuracy, fairness and impact investigative journalism.

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, if not journalism, at least themselves, is by pointing fingers and calling names.

It's a tactic familiar to schoolyard inhabitants everywhere. When all else fails, reach for the nearest insult and throw it around indiscriminately.

So, let me just quote a few of the 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. 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, instead spend your time accusing aggregators of stealing your content.

Of course, let me just remind Rupert Murdoch and Robert Thomson 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 robots.txt 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 stand to lose a large part of your traffic overnight.

Now, as they say in Australia, good on you. 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 the news, but a good business move? Not so much.

I was recently on a panel in Monaco with Matthias Doepfner, the CEO of the German publisher Alex Springer. He decided to play a really confusing metaphor game with me by comparing news content to 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. 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 chug-a-lug too many of old media's metaphorical beers, you will end up staggering down the street of illogical thinking and hanging onto the lamp post of wrong revenue models.

We heard that from Rupert Murdoch today. First of all, he confused in his speech aggregation with wholesale misappropriation. Now, there is 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 we were misappropriating, retailing, not even wholesaling, we would have heard from them, right? If they were 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.

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 very use exemptions 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, we 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 those complaining the loudest are working both sides of the street. Take, for example, Rupert Murdoch's News Corp, once again. Just look at the site News Corp owns as techtar.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 is a politics bloodsucker that blood sucks -- sorry, I mean aggregates -- and links to storage from a variety of different storage, including the New York Times, the Washington Post, MSNBC and others. Allthingsd.com 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. Also, News Corp 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 stake -- sorry, your aggregation cake -- and bitching about others eating a slice, too. I was talking to Robert Thomson, the managing editor of the Wall Street Journal, right outside, after Rupert Murdoch's speech, and I did tell him that I would only roll my eyes when he wags his finger at Google and complains that it encourages 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, lagged by a lack of competition and years of pretax profits of 20 percent or more, put cash flow above journalism, and badly missed the web when it arrived on the scene. The factors focus 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 sheeps lay, pick your metaphor of choice, and quickly found themselves on the wrong side of the

disruptive innovation, the Internet and new media represent.

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, did you notice that, too, and he is going to hear it from Glenn Beck tonight. He also questioned fair use. Basically, constantly attacking the new media for being, well, new, and different, and transformation, 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 pulled from one of the most popular anthems on YouTube to the impact of technology in our world, a video originally put together by a math teacher called Frisch. Did you know that newspaper circulation is down seven 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 percent this year, while web advertising is up nine percent, and mobile advertising is up 18 percent? Did you know that more video was uploaded to YouTube in the last two months

than if 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 one trillion web pages, 100,000 iPhone apps, and send more text messages in one day than there are people on the planet? And Rupert Murdoch still thinks that aggregators are the problem?

We are not in Kansas anymore, Toto. Some things are better. While some things for the moment are undoubtedly worse in terms of the upheaval and especially the painful loss of jobs, but this is inarguably a brave new media world and there is 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 Corp's 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 going to happen. The charge for content crowd seems to change strategies as often as Lindsay Lohan switches meds. First, pay walls 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 a 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, three percent 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, London Times Online, a great site, but seriously, on what grounds would a reader decide that 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're 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, Stephen Brill, who I think is speaking here tomorrow, and CEO of Journalism Online that has reportedly come up with 16 different payment schemes that it plans to offer its member publishers. Neiman 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 really is payment made simple. High activity pay points, selective content pay points, time-based pay points, enhanced service pay points, market access pay points, and preview activity pay points. Did anyone say desperate 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 Order. Well, we're kind of passed the order. 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 payroll 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. Eighty percent 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 Churchill said about democracy. It is the worst form of government, except all 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. Many, many passionate entrepreneurs around the world are making it work for them.

I just picked three examples: techdirt.com is monetizing its engaged and highly informed community by turning them into focus groups for hire. We heard from Paul Steiger, the ProPublica model is a 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 journalists, our own Huffington Post investigative fund 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 realtime.

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 charted, and much remains uncertain, no question about that. But this much is clear: We can't use an analogue map to expect to find our way in a digital world.

Okay, here's my final point: Desperate times call for better journalists. 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 missing the two biggest stories of our time. The 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 of the world, and don't tell me that that's the

kind of journalism you want to preserve.

And 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 of journalists walking in lockstep.

So, as a result I've read 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.

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 a lot of talk these days about saving newspapers, including congressional antitrust exemptions, the bail-outs, 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 cover, connect and converse. We are all part of the evolution of a story now. In short, the news has become social. It will become even more community powered, stories will be collaboratively reduced 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 and applauding video of brutal violence taken with their camera phones were able to tell a story in realtime and circumvent the efforts of their regime to control the media and the flawed information.

In fact, the new paradigm was illustrated perfectly by the New York Times, which covered the story, both in the old way and the new way. Before it came by way of executive editor Bill Keller, who was in Tehran, Iran for the election. Three days after the fraudulent vote, and well after the street rioters had been rev'd up and hundreds of videos had been uploaded and thousands of tweets had been posted, he wrote, and I quote, "With this election, Mr. Khameini and Mr. Ahmadinejad appear 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 ran an aggregation blog, by Robert McKey, that was like the terrific one that our own national editor, Nico Pitney, did on the Huffington Post, a 24/7 nerve center of updates, video and tweets, largely by citizen journalists, curated by Robert of the New York Times and by Nico of 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 off-the-base coverage with 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 is 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 is 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. Writing blogs, sending tweets, updating your Facebook, editing your photos, uploading videos and making music are just a few of the active entertainment options now available to people. But when the data began to show a significant shift in consumer habits, traditional media responded by belittling web journalists.

The same people who never questioned 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 them, 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. They need to understand that, if they are to understand the future of journalism.

Now, at the Huffington Post and at the Huffington Post Investigative Fund, we also deeply value the role of professional reporters and editors, and we 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 products, and the value of them is absolutely irreplaceable.

But at the same time, the value of editors as content guide and curator is going to become more and more essential to keep us from being swept away by all the massive 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 this conference is all about, that in the future journalism will not only survive, but will strengthen and thrive.

Thank you.

(Applause.)

MR. LEIBOWITZ: But what does Arianna really think? Thank you so much. We are going to go off to lunch now. We are going to come back at 1:15.

The one thing I mention is please keep your badges, it helps us process people in more quickly.

Thank you all for a wonderful morning.

(Whereupon, at 12:15 p.m., a lunch recess was taken.)

AFTERNOON SESSION

(1:15 p.m.)

MS. DeSANTI: Would you please take your seats. We're going to start again. We have a lot of ground to cover today, so we are going to begin again.

Our first presentation will be by Ken Doctor. Ken is an Industry analyst for Outsell and he covers a transition of the news media from print to broadcast to media on his blog, contentbridges. His book, Newsonomics, 12 New Trends That Will Shape the News You Get will be published in February 2010.

Ken?

MR. DOCTOR: Good afternoon. I was surprised there was no polo questions at the security check. Did any of you get those? Len and I went through a rigorous check and then she looked for my name on the list and it wasn't there. She said, oh, just go in. This is a great country, isn't it?

So, what I want to do this morning is, in our time, take a quick look at the landscape of news transition. We face, as we know, lots of challenges and conundrums, I want to first look at what I call the big bang of media change. Fairly amazing developments, even in the last six months, in what I call the new local. We're seeing incredible developments, although at a

small scale, in local, and then just a couple of slides on the gaps that we face as a society.

So, we've never seen change like this, and I think all of you know it, there are really two big revolutions that have gone on. A lot of us who come out of the news world focus a lot more on the reading revolution, but I think it's really the advertising revolution that has taken the breath out of the news industry.

Of course, they compound each other, but it's important to look at both of them. So, there are a lot of numbers. We all deal with a lot of numbers. I want to talk about a few numbers that I think really matter. People will say, and they have said to I'm sure many people in this room, can you imagine a city without a daily newspaper? I get this question from friends, I live in San Jose, and from friends who have nothing to do but look at the news, they ask this question because they see the paper looking thinner and thinner and thinner.

Well, the truth is there are now about 90 dailies in the U.S. that are daily newspapers that are no longer daily. So, I think we need a new word for them, but we don't have one yet. They are not publishing on a Tuesday or Wednesday or Saturday,

dropping at least a day of the week. They are publishing a lot less news. So, in some sense, this idea without life of a daily newspaper is already here. Even though many of us in the room who are long-time newspaper readers, we talk to our children and you can see that they do very well in getting news, but without a daily newspaper.

If you ask people involved in communities, though, they'll tell you that they don't see reporters at community meetings, at their groups, at government meetings of all kinds. This is an evolving problem.

So, if you look at this, these four numbers here, 10,000, this is a low number, at least 10,000 jobs lost in news rooms, that's more than 20 percent in the last two, two and a half years.

Twenty million, an interesting number. The slide in newspaper sales, this is print daily newspaper sales, has been going on for a long time. The Internet has exacerbated it, but it's been going on a long time. Twenty million copies fewer on a daily basis than were printed 25 years ago.

Two very important numbers about revenue, 85 percent. So, even with all that newspaper companies have done on the digital side of the business, still, they'll finish 2009 with about 85 percent of their

revenues coming from the legacy side of their business.

Last year at Outsell, we did this number and we looked at it and rolled it up, it was 11 percent. This is a number that crosses the globe of the news industry, and would be fairly characteristic of the United States.

This year, it will probably go up to 15 percent digital, not because of digital growth, digital is down as well, but because of the great slide in print revenue.

Ten percent, that is a number we often don't focus on. So, we know there is a big, growing ad pie online, and increasingly now, mobile, video, that kind of revenue.

In the pre-digital world, newspapers got dependably about 20 percent of the ad pie. In the digital advertising world, they get 10 percent, you could argue 12 percent, depending on these bundling questions, but figure 10 percent. So, where they got 20 cents of the dollar in the old world, they're getting a dime.

Here's an interesting number, in terms of comparison and clout. If you look at the third quarter of 2009, Google's profits were $1.65 billion. Gannett, which is the second largest news company in the world now, and first in the U.S., reported total revenue of

$1.3 billion. So, less revenue than Google's profits, and profits of only $73 million. This is a very good proxy for the change of power we see in the world, and the receding of the news world.

This is a number from a research project that a colleague of mine, Chuck Richard does, at Outsell, and when I first saw it, I called him up and I said, I have a hard time understanding this number. This number is $60 billion, which is the number, this is in a survey, scientific survey, three percent, plus or minus, of major U.S. marketing spend. The question here is, how much money are you spending on your own website? So, these are things like site design, redesign, site building, search engine optimization, testing, research, and of course all the staff that goes with it.

The latest number was $66.6 billion. Of course, we all use these sites from Best Buy sites to Honda or Chevy or lot smaller sites than that. If you want to directly market to customers, you build, maintain, your own website.

This, of course, is further money that's coming out of advertising spending, because it's direct to consumer. I think we've given it short shrift.

In addition, some $24 billion will be spent this year on online advertising, more traditional

advertising, but you add this up, this is where a lot of money is going to, and moving out of print and broadcast.

So, what about the readers and where are the readers? In general, we would say, and it's a hard number to get at, but we would say people are reading the news about as much now as they did ten years ago. Roughly about an hour a day. But of course, and that's one thing the Internet hasn't solved, we only have so much time in our lives. They're spending more time on the Internet, and less time with print, less time with broadcast.

So, a few numbers here. Four out of five. Of the top news sites, on the Internet, only one is a newspaper company, the New York Times, the rest are search aggregators. About a third of people now start their days, they tell us, this is Outsell research, with digital news.

So, instead of going down to the bottom of the driveway, or turning the TV on when busy people are multitasking in the morning, now a third are going digital, either on their phones or on their desktops or laptops. This change from 25 percent two years ago to 33 percent by 2009, early 2009.

A majority now, for the first time, tell us that

they go online for immediate news. They could turn on the radio, they could turn on a TV, we're seeing the struggles of cable TV in the last ratings report, but a majority now say they go to either search aggregators, online newspaper sites, or niche sites to find out what they want to know at that moment.

One in four say local news is a top priority. So, it's interesting, as we know, the daily newspaper was that bundle, it was a great bundle of local, national, business, sports, everything. The Internet blew apart that bundle, and so we want to get at this question of how much do you really use news for local, how much more national? Of course, the answer is, we use it for both, but if you push people to one answer, three out of four will tell you national, and only one out of four will tell you local. That's very telling about the new role and place in society of local news, as we go forward.

About 50 percent say that they go to Google, and they scan Google headlines and little summaries of the stories, without going to a news site. Very interesting number, first time we asked that question.

When we asked, we asked it a couple of different ways, would they consider paying for news, in one form or another, we even asked about iTunes for news, 10

percent, roughly, said they would consider paying.

So, ad revenue drop, about $20 billion and growing. You look at ad drop, circulation drop over time from the height of about nine years ago of the industry, and when you look at those 10,000 news room positions that have been lost, and you do some conservative extrapolations of how many of those are actual reporters who wrote stories, and if they didn't push themselves too much, two stories a week, three stories a week, you end up with about 800,000 stories that will not have been written in 2009 that would have been written in 2006.

What are those stories? We don't know. That's the whole problem, I think, is we don't know what we don't know.

Downsized is the word to describe the industry, 40 percent less newsprint, 20 percent down in staff, little capital, and diminished community clout, something that we often ignore but is very important in journalism.

We asked publishers about next year and they'll say flat to five percent, which basically means, we have no idea. Visibility. The split we're seeing. There's a group I call the digital dozen, basically 12 to 15 companies, BBC, New York Times, the Journal, Reuters, et

cetera, up there. These are companies that have a global reach. They have a big opportunity, although they're struggling with costs, just like everybody else, but the new local is a free-for-all. There's a dominance of monopolies that we've experienced for decades, we thought it was permanent, but the flanks are now open, and a lot of people are putting their hands in the new local.

1997, when I left the Pioneer press as managing editor in St. Paul, this was kind of how we looked at the world, nice uncluttered world, a couple of TV stations, one troublesome newspaper in Minneapolis, and life was good.

I couldn't fit all of the brands on this slide that are competitors or readers and competitors for advertising. Many, many competitors of every kind, social, national, local.

So, lastly, I wanted to look at, just what are these companies, who are these companies, and I have categorized these companies in the seven kinds of categories in the new local.

First one, ankle biters and watchdogs. I had a VP of a major news company when I asked him about a new start-up, he said, oh, they're just ankle biters, we're not worried about them. These are companies like Mint

Post, Voice of San Diego, Pegasus in Dallas, that six, 12, 18 people, taking on news operations that don't seem to be a big competitor to the newspapers.

The next generation, though, I am calling knee choppers. They're moving up. In this city, we have Politico has made the announcement that they are starting an operation, talking about hiring dozens of people, we'll find out how many of those are in the news room. Same thing in the Bay Area. Same thing in Texas. Just incredible flowering of this as the recession ends. Professional salaries and a lot of local broadcast partnerships.

Local broadcasters themselves are getting in on the act. They were slow behind newspapers, but they are now getting into the act. One number on local broadcasters, interesting is that in the top 50 markets, 14 of those are now led by, in terms of local news, broadcasters.

Pro-am aggregators. about.com was the first one out there, but now we have Demand Media, examiner.com, Helium, their model is really interesting. You get a lot of writers, some of whom used to work for newspapers or magazines, a lot of others who are aspiring, you have an ad revenue focus, figure out what the advertisers want, you mix and match and you produce tens of

thousands of new stories. Our question is, is it journalism?

So, having worked in a news room, and many of you have out there as well, we don't often think about it, but journalism is manufacturing, with as much or as little value as you want to add. What I'm hearing from a lot of the pro-am people is, they're adding value, but they're adding feature value. Then we have public radio stations, in force in Boston and LA and San Francisco and Minnesota moving up and becoming actual news sites.

The search engines, moving to get local dollars, which Burrell Associates is estimating at about $15 million next year. Patches and AOL sites, many attempts by the search engines to get local.

Then the national headbangers here, the Journal and the Times going at it, of course, head to head in New York, across the country, and now locally.

Newspapers are retooling, official morning news has increased circulation prices 40 percent in the teeth of the recession and is one of the few newspapers adding staff. I call newspapers now a Starbuck's buy, it's a buy, it's a convenience buy, it's a habit buy.

So, lastly, the gaps. The old model of the newspaper is unfortunately, I believe, unsustainable, and noncompetitive, and at a disadvantage. We talk

about competitive advantages and how you can sustain them over time. The problem now is that the printing presses, the circulation systems, the big buildings, are an anchor around the necks of newspapers, and that instead of a battleship, which won the old wars, the speedboats are winning.

So, the gaps, coverage gap, 800,000 stories a year. News-ad gap, we're seeing this newsy news, but it's not really local news, it's not government news, it's not watchdog news. We have a pay gap, pro-am journalists are getting $2 or $10 a story. That doesn't pay for professional journalism. We have a credibility gap. People are trying to figure out what to trust, we're all figuring it out, but it's an ungainly process.

So, lastly, we know that there is a market for news. People still want to read, but is the market up to providing us the market system, the commercial system, up to providing us with the local news that we need, and if not, who or what is?

I think Mr. Downie has some good solutions, as you listen to this issue, and I thank you for your time.

(Applause.)

MS. DeSANTI: Thank you very much, Ken.

Now we will hear from Len Downie, who is well known to many of you, he served as executive editor of

the Washington Post for 17 years, from 1991 to 2008, during which time the Post news staff won 25 Pulitzer Prizes. He is now a vice president at large at the Washington Post Company, and Weil Family Professor of Journalism at the Walter Cronkite School of Journalism and Mass Communication at Arizona State University. He will report on a study that he did with Michael Schudson for the Columbia University School of Journalism.

MR. DOWNIE: This does dovetail very nicely, Ken did a great job of running the numbers, as they say in public radio, and also analyzing them well and pointing out the problems and the gaps. Earlier this year, at the very beginning of the year, Michael Schudson, a professor of journalism at Columbia University, and I, were asked by Nick Leman, who is the dean of the Columbia University School of Journalism, to do a research and recommendation project on the future of journalism.

One of the things we wanted to do was provide facts. Ken gave you the sort of macro facts very, very well. If you read our report, which is available at the Reconstruction of American Journalism, just Google it, you'll find the report, it's also on the Columbia journalism review website, cjr.com, along with a lot of commentary.

One of the things we wanted to do was to get down to the micro facts. We went around the country, interviewed lots of people in journalism, lots of experts on journalism, went to endless conferences and visited lots of news rooms. So, I believe that we have a fact base here that I think is useful in a lot of these discussions. You've already heard and will hear during these two days a certain amount of hyperbole about what's going on, but we try to provide facts that you can make use of in trying to decide how to proceed in the future.

What the report does is detail what Ken had just told you, which this is a transformational moment in American journalism in which the domination of newspaper and television news is rapidly giving way to a new era in which the gathering and distribution of news is much more widely dispersed. I love that slide of Minneapolis that showed you what was going on in terms of dispersal, and more is coming, in every community around the country, as well as nationally.

We concluded after all this time that newspapers and television news are not going to vanish in the foreseeable future, despite a lot of predictions that they will, but they are going to be very, very different from the way they were in the past.

Many news organizations are restructuring their news operations and are restructuring their business models in ways in which they will survive, but they will survive in much smaller form. The San Jose Mercury News is struggling to survive with a news room of 25 down from 400 of a few years ago. That's a real difficult problem for them and for the community in that part of California.

So, they will be much smaller, but they're being joined in communities around the country by all this great variety of new kinds of news organizations. What Ken called the new local in business terms, I think is also a good term for the new local in journalism.

It's creating a more diversified ecosystem of news than we've seen for a very long time, really going back to the days when New York had 20 or 30 newspapers, quite a long time ago, in the previous century.

There are rapidly increasing numbers of small city, state, local and neighborhood websites. In Seattle, for instance, every single neighborhood has a news website started by professional journalists enlisting the help of citizen journalists that they trained in every neighborhood in the city, and some of them are even banding together groups of news sites and many of them hope to make a profit in the teeth of what

Ken was talking about. They believe that at their scale there's a way to make a profit. The Seattle Times with a grant from the Knight Foundation is now working with these news organizations to link back and forth to jointly advertise and sales and maybe even news reporting.

There are new state-level sites like the Texas Tribune that he cited, a number of state capitals where the state newspapers throughout the state could no longer cover state government the way they did in the past. New news organizations are springing up to do that. Most of those are nonprofits, being started either by rich business people, as in the case of the Texas Tribune, or being started at universities or by philanthropists.

Then you have community news organizations like the Voice of San Diego and Memphis, St. Louis Beacon in St. Louis, there a variety of them are springing up around the country. Almost every week there's a new one. Some of them tried to start as for-profits like in Chicago and realized they couldn't make it that way and they are increasingly nonprofits. Most of them are very small and very fragile, and we could provide a lot of examples of these in our reporting. Get inside them, see how they operate and be able to analyze their

potential.

There has also been some growth, although slower than we believe is necessary, in the number of public radio stations that are gradually expanding their local news coverage, specifically to fill the gap left by the shrinking newspapers in their communities. There's still a small number around the country, but they are growing, the Corporation For Public Broadcasting is trying to help birth this phenomenon, in one step at a time, kind of gradually, but it is starting to happen.

Unfortunately, public television stations, by and large, do not engage in local news coverage. You see national news, obviously, on public television, but you are not seeing local news reporting, and we think that needs to change.

There also are pioneering university journalism schools that are actually engaged in professional journalism coverage in their communities. In many cases, a lot of the journalists that have lost their jobs in newspapers have gone to universities. They are on their faculties now, and they're practicing journalism there by teaching students how to engage in journalism so that you have something like the Cronkite News Service at Arizona State University, where I will be going in the winter, that covers the State of

Arizona, and has 30 clients, all the state's newspapers and some of the radio and television stations regularly buy coverage from the Cronkite News Service to augment their reduced coverage of the state.

In New York City, Columbia Journalism School now has three different neighborhood websites, in boroughs in New York, where the New York Times no longer covers those boroughs, and student journalists being mentored by professionals are covering those boroughs and posting that news on their websites.

In some other places, the universities and professional journalists and faculty are working with citizens to train them to be reporters in their communities, particularly communities that are underserved by the major media.

And then finally you have the launching of nonprofit investigative reporting project, I guess those ankle biters he was talking about, but again, by journalists who have left newspapers and are finding universities that will provide them with space and overhead, and again, offer students to work with them to do investigative reporting. Literally new ones that they start every single semester across the country.

What's happening is, increasingly, they are working with the newspapers, for instance, the largest

one of these, which is not at a university now, is California Watch, started by the Center For Investigative Reporting, a rather old reporting project in California, nonprofit, foundation supported and philanthropy supported, that has now established a rather large reporting project in California to do accountability reporting, investigative reporting about what's going on in that state in a time of great crisis there, and as dozens and dozens of news organizations that have taken its first two stories, and will make a big difference in California journalism.

And many bloggers are becoming reliable sources of news reporting in their areas of expertise. Something that I certainly have not paid enough attention to during my newspaper career, but that we were able to document in the report. People were expert in politics, government, business and economics, legal affairs, health care policy, local crime, local housing, parenting, sports, almost every subject you can think of. People that have backgrounds in those things, or are academics in those areas and do their own reporting, in some cases, like Josh Marshall, who you will see here later today, I believe, bloggers have actually hired their own news staffs and have become significant sources of reporting on their own.

A former member of our staff at the Washington Post started something called Baltimore Brew where she's enlisted the help of many former Baltimore Sun reporters who so far are working for free or not very much to provide local coverage of Baltimore that is no longer being done by the Baltimore Sun.

Then, of course, you have the aggregators of news content from other media and their own stables of bloggers, whose role is not yet clear to me in terms of original reporting. There is obviously some original reporting by the bloggers, for instance, on Arianna's site, but most of that content is actually being republished from elsewhere or rewritten from elsewhere, not contributing that much yet to original news reporting, which is the focus of our endeavor.

Obviously this creates new competition, which is a good thing. I was telling Ken before we came in here, that when I was running a newspaper, I liked not having much competition. Because we thought we knew how to do this, and why have anybody bother us. Now I came to realize that, in fact, as it had been before, the four or five decades of dominant monopoly newspapers, competition is good for news.

I welcomed Jim Brady's new local reporting project here in Washington. It will do different things

than we're doing, it will keep us on our toes, we will both be better by having it here.

So, what you saw in Minneapolis is the case in Seattle, San Francisco, many places around the country, San Diego, amongst a number of smaller news organizations, including a smaller local newspaper, is very healthy.

At the same time, they're collaborating more than ever before, and that's healthy, too. Again, I never would have dreamed as executive editor of the Post of taking news from some other news organization like ProPublica, the huge investigating reporter nonprofit started in New York, but now we need that help, and so we have joined with ProPublica on a number of investigative reporting projects, as have the New York Times, for example, that would have never used material from outside its own staff in the past.

Then you get to local newspapers around the country whose staff are so diluted they are desperate for this kind of help from nonprofits and other news sources. The eight largest newspapers in Ohio share every bit of their news reporting on a unified website and then they take that and take what they want to put on their own websites and in their own newspapers. So, as a result, even though their staffs have been cut in

half or worse, in many of these cities, they have more reporting resources available to them by grouping together than they would have had before.

So, our report makes recommendations about ways in which to keep this ecosystem going outside the commercial area. We are not recommending an antitrust exemption for newspapers to take collective action to charge for news on the Internet. By and large that's unconstitutional, this administration is not interested in doing it, and we just think it's a bad idea. Plus the fact that the nature of the Internet makes it impossible to enforce it at any rate.

In terms of payment for news on the Internet, which I know will be a large topic of discussion here, and going forward, we think there are good experiments going on out there and good ideas going on out there. Whether Rupert will do what he vows to do or not, I don't know, but we have some of the experimenters here in this room today, entrepreneurs who are offering these organizations ways to pay for news, either through pay walls to everything, or individual content, or ways in which to increase targeted advertising on the web. These experiments will go forward. We think they're a good idea and the marketplace will decide what works.

So, the six recommendations we make are focused

on public support for local news reporting at a time when, as you've seen from Ken's presentation, the private model is broken.

First, we think the IRS or Congress should explicitly authorize any independent news organization to report its independent and reporting affairs to be created or converted to a 501(c)(3) nonprofit or a low profit limited liability corporation. Most of the start-ups, little small start-ups, are already 501(c)(3)s, but each have to get individual permission from the IRS to be a 501(c)(3). They'll never know in advance whether it's going to work or not and they also don't know as they go along and raise advertising money and do other things and look kind of commercial, whether they're going to keep their nonprofit status.

Then the bigger question is whether you could take a newspaper, like say the Baltimore Sun, where local business people would like to buy that paper, turn it into a nonprofit 501(c)(3), is that even legally possible at all? The IRS is silent about this. The law is silent about this. We think it ought to be clear that you can do that. Then some states have started these 501(c)(3)s of various nonprofit corporations for various works and we think that ought to be available to newspapers in those states as well.

Secondly, philanthropist foundations and community foundations should substantially increase their support for nonprofit news organizations and public affairs reporting to the levels of their support for other vital public service, educational and cultural institutions. This has already begun to happen, obviously, that's where a lot of these news organizations come from, but it is difficult for foundations to see their way to constant operating funding of news organizations as opposed to the start-up funds they provided for individual reporting projects.

Thirdly, public radio and television should be substantially re-oriented to provide significant local news reporting in every community served by public stations, and their websites. This requires urgent action by and reform of the corporation for public broadcasting, which has been operating slowly in this area, and is still primarily focused not in news, but other functions.

Increased Congressional funding and support for news coverage by public media, and changes in the mission and leadership of many public stations across the country that have simply abandoned their responsibility to provide local news coverage.

Fourth, university, both public and private,

should become ongoing sources of local, state and investigative reporting as part of their educational missions. In the ways that I talked about earlier in examples of Columbia and Arizona State, they should operate their own news organization utilizing journalism faculty and students and be laboratories for digital innovation for the gathering and sharing of news and information.

Five, a national fund for local news should be created with money the FCC already collects from or could impose on telecom users, television and radio broadcast licensees and Internet service providers, which would be administered in open competition through independent state, local news fund councils. That's obviously the most controversial recommendation, you've probably seen a lot of debate about that on the Internet. I would be glad to talk about it separately later if you want.

Six, more should be done by governments, nonprofit organizations and journalists to increase the accessibility and usefulness of public information collected by federal, state and local governments and to facilitate the gathering and dissemination of public information by citizens. The OBAMA administration's open government projects are encouraging stuff in this

direction, states need to do that and we need to have more of the nonprofit news organizations finding ways to serve as the conduits between the government provision of information and its use by news organizations.

Thanks.

(Applause.)

MS. DeSANTI: Thank you very much, Len. Both you and Ken have given us plenty to think about.

Now we are going to shift gears somewhat and move to the online advertising issues that are so intertwined with the future of news. Our first speaker on this topic will be Lem Lloyd. In his position as vice president of channel sales for North America, Lem is responsible for managing Yahoo!'s sales relationships with some of the nation's largest publishing partners, including Yahoo!'s network of advertising retailers. He also manages the Yahoo! Newspaper Consortia, the company's pioneering partnership with more than 800 local newspapers.

Lem?

MR. LLOYD: Hi, everyone. Well, thanks. Thanks for having us here and I'm glad to talk with you today.

Yahoo! for the past two and a half years, myself and my team at Yahoo! have had the privilege to work with hundreds of newspapers across the United States.

I'm going to talk about this, but we've actually visited hundreds of newspapers and worked with thousands of sales and content executives from all across the nation. It really has given us a unique window on the world of what's happening. I would say in local newspapers, not maybe the national, like the Washington Post and the New York Times, and this is what I hope to share with you today.

So, first things first. Yahoo!. I'm going to show you these stats because I think they're relevant to what our discussion is on the newspapers today. Yahoo!, 581 million users per month, reaching three out of four in the U.S. Now, you should know that this is uniform across most DMAs. So, whether we're talking about Cleveland or St. Pete or Buffalo or San Francisco Bay Area, it's usually about three out of four across the United States.

The other interesting thing is to look at this stat. The average user spends four and a half hours on Yahoo! each month. Now, contrast that with most newspaper website engagement. Now, one thing this would allow us to do, which I will talk about, is that we know a lot about usage and we're able to extrapolate what folks are doing on the site in terms of what their interests are and what kind of audiences they are.

Obviously at Yahoo! we're trying to make things easier, I don't know if you saw our new home page, but we're opening up Yahoo! not just in a walled garden but opening it up to lots of different types of apps to get people to find things more quickly.

But today, what I would like to talk about is what I think, and what has been called the most ambitious partnership between America's newspapers and an Internet company to date. At its essence, the partnership is about retooling and retraining sales forces of America's newspapers.

Now, I would say that, like a muscle, America's newspapers sales forces have been left to atrophy. I was down at the Poynter Institute, with Ken and Rick, just a few weeks ago, and when you think about that institute, and the institutes that we have at the American Press Institute, where we train journalists in content and reporting, but there are very few such institutions that are working with America's sales forces.

I will say, then, that the newspaper consortium that we work with, there are 7,500 local sales reps across the United States for those newspapers. But I think that we believe that if given the proper tools and training, America's newspapers can compete and prosper

in the Internet Age.

Let me walk you through a little bit about the history of the newspaper consortium. It began in November 2006, with these seven companies representing 176 newspapers. One of these newspapers, E. W. Scripps, I see Mark Contreras, who addressed the group earlier today, and their idea was to work with an Internet company in a true partnership, very long-term. It started out on the recruitment side, where those newspapers used HotJobs. HotJobs is the recruitment engine for Yahoo! similar to Career Builder and Monster.

As you can see, in April, within six months, there was a new set of the pieces of the deal, which I will describe to you, and more newspapers came on board, including McClatchy, Morris, Media General. Today, we have 45 companies representing 821 newspapers that are part of this consortium. In looking at all these logos, we would have to say that they're all very different. All these papers, and these groups, as you all know, are different by their structures, whether they are centrally coordinated, whether they are more laissez-faire and they let individual newspapers make decisions. Some of them are in much better financial shape than others.

So, in total, it's 52 percent of U.S. Sunday

circulation. One would have thought I could have gotten a better metric, used a better metric to kind of show the size of the newspaper consortium, but basically, half of all paid subscribers in the United States are part of this newspaper consortium.

It was built on a very simple value proposition, the newspapers. So, from Yahoo!'s perspective, why did Yahoo! want to do this deal? I will tell you that this deal, this partnership, has taken a tremendous amount of resources for Yahoo!, a tremendous amount of commitment, and it has required us to focus on things with the newspapers that we might have wanted to focus on other things, but we think it's been very well worth it.

Obviously, newspapers, high-quality content, great brand. I would point to the last one, the local sales force. I would say that if you're an Internet start-up company, one of which several of them have been talked about today, the toughest thing for you to replicate in this day and age is a local sales force. A paid local sales force in a metro area. Much easier to replicate content, but the local sales force is a different matter.

On the Yahoo! side, Yahoo! said it would bring technology. We serve more display ads than any Internet company today, and our reach in audience, as I showed

you, is really unparalleled. I'll talk about training.

So, together, these seemed like good assets to mix, complementary assets. Here was the goal: The goal was to go after a share shift, a dramatic repositioning of ad spend dollars that is happening right now. So, we're here talking about newspapers in terms of the ad revenue that they will lose, I will tell you, working very closely with directory companies and broadcast companies, with lots of traditional companies, the direct mail companies, they're also trying to feel the same pain of how to stay relevant in this new day and age.

I'm going to take you through, for those of you who don't know, very quickly about the components, because I think it shows the scope of it. So, as I said, it started with HotJobs, and the newspapers take the Yahoo! recruitment ad platform that's on their site. Obviously any print ad or online ad that they sell is upsold onto a national distribution across Yahoo! and the network, therefore getting more EOIs, expressions of interest, from your advertisers.

The research component, all of these components, Yahoo! uses these on their sites, as well as monetize it with text link ads, on their pages. There's also content. If you notice the changes in the Yahoo! front

page, you will see that you no longer have to click on the local button on the Yahoo! home page to have local headlines from newspapers segregated by zip code, based on your zip code, the user's zip code, showing on the site. Each month we send over 50 million referrals from this page alone, directly to the newspaper partners. So, this is a headline, you click on the headline and you go to the story on the newspaper site.

There's also ad sales, and I'm going to focus on this. The idea is that the retail sales force, those 7,500 folks, can resell Yahoo! inventory in their markets. So, imagine if you had 150 page views on your website and you're trying to monetize those, but you had an extra 500 million or a billion to sell by selling Yahoo!.

Ad platform. As part of the deal, Yahoo! created a next generation ad platform. We were making it anyway for ourselves. We've been in the business 13, 14 years, and it was time to create a new generation. We worked with the newspapers to go over their preferences to create an ad platform that they would use.

So, as part of this deal, those companies that I showed you, whether they had DoubleClick or OAS, they would migrate off those servers and they would go onto

the Yahoo! ad platform. To date, there are about 260 papers on that platform.

Now, there are a lot of reasons why you would want to do that. I will tell you that those newspapers companies had the foresight to agree on a taxonomy. A taxonomy based on section page, which allows you to sell ads by section based and all those newspapers around the United States.

So, no longer do those local newspapers have to be out of the game when it comes to national advertising, they could actually create their own networks. I thought it might be good to show you what some of the chief executives have said about this partnership on recent sales calls. You could see CEO Gary Pruitt, I thought Scripps' Rich Boehne, let me read this to you. "We continue to be enthusiastic about the consortium. It represents probably the first time in the industry's history a meaningful coalition of newspaper operators to get things done on both the cost and revenue side for the long-term."

This last one, from Robert Decherd from A. H. Belo, he says that they continue to expand as we work with our advertisers to sell the benefits of behavioral targeting capabilities, and that's what I really want to focus with you on today, is behavioral targeting.

First of all, let me just kind of share with you some numbers, unfortunately I can't share all of the numbers with you, the revenue side numbers, but I will say to you that to date this year, the newspapers in this deal have sold 18,000 campaigns out of Yahoo!, representing over six billion ad impressions. That is being fueled by behavioral targeting. That means, instead of selling sections, instead of saying, I will put your ad on the sports section of the website, or a few dozen page views that I might have in travel, or finance, I will actually sell you an audience.

So, if your audience is folks looking for cars, or SUVs, I will sell you that. This is the good news, the rates on behavioral targeting are very good.

So, quickly, just to kind of walk you through what BT is, we analyze predictive patterns for purchase cycles in many product categories. You will see that if you're looking for flowers, that might be two days, if you're looking at a car, it's a longer period of time, maybe 30 days, and a house is even longer still.

In each category, we build models to describe behavior most likely to convert to an ad response. We score each Yahoo! user for his or her fit with the category daily, and then the idea is that you could deliver the right type of ad to the right kind of person

at the right kind of time.

That's really the goal. As I shared with you some of the campaigns, that seems to be resonating across the consortium.

Let me just quickly show you this. This looks at just some of the interest categories. I think we have four or 500. One of the neat things, I think, is that newspapers nowadays can actually create their own audience segments. So, you can imagine hybrid SUVs and then you can overlay if you're a San Francisco Giants fan. So, the first paper could sell an audience target of San Francisco giants fans who in the last month were looking for SUV hybrids.

Now, all the right tools in the world are not going to kind of change the ball game. One thing we found was that training is a big key. So, I'm showing you just a description of some of the sites that we went and trained with the local sales force in the last quarter.

I will say that training probably has been the most neglected across America's newspapers of the sales force, and when we do training, it's great to see it in their eyes. I mean, it's great to see a sales force that is kind of beaten down, and for them to get it.

Let me tell you about this story. It's a story

of in a southern newspaper, a woman who had been on the sales staff for 45 years. They went out and they do a two-week sales blitz of Yahoo! BT, selling BT, first time she learns it, and within two weeks, she sells a million dollars of this. That doesn't have to be Yahoo! product, but this woman, who had been there for 45 years, grasped this concept, and went out and used her relationships and effectively sold a new way. So, instead of selling sections, she sold audience. Instead of just giving an order form, she was much more consumptive.

I was going to show you a video, but I think that time-wise, I might be running a little late. The video I was going to show you was of a Dallas car dealer that used behavioral targeting for the first time, and within seven days, sold six Cadillac CTSs. It was sold by a newspaper in the Dallas Morning News, who had never gotten any advertising from this car dealer, but selling this new product, was able to achieve great results for the advertiser.

I will say that in talking with local businesses and advertisers, they're confused. It's really confusing for them to sort through all the options in Internet advertising to kind of come up with the best buy. I think that audience-based selling allows them

that ROI that they're looking for and it's something that they can understand.

The benefits for the consumers, when we talk about selling by audience, I'm not going to go into all of them, but I will maybe focus on the last one. I think both from the newspapers and also from large Internet company, free services. Obviously, the dialogue about if advertising can't carry the day, how long will these services remain free. I will also tell you at Yahoo! we took the step a few months ago of taking out what we called certain ads, teeth whitening ads, certain types of other ads that you might see on sites that really, their claims were probably fraudulent, we took a big hit for that, but that's part of an unclean ad environment, and I hope that other sites do the same.

Just briefly on privacy, because I know that audience selling and privacy go hand in hand. The deal that we have with the newspapers and the partnership has contractual obligations to fulfill regarding privacy. So, we actually work with the newspapers to have them put specific language on their sites, and a link to Yahoo! to opt out of any ads on behavioral targeting site.

Let me show you what this looks like. Here's an

example of the San Francisco Gate, SF Gate, if you scroll down, first you'll actually see the ally ads that we serve would be labeled. These are text link ads. But if you click on privacy policy or about our ads, you go to a page which allows you to click, go to a Yahoo! privacy page, and immediately opt out. In fact, it actually tells you if you're opted in or opted out. So, in this case, you're not opted out, so if you wanted to not have an ad, an airline sale ad follow you and say, hey, I know you were looking for a vacation in Barbados, here's a great deal, then you can do that.

There are also sites, I should say links on the site that allow you through other advertising networks, in this case the network advertising initiative, to opt out across a wide breadth of sites across the Internet. So, the idea here, I think as newspapers sell more and more behavioral targeting, that you need to make these links very prominent, and I think we're doing that.

Let me just say that I think that we are just past a thousand days in this partnership, and I look to Mark Contreras in the audience here and I think it's very much a marriage. We've learned a lot. I think Yahoo! has learned a lot from working with newspapers, and I think that newspapers have learned a lot, too. I think the trick for us is to continue retooling and

retraining the sales force, to take it to the next level. I think that they can certainly compete, and they can certainly beat a lot of the start-ups out there on the sales side, but without the training, it would be tough to do.

So, thanks so much.

(Applause.)

MS. DeSANTI: Thank you very much, Lem.

Now we are going to hear from Josh Cohen, who is senior business product manager for Google News. He's responsible for global product strategy, marketing, and publisher outreach. Prior to joining Google, Mr. Cohen was vice president of business development for Reuters Media, the world's largest news agency.

Josh?

MR. COHEN: So, thanks very much for inviting me down here.

Part of the reason we're here is obviously high quality journalism is important to our users, but beyond it's also important to society. So, I wanted to talk a little bit today about sort of how we see Google's place in this larger ecosystem, some of the things we're trying to do in this side-ways specifically around building new audience and finding new readers for publishers, about helping them create more engaging

websites for their users, keeping them on the sites longer and also making more money, and the different ways we can do that.

So, first I will go back some of the information that Ken talked about, because I think it's important when you sort of talk about, I think there's a lot of talk about the death of news, and it's really important to separate the issues over I think the very real challenges that the newspaper industry is facing as opposed to the real interest in news today.

Ken talked a lot about this. I mean, you can just look at the numbers here, this is from the National Association of Newspapers. For their membership sites, just in September, almost 75 million unique users. Almost 3.5 billion page views.

So, there's clearly a tremendous interest in getting that news and information. The Internet has now become one of the top sources for where people get their news online, or for where people get their news.

So, more and more people are going online, getting their news and information, again, and Ken covered this in a lot of detail, so I won't spend too much time on this.

So, I think the interesting news, not only has it not gone down, I think it's only grown, but there's

significant changes in the consumption. What this means for how people get that information.

So, traditionally, if you get a newspaper, pick it up, top stories of the day, you flip through a couple of different pages, you see what's on the front page and that sort of guides your experience as a user.

Today online, maybe about 50 percent of the users on a typical newspaper website are going to come in the front door. They are going to come to the front page, what the editors are saying, here are the top stories of the day, here's what you should be reading. But at least half, if not more, of the other websites are coming in through the side door. So, it's really changed the consumption patterns.

So, increasingly, every single page on a publisher's website is a front page. They are coming in from a search engine, from aggregators, from blogs, from social networks, from emails, any number of different sources are driving traffic specifically to individual parts of a publisher's site.

Now, the upside to that is obviously that you can get your content in front of more people in more ways. I think that's part of the reason that interest in news has grown because it's so easy to get access to it and it's so easy for publishers to get their content

in front of more and more people. But obviously there are some challenges to that.

So, I think that's sort of part of the place that we come in is specifically around Google News. So, in this new world, we really see it as a partnership, and this is Google, but this is really sort of anybody who's in the space about helping people discovery content. I mean, Yahoo! is certainly in that. Any number of the different blogs that are there. Any number of the different social networks. Publishers are creating that content and they distribute it on Internet. The next key step for them is how do you get that content found by the people you're trying to reach.

So, that's where we see a big part of our role specifically in Google News is helping people to find the information that publishers are creating in driving traffic to their website. So, in a given month, Google sends billions of visits to publishers around the world. So, if you look at Google News is now in over 30 languages in about 50 different domains or editions, you have mobile editions in most of these markets, and we've also been working for publishers for archival content, going back in some cases 200 years to help digitize that content and help bring it online.

So, our model is basically one of trying to show

as many different perspectives as possible. Again, you've got all this content out there, how do you make sense of it? How do you organize it? How do you show different perspective, whether it's a different political perspective, a different geographic perspective, how do you get that information and get it together from a number of different sources?

So, I mean, we are certainly an aggregator, just as a portal is an aggregator. But our business model is a little bit different. Up at the top you can see that sort of traditional portal model, where you will traditionally license a small subset of the content in a given market. For the most part, then, the experience is out of the portal. If the portal's look and feel, it's their editorial voice, it's their business model. This is not meant to be a value judgment, it's just an important distinction between how we operate versus a more standard portal.

With Google, since we're trying to show as many different perspectives as possible, getting a small subset of sources and licensing them doesn't really work, because you're only going to have that limited perspective.

So, what we try and do is try to index all of the different sources that are out there and then

amplify the traffic back out direct to the publisher's site. So, if you're a publisher, it's their look and feel, it's their editorial voice, and their business model. Certainly I will talk about the ways that we work with publishers on the business side of it as well, to help sell advertising and monetize that traffic, but these are separate processes.

So, the way that it works is you've got what's known as the Google bar, or our web crawler. We will go and take a look specifically at Google News to all the different sites in a given market we are trying to index. When we go there, we are basically looking for one of two things, I guess the easiest way to think of it is opposite sides of the spectrum.

On one hand we're looking for something called a site map, and what that is is basically just a way that a publisher can make sure that we're crawling all the information they want from their site. It can be nothing more than a list of URLs, each of the individual articles on their site saying, make sure you crawl this, when you come to check my website, I want to make sure that you index this.

The other thing we look for is something called, this is broadly known as Robots Decision Protocol, and this is on the opposite end of the spectrum, saying,

don't crawl, don't index this information on my website or give some specific instructions about that. So, when we check those two things to make sure what a publisher wants us to index and those things that they don't want us to index, we will be able to take that individual article.

So, there's a lot of talk back and forth, last few days and weeks or so, about the issue of control, so I just want to spend a little bit of time going through the details of it.

So, when we come to a site that's very, very simple for a publisher to say, don't index this site at all. You can specify that specific to Google, or you can do it for any of the different major search engines. Robots Exclusion Protocol is sort of the de facto standard on the web that any reputable search engine is going to honor.

So, you go and you can see at a very basic level, something called robots.txt, you can come and put that on your code, identify for specific crawlers and say, don't index this website and you can leave it right there. But it's not an all-or-nothing proposition. You can also do it on a site level.

So, you can come and you can say, I don't want you to index a specific section, or specific files, or

even types of pages that say certain PowerPoint or certain spreadsheets you might have that you don't want indexed. Again, you can do that on a site-wide level to give those instructions, again, you can do them specifically for Google or for a different crawler that's out there, as long as you identify different user agents there.

Beyond that, you can even do it on a page level as well. So, there's a number of specific instructions you can give in the header of that page to say things like, again, don't crawl this, don't index this specific page, or index this page, but I don't want you to show me snippets, or I don't want you to show images, or after a certain period of time, my content is going into a private archive, so expire it from your index.

These are all different layers of control that publishers have today, not just for Google News, not just for Google, but really for any broad crawler that's out there.

The reality is, though, that the vast majority of publishers want to be discovered. They're creating that content because they recognize the opportunity that the Internet offers for distribution. So, I think you probably have heard some of the challenges facing these industries, and I'm sure you probably will over the

course of the next day and a half. There is no single factor that's causing the challenges for newspapers.

Declining circulation, the aging demographics of those readers, you can talk about sort of migration of classified advertising, you can talk about consolidation of major brand advertisers. Unfortunately, there's any number of different things you can point to that are challenges that are being faced by newspaper industry. So, I think it's also probably foolish to think that for a single solution that magically tries to fix it all. It doesn't exist.

I think the way that we see our role is one of the partners that can work with publishers as publishers should be looking to any number of different partners. Lem was talking a lot about the work they're doing with Yahoo!. There are any number of different people here who I am sure have worked with publishers and that's a good thing, you should never look to close yourself off and just have a single partner. It probably doesn't make sense for any business, but especially on the web where there are so many different sources and so many potential partners out there to work with.

So, if we think about what we're trying to do in the space is how can we work with publishers to get them more readers, to help them grow more engaging websites

and how to make more money for them. That's really the reason that we think about how we work with publishers in those different areas, we think about how a publisher thinks about it. Once a publisher puts content out on the web, to simplify things somewhat, there are basically three different levers that you have to grow your online business. You can get more readers to your website, you can keep them there longer, have more page views with each visit or you can make more money from them, either from advertisers or subscriptions.

That's, again, somewhat of an oversimplification, but that's kind of what publishers are thinking about every single day is how do I grow my business by moving one of those three levers and they are certainly not mutually exclusive and publishers should and are thinking about how do I boost all these things up.

So, when we think about what we're doing today, we look at it from those different categories. On the traffic side of it, that's Google, that's Google News, that's the discovery part of what we're trying to do. We are a search engine. Again, at its core, that's what Google News is as well. It's about helping people discover content and send the traffic directly off to the publisher's site.

Google News alone sends about a billion clicks every single month to publishers worldwide. Obviously if you add in Google and iGoogle and all the different types of properties that are out there, you get billions more. That's just Google. Google represents a certain amount of traffic that's driven to publishers. There are tons of other platforms out there for distribution on the web that have absolutely nothing to do with Google that I think publishers should if they aren't already trying to take advantage of to get their content out, and again, to get your content in front of more users.

On the revenue side of it, that traditionally has been our Adsense program, which is the contextual advertisements, either in response to a user search, or to the content on the page. Last year, we returned over $5 billion in revenue to our partners through our Adsense program. Obviously now we're getting into the display space as well with our DoubleClick platform, we will talk a little bit about some of the things we're doing there, ways to enhance both the efficiency of buying an ad and the targeting of those ads as well.

The last bucket is around engagement. We don't create content, obviously we can't have publishers create websites with content, but we're a technology

company and we have a host of different tools that publishers can take advantage of so they can focus on creating content and leverage technology, things like Google Maps or YouTube. We launched a program recently called YouTube Direct that allows publishers to create citizen journalists on their own website leveraging the YouTube platform. These are things we think about to work with publishers to help them leverage our technology. But obviously there's more to be done and this is sort of some of the areas that we're thinking of.

Again, increased net ad revenue, what else can we do around user engagement and what are the different models that are out there beyond advertisement that we can do.

So, advertising, we think there's a lot of room for growth in online advertising, not just in the search part that Google is well known for, but also in the display space. Ads can be smarter and more targeted. I think a number of different people talk about their room for growth there and also it needs to be much more efficient.

It needs to be easier to buy ads on the web. It's not today. If you compare the time spent online by users with the marketing dollars there, there's a huge

disconnect, and we think part of the reason is that ads haven't innovated as much as they need to.

On the engagement side of it, I will talk about one example we launched a couple of months ago called FastFlip, 40 or so top publishers in the U.S., ranging from people like the Washington Post and the New York Times down to nonprofits like ProPublica who are in the investigative journalism space. We've gotten a great response, not only from publishers but most importantly from users who are spending a lot more time on this site, so with that content than they do on a standard website.

So, how can we find ways to take those types of lessons and whether it's in products like this or taking that technology and giving it to publishers so that they can leverage it on their own sites to create a more engaging experience than what the online user experience is today.

The last part is a little bit more open-ended, but I think there's often times talk that I can either make my content, I can put up a pay wall or I can make it free, and I have to sort of make this decision between the two. The reality of it is we have a number of publishers today who have subscription content and are still discoverable on the web. There are a number

of different programs that we have and a number of different approaches that publishers can take to put their content on if they decide to charge for it and still be discovered. I think if anything it's more important if you're targeting a smaller base to make sure that content is discoverable.

We're thinking already about different types of ways to create digital marketplaces for other types of online content. Google Books is probably the best example, the most public example right now where we are building these types of platforms.

So, there have been some discussions over the past summer and ongoing ones, which is, is there a possibility that we can sort of leverage this sort of power buy approach to create a platform that publishers could use in, again, in the same way that you could use Google maps and not create mapping technology, if you're a newspaper site, do you want to be recreating an e-commerce system and are there ways that Google technology can help publishers?

Again, these are just a handful of efforts, things we have done -- I've got the stop, time is up card, so I think the point here is that there really isn't one single area or one single solution to it, and there needs to be innovation across all these different

buckets from a number of different partners. We feel it's important to sort of use that, it's the DNA of our company to innovate and try things and fail and fail quickly and try to innovate and move forward. That's the way that we work with publishers and we look forward to doing more.

Thank you.

(Applause.)

MS. DeSANTI: Thank you very much, Josh.

Now, let me ask the next panel to come up. We're going to start this panel a little differently, because Steve Brill has to leave. So, we're going to let Steve start off with a presentation and then think of questions for him, panelists, I have some, but he will take a couple of questions, and then we'll bid him adieu and get further along with the rest of the discussion.

MR. BRILL: Thank you. I understand that I don't have to spend as much time as I might have describing what Journalism Online is up to, because Arianna Huffington did that this morning while I was on the train, so I want to thank her for that.

I come here actually with just a very few basic ideas and principles I would like to lay out, and the first is, because we're in a building that says it's a

government building, is that I don't think the government should really be involved much in this, except possibly to make sure that all the privacy data that our friend from Yahoo! described a little while ago is actually given over by people voluntarily and knowingly.

Just the whole idea of the government getting into this stuff leaves me a little bit uncomfortable, with the exception of the kinds of Internal Revenue Service reforms that Len Downie described.

Oh, and by the way, speaking of Yahoo!, if all that stuff, that behavior targeting is working so well, why are we here anyway? If there's so much ad revenue out there being mined from that.

My second proposition is that this wouldn't have been much of a problem, but for the fact that the people who ran the nation's great newspapers and magazines decided to go to the public markets to take their companies public, or even if they kept them private, to sell them way back when five or ten or 15 or 20 years ago, at ridiculously high multiples, which loaded them up with debt, which is the reason that most of the newspapers that we've been talking about are in the trouble that they're in.

Now, that doesn't mean that all the numbers that

Ken Doctor presented aren't true. The business of journalism, as we know it, certainly print journalism, is going down fast, and I think, contrary to what some of my panelists will say, that there's a pretty simple reason for that, and that is that ten or 15 years ago, all the publishers in the world decided to commit suicide, by giving their stuff away for free, and that was the beginning of what otherwise, except for the brains of people in this room, might be the end.

So, how did I get involved in this? Well, a while back, my wife and I decided to help establish a journalism program at Yale, aimed at luring people into the profession and training them and getting them off into what we consider to be a really important role in any Democratic society.

About two years ago, I was sitting in my office, when a woman called me and as I picked up the phone, demanded to know what I was doing to her daughter. After I recovered, I found out that what she meant was that her daughter had just been accepted into this program, and she had interned at a consulting firm the summer before, and now why was I luring her into a dead-end profession where she was never going to be able to pay off her student loans?

Well, I've been thinking about that question and

I didn't have a very good answer for her at the time, and I've been thinking about that and thinking about that for a while, and that's what caused me to start Journalism Online with Gordon Crovitz, who is the brains of the outfit, who as many of you know was the publisher of the Wall Street Journal when the Wall Street Journal successfully decided that its content was actually worth something and therefore people would pay for it when they got online.

This is stuff that Gordon and I really care about. In fact, like many people in this room, I've made my way in the world as a journalist. In fact, by coincidence, a lot of it happened across the street from this building, dare I say at the Teamsters Headquarters, which was the site of a book I wrote a number of years ago.

I care about this. I don't know that I know all the answers. I know that Gordon and I haven't presented a business or a proposal that perfectly meets all the answers, but I do think we have made some real progress, now with over 1,300 affiliates having signed letters of intent to join us, that we've made some real progress in enabling publishers of magazines, newspapers, online-only sites, blogs, nonprofits, to derive some value from their content from people who access it

online or through e-phones or e-Readers, but do something other than access it via print.

We support all those models. We also know, by the way, that the search engines are our friends. They're not our enemies. As Mr. Cohen pointed out, when you use a search engine the right way, it brings people to your content and there you could ask them to pay for it.

So, we don't start by knowing all the answers, by thinking that micro payments are the answer or annual subscriptions are the answer, or showing people ten articles before you start charging them is the answer, or 15. What we do know is, what we think we know, is that a minority of engaged readers at any website will pay something for content if that content has distinctive value, and having distinctive value, by the way, is the work of any editor at any publication on the planet. That's what you're supposed to do. If you're paying people to do something that doesn't have distinctive value, you need to rethink that.

We've also found in our discussions that local newspapers, right now, seem to have more of that distinctive content, and equally important, local publishers seem to know they have more of that distinctive content, and seem to be more eager, at least

at this stage, to be engaging with us.

Now, I have a theory about that. If you're a local proprietor of a small newspaper, you may have more of a sense of what your readers consider to be valuable and you may be more in touch with your product than someone who is sitting back at the home office at some giant newspaper chain. But that's just a theory.

We also think that the alternative business models are not terribly logical. I'll give you one example. This class that I teach at Yale, there are 15 kids in the class, I ask them this every year, do you read the New York Times? All of the hands go up. Do you read the New York Times in print? No hands go up. They all read it online.

Now, the New York Times online, as with many newspapers, is a far superior product. It's updated constantly, it's got terrific blogs, it's got video, it's got all of the back-up documents. It is a wonderful product of journalism, every day. So, the Times has one product that is an A-plus-plus-plus product, and one product that is an A product, that the next generation of readers, the demographic that the Times wants, doesn't prefer as much as it prefers the AAA product.

So, what does the Times do? It charges for the

inferior product and gives the better product away for free.

Now, no matter how you cut that, that is not terribly logical. I think we know that. I also think we know a little bit about history, which is that in the history of journalism, it is really hard to find any sustainable large news organization, any large significant news organization, that has ever been able to sustain itself just with advertising revenue. The closest thing might be the broadcast networks way back when, but they were typically nonprofit loss leaders for the networks, and they got to split 95 percent of the country's eyeballs into three pieces of the pie. The Internet doesn't quite allow you to do that when you're giving stuff away for free.

So, our basic proposition is very simple, that journalism needs to be professional, and it needs to be paid for, not that you need to have a pay wall, where everything goes down, but you can segment some of your content or allow your most engaged readers to offer to buy it, or if you're a nonprofit, you can ask people to contribute to it, but the basic idea, what we're trying to do, is re-establish an old business model, not create a new one, and that old business model is that readers of content that they value, pay for some of the costs of

delivering that content.

Now, I should add that I was on a panel like this a couple of weeks ago, and there was some guy from a collective, I think in San Francisco, called the Shared Media something or other, I'm sure Jeff Jarvis will know who he is, because he probably goes to a panel a week with this guy, and he was talking about how great it is to share, and about the wisdom of crowds, and the wisdom of crowds I think is great if you're a reporter looking for sources, and I think sharing is great, but when I think about that woman who called me about her daughter who was going into our journalism program, I don't think that that daughter is going to have a grocery store that wants to share the food. I don't think that daughter is going to have a landlord that wants to share his space.

Professional people, doing something that is this important, in our democracy, have to be given the recognition and the wherewithal to do that job.

Thank you.

(Applause.)

MS. DeSANTI: Steve, I do want to respond to one of your early points about privacy and the importance of people knowing what kinds of behavioral targeting that may be made available to them or not. The FTC is doing

a survey, a study, again, of its privacy, approach to privacy, and I can invite you all back to a workshop in this very room on Monday, December 7th, which is going to talk about behavioral advertising and privacy will be one of the main topics then. So, we will be welcoming you then.

I also want to ask you, though, Ken Doctor mentioned a number, 10 percent, of people in his survey said that they would be willing to consider paying for news. Interestingly, public broadcasting finds that approximately 10 percent of the people who watch their shows are willing to contribute as members. Does that sound to you like a reasonable approximation of what you are expecting the population would be that would pay for news?

MR. BRILL: Well, the other studies have much higher numbers, but I think that Ken Doctor, as in most things, is smarter than those other studies and I think it is close to 10 percent, it is closer to 10 percent. Although some of the market research we are starting to do suggests it might be a little more, but our business, and more importantly, the businesses of our affiliates, hit a homerun with 10 percent. Because the idea is that this is one of those areas where they say that in print, a print dollar becomes a penny digitally, or something

like that. That's everybody's favorite formulation. Here, the profit margins and the dollars go in exactly the opposite direction, because if I pay you $5 a month for a subscription to the XYZ newspaper, that is about $4.95 worth of profit. So, 10 percent contributes significantly to the bottom lines of all of the affiliates we're talking about. It doesn't end all their problems forever, nothing would. It's going to take a lot of things. Especially, but once you're in that mode of saying it's 10 percent, then you're hiring reporters and hiring editors and you're telling them, don't just produce all this stuff that runs around the ads, produce stuff that makes it 12 percent. That makes it 14 percent. That's why we all got into journalism in the first place.

MS. DeSANTI: Let me ask you, there have been a number of estimates that I've read over the past months about when journalism online was actually going to start operation, are you ready to give an estimate?

MR. BRILL: Right now as we speak, about a week away from shipping our initial beta software to our first affiliates, they're going to be kicking the tires over the next month or so, and some time right after the first of the year, there should be real people somewhere buying stuff off of what the platform that we are

producing. I'm trying to be vague, because I'm thinking this is going to be one of the great headline events of all time, so why should I give it away to you here, but --

MS. DeSANTI: Because you've got a lot of people here listening and now paying attention. Is there anyone else from the panel who would like to say anything before we release Steve? I know, Jeff, I know.

MR. JARVIS: No, no, no, no. Steve and I have said it all.

MR. BRILL: Jeff is my bud. Thank you for having me.

MS. DeSANTI: Thank you.

(Applause.)

MS. DeSANTI: Next we're going to hear from Lauren Rich Fine, who is going to give us a brief outline of a few of the emerging business models. She's the research director for ContentNext Media and also a practitioner in residence at Kent State University's College of Communication and Information.

MS. FINE: Actually, a quick correction, I haven't been with ContentNext for about six months.

MS. DeSANTI: Oh, I'm sorry.

MS. FINE: That's okay.

One of the misconceptions is that this is an

industry that was all supported just by advertising and circulation and that's not really the case, although I think an earlier speaker did note that the run-up of classified over the last 20, 30 years, did allow the industry to get a little bit sloppy and not focus on those other efforts. But I think it's important to know why the advertising model was working, and in a sense it's because whether it's newspapers, TV, radio, they were aggregating audiences of scale, whether it was locally or nationally, and providing that access for advertisers was considered really important of value.

On the circulation side, I think one of the real problems, as we start to approach getting consumers to pay today, is that they were never trained in the past to value newspapers. Newspapers never really sold them on the proposition of paying very much, any time circulation rates were raised, there would be a decline in circulation, and I'm glad that the industry a little bit late is catching on that they can raise their rates today, because, in fact, their loyalists will pay pretty much any price at this point, and that's why I do think Journalism Online has a chance to be successful, because there will be those loyalists who will pay online as well.

One of the things I want to get to, though, is

also on the cost structure side. I think that's an area where I think the industry has been entirely negligent, and I guess the headline there is with the run-up of revenues in the past, the industry tried to provide everything to everybody and now some very difficult decisions need to be made, you can no longer provide everything to everyone with your own original content, which is something that I think Jeff will talk about. You do have the ability to aggregate what is going on in your community, as a local newspaper, you can play editor, which is the role you should be playing.

So, I will get to that, but ultimately, as we all know, the real challenge today and why we're talking about this is the loss of classifieds. It was a commodity. Newspapers are very good at housing it. They never stood a shot at trafficking it online, because it was destined to be free. It's better online. I don't think newspapers committed suicide, I don't think they ever had a chance with the amount of infinite supply that exists. It is pure economics, with infinite supply, it's very hard to charge for things.

So, ultimately, what's everybody to do? I think the ad model will still work. I think we need to broaden the definition of it. It's no longer going to be just simply display ads or search, but it is going to

be getting back to that scale model and providing something of value. A lot of newspaper websites don't have the scale still locally to do that, but if they were to put a nice bear hug around their content in their community, they could, in fact, use that and become the dominant local ad network in their community. There is still an opportunity, there are not strong local ad networks as of yet.

So, the other point is also creating scale, like a New York Times, an MSNBC, a Huffington Post have done and use direct ad sales force because they are still able to charge a premium.

Newspapers have not done enough with sponsorships. There are still opportunities to take traditional advertisers and allow them to be ongoing sponsorships and basically help giving them access to the audience, allowing them that engagement opportunity, the opportunity for sponsors to create some of the content, which I know historically has been an issue, but if it's well documented as either an advertorial or sponsored content, it has been highly successful. When people are looking for information online, that advertiser knows a lot about their product and that information is valuable.

I'm thinking, not because Mark Contreras is

sitting right there, but E. W. Scripps years ago tried to get into the Yellow Pages business. They tried it, they failed, they got out of it, but that opportunity does exist online to create really comprehensive local directories.

Most small businesses don't have a website. Most of them don't need it, by the way, but the newspaper has an opportunity to sell to them the opportunity of some type of a brochure where something that gives them a place holder there that would allow them to participate in new ways that our consumers are finding businesses. They could host these websites, they could create them for them.

I recognize and I feel the need to say this, newspapers historically have had the worst ad sales forces known to mankind. I can say this, I am the daughter of an ad salesperson, but I can tell you that there is an opportunity, Len was talking about it earlier, with training, you really can improve the sales proposition, you can do these online directories and websites, and it will give the opportunity to increase the ad base there as well by opening it to the local community.

Newspapers historically tried to get into direct marketing, very few of them have done it online today.

The New York Times does a great job with their email business. NewsMax, a conservative news organization, has a great business with their email marketing. Again, it gets back to access. They have aggregated an audience that thinks a certain way, they provide that audience using an email product, and I think it's been highly successful and one that can be done much better.

On the subscriber feeds, I am not really one who believes that there are going to be a lot of subscriptions paid for general interest news. I think the American Press Institute just put together a great compendium and looking at that I tried to do the calculation, and my math skills are reasonably good, it wasn't 10 percent of the audience willing to pay for a general news product, although I think they will pay for specialized products.

Things that Marty is doing in Milwaukee for the Packers site, there are things that people will, in fact, pay for. I think other specialized sites. I think the Wall Street Journal will always be able to do well with subscription because there is a real return on investment for the user on that content, when they do a trade on a lower basis point, they have saved money, they have paid for that subscription.

The same for Blumberg, Reuters, the FT, but

certain media sites could that that, my prior employer with ContentNext with paid content probably could charge for their content coverage. They do have a lot of competition.

This rearranging from geography to topics is a difficult one for newspapers to understand, but that's where the opportunity probably lies, not getting you to pay for their geographic concentration of news, but maybe paying for things that are specialized. We have a group in Cleveland called MedCity News that is trying to do a syndicated model of news on the medical industry, but doing a deep dive locally in the different communities where that matters, like Cleveland, like Minneapolis, like Boston, and taking that content away from the local paper but syndicating back to them.

I am intrigued by the concept of memberships. Pittsburgh Post-Gazette is trying to do this. A lot of newspapers used to do this. They used to give you reward cards, you got discounts at restaurants. The same thing can be done online. It creates that engagement, I think it fits nicely with Jeff's model in terms of the bear hug in your community. Philadelphia has experimented with discounts on books on their commerce site. I think there are some commerce opportunities as well.

The idea of matching advertisers with content like Demand Media and AOL, I think it's actually very smart, it goes back even to what Murdoch was saying of trying to get people the news they want. I think the flaw in the model is what this whole workshop is getting at, if you're trying to preserve democracy, giving people what they want probably won't end up with the kind of coverage that most of you in this room really want to provide, and therein lies the real challenge, and that was the beauty of newspapers, which is the spinach was on the front page and Britney was on the back page. That continues to be a challenge, but again, it comes back to good marketing.

On the commerce side, I don't expect local newspapers to set up their own commerce site, but they do exist. My prior employer was in the commerce business, Marty mentioned earlier the event business. They're opportunities. The Wall Street Journal has done a very good job, as have others in the conference business. Unsuccessfully, my prior employer tried to get into the research business, but in fact at some point when the economy is better, specialized sites will be able to do syndicated research. Books, releveraging content, the New York Times has always done that, they releverage content for TV. Licensing, going back to

whether it's with Google or others, or DailyMe and others that are trying to aggregate, there will be a revenue stream there, but it won't be a very big one, and I'm surprised with all the time spent talking about it.

I would mention the hybrid model. Print isn't dead. Newspapers still sell a lot of advertising, and if we can improve the sales force, they can do a good job, but a lot of the new sites that were being created that were meant to be online audiences only were finding that by printing they still make most of their money.

A great example is Politico, most of their money is being made in their print edition today, yet it's a very robust national website. I can think in my home town of Cleveland, the Lakewood Observer and all the Observer editions they've created was originally trumped up as a 24/7 website by advertising, they make all their money by printing every two weeks, but they have a very robust website being supported by the print edition.

I talked about the cost side. A lot of what's going on today that I think is exciting, it is important, it does get to things like Global Post, which is trying to get a consortia of really strong, overseas reporters, it gets to ProPublica, citizen journalism is sharing the cost, but it requires the news industry to

really sit back and figure out what they have to cover and what their talent really needs to be resourced toward.

So, for example, investigative journalism. Take all your reporters and put it towards investigative journalism and find other sources for movie coverage, crowd sourcing, citizen journalism, restaurant reviews, Yelp, others are are doing a really great job of this and the newspaper doesn't need to spend their time doing it, but they can re-allocate their dwindling resources towards this, but if they include that ad sales force, they could really have the resources to support the community.

I'm going to stop there -- oh, actually, two more quick points. Mobile is an area that I think newspapers will be able to charge. You are now providing something that is easy for someone to access, you are giving them the opportunity to access it where they want it with some urgency. I would be surprised, really, if you give that away over time, even if you have the opportunity to charge even a very small amount. I was surprised that I was getting my Wall Street Journal for free on my mobile phone, and I was very proud of them that they finally started charging me, and of course I will pay for it.

I think that your readers are going to be important, also. They create that same mobility, it's a formatting opportunity. In a perfect world, newspapers would never print another hard copy, they would get rid of that cost, they would force you into the E-editions. It's not happening successfully today and the ones that exist on Kindle don't include advertising, and so it wouldn't be very economic, but over time I think the competition of the e-Readers, the inclusion of advertising, the opportunity to edit again, get people to eat their spinache along with everything else stands a chance of being successful.

So, ultimately, I'm optimistic, but I think there's going to be some pain ahead.

MS. DeSANTI: Thank you very much, Lauren.

Now we are going to add perspective of one of the world's most successful newspapers, one that has been mentioned many times today, quite favorably, with Robert Thomson, who is the editor in chief of Dow Jones & Company and the managing editor of the Wall Street Journal.

MR. THOMSON: Thank you very much, Susan, and thank you, Lauren.

I know I focused on the client, but I'm in the embarrassing position of being with a newspaper whose

circulation is still rising.

I think the apotheosis of the journalist came when Robert Redford was cast as Bob Woodward in All the President's Men. I've met Bob Woodward in passing, and while he's certainly better looking than I am, and no doubt intelligent, he's a rather ponderous, even lugubrious sort who has the manner of a Hollywood villain. He is no Robert Redford.

But inevitably, after bifurcation comes decline, and so if an actor or actress were asked to play a contemporary print journalist, who would it be? Some dissolute, disheveled, disillusioned individual, perhaps Mickey Rourke, pathetically hanging around news rooms, catching drinks, looking beaten and bedraggled.

So, here we all are, questioning the fundamentals of epistemology. It's certainly fair to say that far too many journalists have failed to respond with flare and creativity to the extraordinary opportunities presented by the digital age. One cause of that failing is the inability to understand how fundamentally the life of the reader has changed. Instead, journalists, thankfully not at Dow Jones, have been seduced by status and become prisoners of prize consciousness. Journalists should not be prize hounds, they must be unruly and feisty, not lap dogs with

laptops or meek members of a political movement or an arm of government.

Some journalists even think they deserve to be funded by the government, much like exhibits at the Natural History Museum, stuffed and lifeless and on prominent display in a news room near you. What we would be creating is a new class of content concubines, kept men and women who would depend on handouts for their existence.

It is clear in the digital world that there are two types: The creators and the reverberators. The latter group is mostly an editorial. The noise is sometimes alluring, but they are neither composers nor musicians. For a period, it was hip to accept that all content should be free all the time, but there was a fundamental flaw in that argument. It benefited those who distributed content, but not those who created that content.

As a result, the content landscape had to be changed. An editorial war we had to win. Our intent, at the start of the year, was to grow prompt and provoke a debate about the value of content, and then begin a second phase of debate about how the value can be best realized.

The third thing is to act on the most

intelligent ideas for emerging models. A phase that will continue the expediential evolution of the web. The character of content is again changing and it will not all be free. What will the aggregators aggregate, and in the end what will be referred to Google actually mean.

There won't be much haggling over the coming months, but that is as it should be. New sites which are now free must re-examine the worth of their assets. As Lauren said, their audience, their archive, their role as platforms. Think creatively about what is a premium experience, so that there is a real distinction in the mind of the reader.

We need to examine endlessly how people use the web or their phone or a reading tablet and tailor the premium content to suit that preference. We need to tier content and price accordingly. Instead of the horizontal web as defined by certain aggregators, there will be more valuable verticals.

It is glib, but true, to say that there will be an ever-increasing role for bloggers and citizen journalists, and for the world of the wicked, but the Internet age cannot just be the triumph of amateurs. You don't need a sophisticated algorithm to prove that there is a clear digital deficit between the current

costs and the values of social and commercial content. Thankfully, the era of content can't is almost over.

Thank you.

MS. DeSANTI: Thank you very much, Robert.

(Applause.)

MS. DeSANTI: Next we will hear from Chris Ahearn, who has been president of Reuters Media at Thomson Reuters since 2002. In that position he oversees the publishing and distribution of news and information services to media and business professionals.

Chris?

MR. AHEARN: Thanks, it's always daunting to go after Robert. I only have a couple of minutes, so I will make this quick. First of all, journalism is not synonymous with newspapers. I think we're obsessing a bit too much on newspapers here for what it's worth.

Second, journalism will definitely more than survive the Internet Age, it's going to thrive. It will thrive as creators and publishers embrace the collaborative power of the new technologies, when we retool our production and distribution strategies, and, frankly, stop trying to do everything ourselves all the time.

I agree with Mr. Murdoch and with Robert that

the bold will survive, and the timid will fail, and they should.

Now, that said, the new-fangled aggregators or curators and the dominant search engines are certainly not the enemy of journalism, but nor are they the salvation. They do not always refrain from doing evil, though they say they do, in their pursuit of profit and audience. They do fail to do unto others at times. Some do steal, outright, and they completely copy what we do. They take that and then they monetize it with ad networks like Adsense. That happens.

But, they are also constructive and competitive members of the ecosystem, I welcome them and I welcome the link economy. I'm sure we will continue to discuss that around this round table.

At Thomson Reuters, I am lucky enough to oversee both the world's most indispensable news agency, as well as our innovative publishing arm, Reuters.com. So, I get to speak out of both sides of my mouth. I'm both a supplier to many of you sitting here, and in some ways, with what we do at Reuters.com, your competitor.

As a result of that, a lot of people here wish they could roll back the clock; I don't. We're leaning forward into the winds of change. We see major opportunities there on the horizon. Like others, we

grapple with the issues of content scarcity versus abundance, as well as usual content uniqueness versus utility, but we try to find a way to make money out of each of those different parts of the vertical.

To maximize the value, we focus on the power of verticals and niches, a lot like what Robert was saying. The importance of subscription models. As a firm, we make 90 plus percent of our money out of subscription. We focus excessively on the needs of professionals. We don't want to be all things to all people. We want to create journalism that has unique value to our clients and we partner with others where it's warranted, and probably most importantly, I've heard a lot of talk today about content. We focus on services. We focus on things that add value, because I think people pay for a service.

As the world's most indispensable news agency, we are focused on the long-term health of our clients, those of you sitting here and the industry, and particularly the needs of news professionals. The costs for cost efficient growth, however, we see an opportunity for greater collaboration and partnership among the content creators. We see a world that opens up news rooms and news-gathering processes to allow for the highest quality and valuable content to flow better

from content creators to the publishers. We see this as a new network of syndication predicated on the needs of publishers and their audiences, not just on what we want to produce.

It's inherently multisource, something that doesn't exist today. With the rights that are defined and with multiple revenue streams, be they subscription, a la carte, bulk purchases, link back, ad sharing, et cetera. This is a B2B content network that the world needs now, and something that we are building.

We see this platform as an open network. That applies consistent meta data in an open way to create intelligent information that's designed to help publishers and broadcasters better manage their own and third-party content. This is not about locking people down. This is not about blocking search engines. This is about allowing creators to make more money from their content, and allowing them to choose the model that they want to monetize over.

Because we believe in the value of the creator. We believe that the creator must and always and should be paid, and it's an open platform that allows publishers to save money by specializing and focusing on what they do uniquely, and to paraphrase my friend Jeff, who I don't always agree with, outsource the rest.

It will allow publishers to right size their efforts, because let's be honest, most news rooms are not right sized, and stop wasting resources on things that are already done by others who, frankly, do it better.

We are optimistic about this. We think that that coupled with all responsible behaviors by all participants in the link economy, and I stress all, we see the evolution of a new golden age of journalism, and much, much more.

MS. DeSANTI: Thank you very much, Chris.

We are now going to hear from one of the bold, Josh Marshall, who is editor and publisher of talkingpointsmemo.com, what Time Magazine calls a prototype of what the successful web-based news organization is likely to be in the future.

Josh?

MR. MARSHALL: Well, I've been asked to talk briefly about aggregation and the rules that we follow in doing aggregating, but the truth is, we don't actually do that much aggregating. It's far from the dominant thing that we do on our website. Our whole organization is based around original reporting. The percentage of our staff that is editorial versus business and publishing is about 80 percent of our staff

of almost 20 now, is reporters of one sort or another.

What we do do, the stuff that's similar to aggregation, and I think what's sort of our sweet spot, and what we do best, is what I think of as a hybrid of original reporting and aggregation, that I think in many ways, is more natural to the digital news environment.

What I mean by that is, for instance, one of the stories that our organization got a lot of attention for was the U.S. Attorney firing story back in 2007, and we broke a lot of that story ourselves, but we were not the only, definitely not, even at the beginning, the only organization on that story, and what we were focused on doing was both doing our own original reporting, but also narrating the entire story, and recognizing that we were not the only ones covering the story.

I think that in many ways, traditional news organizations, certainly newspapers, but even the new digital incarnations of these, still in many ways work organizationally in terms of their presentation, with the fiction that they are a sole source of information.

The kind of really weird concept that you have one source of information and it's them, and there is blinders on the fact that you obviously have many sources of information. That's even more the case in a digital environment where we are not constrained

geographically like we were certainly in the overlapping area when you were pre-Internet, but post one or two paper cities, in most major metropolitan areas.

So, when it comes to aggregating, that's what we do. We don't do really as much as a lot of other organizations do. That's their business, it's not really our concern.

The one thing I would say in terms of rules that we follow, obviously we follow the rules that our general counsel gives us, which is always a good place to start, and I think the basic ones are common sense. It's natural to do brief excerpts in the course of your own original reporting, we report X, Y and Z, and also this other organization reported F.

I think the key is, there are obviously the still evolving, but relatively straightforward fair use law, but it's much too expansive, as you can see from what a lot of other organizations get away with, and there's a much tighter definition that we try to follow, which is a common sense one. Are we excerpting so much that there's really no good reason why the reader would need to read the whole thing?

I think when you use that standard, it's very common sensical, and is very far straightforward than the 39-pronged legal analysis that our lawyers are

always trying to get me to understand, so I stick with that.

So, that's what I would say. We don't do that much aggregating. What we do, I think, is a hybrid of original reporting and aggregation, and when it comes to the margins, those are the guidelines we follow.

MS. DeSANTI: Thank you very much, Josh.

Now we will move to Srinandan Kasi, vice president and general counsel and secretary of the Associated Press. He is responsible for the AP's legal affairs globally, overseeing several strategic initiatives involving media law, intellectual property rights, not surprisingly, and the corporate governance of a digital cooperative of AP members.

Srinandan?

MR. KASI: Thank you. Thank you for the opportunity of appearing before you today.

I am going to skip a number of the comments I was giving because a number of speakers have already previously addressed it, and hopefully what I have left will leave a unique imprint.

The impact of the web, we believe, on the news industry, to be especially and uniquely severe, for reasons that spring forth from three simple truths. The first is that the business of news, information about

our product, is our product. If you have described the details and use story, you have told news story, you just heard an example of excerpting as a means of destroying the value of a news story, and you heard Ken Doctor talk about the fact that over 50 percent of the audience don't click through to read the full story in our content with reading the excerpt.

The second is that most news content has a limited shelf life. Those who invest in gathering news have a brief window to attract audience while the news has immediacy.

Third is that the commercial value of individual works of news is only realized within the context of aggregations of many works of news.

So, if you've grasped these three truths, you have understood the challenges, the digital challenges faced by news publishers who invest in gathering and distributing individual news. Once a publisher invests in putting news content on the web, all or portions of the content is republished or distributed by others, ad infinitum, at virtually no cost.

A consumer who browses such republished information derives much of the value of the original news information, conveying the economic value of the content to the new publisher, the engines that bring

that audience to the content and the advertising networks that facilitate the itemization of that content off site. While the original news gatherer and publisher of the works are left with the cost of creating those works, but only a fast shrinking opportunity to realize commercial value from their own publication.

For the sake of so much that this society holds dear, that cannot be allowed to happen. Preventing it is primarily the obligation of news publishers who must find new ways to connect with their audience and to discourage the unauthorized exploitation of their content. The AP is going to help them and how are we going to do that?

Forming a cooperative of newspapers to tap into the efficiencies and opportunities promised by the telegraph, the Victorian Internet as some people have labeled it. The AP has for radio, broadcast, television, cable television, wider and mobile web platforms. Along the way the AP corporate governance is replete with examples of conflicts about how the distribution platforms might affect old distribution paradigms.

Along the way, we have come to appreciate that what economists have characterized as economies of scale

and economies of scope, the importance of that, the importance of that, the distribution, and how distribution is important to fund your news gathering.

While no one can say with certainty how serious professional journalism can be made to thrive in the digital economy, it appears to us that the path to survival and success must begin with three steps. First, news publishers need to develop new and more effective ways to monetize and use assets on their sites and elsewhere. To have a legitimate chance of earning a return on their news-gathering investment and the small window when the news has value.

Second, while consumer choice and the search of a marketplace may be at a disaggregated story level, the story and the publisher need to be part of a larger network of content and audience to have a real chance of attracting and retaining audience and growing digital revenue.

Third, the creator and publisher of news works must be compensated for the exploitation of their works by others in news services that leverage this content for their own profit.

Those who want the benefit of the news content must help with covering the costs. The AP has developed a strategy to pursue these steps for the mutual benefit

of those of content creators and publishers, which should allow third parties of all types to exploit and benefit from the news content from this collective activity, while allowing the cooperative and its members to support professional journalism.

Thank you again for your interest in these matters. We welcome your perspective and ideas for the digital news business.

MS. DeSANTI: Thank you very much, Srinandan.

Now we're going to move to the technologists on the panel and I'm going to switch order a little and ask Mark Bide to go next. Mark is the director of the Automated Content Access Protocol Project, ACAPP, and director of Rightscom, the specialist London-based media consultancy.

MR. BIDE: Thank you very much.

Our brief here is to talk about business models, but I'm actually going to talk primarily about copyrights, as the enabler of media business models.

Media business models, almost without exception, are as dependent on copyright today as they always have been. Copyright provides the incentive to create, and then to distribute as widely as possible an incredibly diverse world of content. Making a return on investment in content, whether we're talking about news, or

education, or entertainment, depends on having the mechanism to choose how that content is distributed, used, and paid for. That's what copyright was invented for 300 years ago and that's what copyright remains good for today.

No one would seriously deny that the Internet has catalyzed the need for fundamental change in the media. The democratization of the mechanisms for the creation and rather more critically the distribution of content provide unprecedented opportunities for new entrants, and we've heard quite a lot about that today, but some things, including high quality in-depth news are very expensive to make. The need for printing presses and trucks may be reducing, but the people who write and shape the news still expect to be paid.

On the investment in the technology infrastructure is also far from trivial. An Internet without this ever-growing richness and diversity of content that we've come to expect, would be a very drab place, but if we want that content, we need to find online business models for the media that provide an adequate return. Yes, we will still have content created by people who earn their living in another way. Yes, as in the UK, we may have news content paid for by the government. We may indeed have news content paid

for by wealthy individuals. But in the absence of functional business models, those who need to make a return on the investment will ultimately have no choice but to take their content, or more probably their investment, somewhere else.

The argument is often made that the Internet has made copyright irrelevant and outdated, but I would argue completely the opposite. Rather it's highlighted the importance of copyright in creating a vibrant and plural media sector. However it's certainly true that up until now, we haven't made copyright work very well on the Internet. Rather it's tended to be ignored as an inconvenience or side-stepped.

The time has come now for this to change, for us to make the effort to make copyright work, with the grain of technology rather than against. We need to harness the huge potential that technology has to make copyright function online by creating the technical tools to make copyright work at the machine level rather than at person-to-person level.

ACAPP, the Automated Content Access Protocol which I manage, seeks to provide a modest and essential part of that infrastructure, which is the language that machines can speak to one another. Our focus is on creating an infrastructure that's universal, not owned

by individual businesses, not confined to specific media, not telling anyone what their business model should be, but an open standard that's available to everyone to use.

I will contend that it's through the restoration and respect for the effective operation of copyright on the network that journalism and countless other forms of creativity and investment will find new ways of working, new audiences, and a new lease of life for the future. That's what ACAPP is about.

Thank you.

MS. DeSANTI: Thank you very much, Mark.

Now we will hear from Danny Sullivan, who is editor in chief of Search Engine Lab. He has been helping webmasters, marketers and everyday web users understand how search engines work for over a decade and he is widely considered a leading search engine guru.

MR. SULLIVAN: Thank you very much.

I wasn't certain what to start off with, so I thought I would kind of give you a personal tale of online emergency journals and bloggers. My journalism career started effectively when I became a stringer for the Los Angeles Times in the nineties when you heard that there were about 2,000 people out there. I think the bulk of us, about 50 of us worked for the county

edition, we weren't paid a lot of money, but that's how we got the local coverage.

Sorry, I used to be a stringer for the LA times, I didn't get paid a lot of money in the nineties, but we sure got a lot of coverage on them, that's when they were in the newspaper war. The war was good for us, it was one of the last ones that I was fortunate to witness. I moved over to the rival Orange County Register and became a regular reporter and eventually left because I saw the paper muddling around and not knowing what to do online. They didn't know whether to go with AOL, Prodigy or CompuServe. I had seen the web, it was 1994 and I knew which way it was going to go.

So, I left and I started doing web development and I stumbled into covering search and how search engines work. I started doing some free-lancing for some magazines and decided that search was such an important topic that it was worth covering once per year. I thought it could be covered a little bit more than that.

So, I started doing it on my own. I've been doing that for about 14 years now, and I have had data content on a website since 1997. I have a website now where I employ two full-time editors, four part-time editors and I have a staff of 50 columnists. Not paid,

but eventually we will get there with them on that.

We produce a good healthy chunk of original content, really solid journalism on our content area. We're profitable, we pay for ourselves and we have done all this by growing up on the web, revenue streams, ads, lead generation, membership fees, all that sort of stuff.

I love newspapers, and while I'll actually push back some of what I hear about what goes on with search engines is more for the balance side of things, and so some of the things I'll point out is that I know intimately when someone takes a story that I've actually broken, and it goes out into the mainstream publication, but unlike what happens with a lot of bloggers, the mainstream publication probably won't cite where they got all their research from. Or if they do cite it, goodness knows I probably won't get a link from them.

I probably spend two or three days, pure days, a month, on the telephone with various reporters, and I get some free traffic, I suppose, I primarily do it because I like the industry. I like to help people understand what's going on and I think it's worth the time to invest in that. But I'm not paid as a source. Journalism would be a lot different if to do the quality journalism you actually started paying a lot of the

experts out there that you get their expertise for free by calling them up on the phone, because they'll talk to you because you have a good audience, which you get delivered in part from some of the same people that you're upset about sending you that audience.

So, free can work in a lot of ways. Another example where free works in a lot of ways is when we hear complaints that, well, the aggregators or the search engines are taking content and simply benefitting themselves off of it, the same newspapers, every reporter I ever talk to uses Google to research a story, and those sites that are out there that are not newspaper sites, they still have good information. They would like to get paid, too. They're struggling along with ads and everything else, they're figuring out a way, but the newspapers aren't having to pay for it.

So, I guess, and I've got 30 seconds, I would just really say that I have concerns about fair use as well. I don't like it when someone steals whole scale my entire content. I try to exercise care when I am going to summarize somebody's other article in the same way, not summarize too much that goes with it. I don't think showing somebody's headline is a violation. I'm open to hear a discussion on it that's reasonable to see where it goes. But when we also talk about the idea

that this headline is out and out theft, I would probably characterize it with another metaphor: Television is largely free, and I don't hear anybody complain about television guides that list television channels and what's on and what's going to be on their shows, and plenty of people will read some of those things and decide, I want to watch this show, no, not enough, I don't need to watch that show. Nobody complains to TV Guide, you better drop our television shows out of that listing, out of that guide.

So, I find it difficult sometimes when I see online metaphors, offline metaphors being applied online and kind of get twisted around. Anyway, I'll leave off to say I love journalism and I would like to see it used in more productive ways rather than a lot of the rhetoric we tend to get.

(Applause.)

MS. DeSANTI: Thank you very much. I am having a very hard time resisting the impulse to dive into the many issues that have been raised, but Jeff Jarvis is going to give us some examples now of business models that you have been experimenting with. Jeff is an associate professor and director of the Interactive Journalism Program At the City University of New York's new Graduate School of Journalism and also he is the

author of What Would Google Do?

MR. JARVIS: If this were Congress, I would want to yield my time to either Danny or Robert, who do a better job than I do, but it's not Congress, so I'll grab it.

I will mention in the context of the link economy today, so I would want to mention just quickly, I think that it's important to look at the fundamental changes in the business realities of media, and they're not going back. We talked about that today. The Gutenberg Age has lasted for 570 years, you can sell the stuff in a certain way, God bless it, it worked.

We are in a new reality today. In the link economy, versus the content economy, all you need is one copy of something and it's the links to it that bring it value.

There are two content creations here. There are two value creations: The creation of the content and the creation of the public for it. They both bring value, and in a sense, I could argue that we should be grateful that Google doesn't charge for the links, but it doesn't because it wants to maintain its own credibility in this world.

So, we have to rethink the link economy, which brings up a bunch of other imperatives, like staying

open, like finding efficiency by being specialized in the way that Danny is, and it is up to the recipient of the links to monetize those links. If you can't, that's not Google's failure, it's yours. That's one point.

The other point, the reason I'm really here is to talk about the new business models for news that we felt that included that there was too much moaning, wailing, mourning, and mulling about the business, and too little specifics, so we wanted to do the research to come up with specific business models for a metro area and what it looks like.

In our view, it becomes pretty obvious -- this, by the way, was funded, we are grateful to say, by the Knight Foundation in the first phase of this research. It's obvious to us that a dumb old newspaper is not going to be replaced by a smart new newspaper, but what's going to come and what is building right now is an ecosystem of many players who operate under many different motives and means and business models.

So, we wanted to investigate those, we looked at it from four perspectives. Number one, the hyper-local blog. This is a metro area, and we found the most important number I'll give you. We found hyper-local bloggers covering a town of 50,000 people who were bringing in today $200,000 of ad revenue. They're bad

business people. They don't know how to sell. They're selling good old-time ads. They could be much better. The point is that that is a sustainable building block right there. When you see this budding all over, I have all kinds of unemployed journalists who are trying to start these things, and we want to try and help them do that so that they can have a sustainable model.

The second perspective we looked at -- let me stand back. I'm sorry. So, the problem with the hyper-local model, we think, is, first, there needs to be a better product mix for what you're selling the advertisers. They, like newspapers, don't do a great job of it, but second, and very importantly, there must be the creation of networks that bring together value. That if a paper were going on the market, Whole Foods is not going to go around and find the bloggers themselves, someone has to create that value, whether it's by a whole metro-wide area, whether it's by a few towns, or whether, very importantly, it's by an interest level in a market or elsewhere to aggregate these audiences and this content for business we think is important.

So, hyper-locals are number one.

Number two is we believe there still is a new news organization. It is much, much smaller. It operates very differently. I'm going to foil you

because they told me I should go on for just a little bit longer. But I talk really, really fast.

So, the new news organization. We hope that this is still an organization that does metro-wide beat reporting, does investigative reporting, which we still think will get news organizations' attention, but it now operates in new ways. Because of the link economy, you can operate collaboratively with this network, this ecosystem of other players. You can do journalism in new ways, you can do journalism together, in ways that we never could afford to do before. There are many examples of that that I will spare you right now.

So, that's the second is the new news organization.

The third is the framework, the framework that enabled these networks to form.

Now, when we looked at all this, we did not include in this, we made mention of publicly supported, not-for-profit journalism, and we basically said, if the market doesn't take care of all the journalism, and it won't, where should this money go best, but we don't know. Second, the value of volunteerism. Wikipedia calculated when we presented our models at the Aspen Institute, they calculated, they told us, Sue Gardiner, the value of just the edit would be, the edit alone, as

far as the low per hour labor cost to that and it added up to hundreds of millions of dollars of effort and value a year.

If we don't have our memberships, true membership is not give me your money and I'll give you a totebag. The true notion of membership is collaboration, is doing things together.

So, the value of volunteerism, the value of ethnic media, the value of government transparency, which is vital, we have got to fight for this now because that has an impact on the ecosystem. We didn't include that in our model. At the end of the day, we saw that -- we did these models separately with business analysts that did them and we found that we end up with 277 full-time equivalent journalists in a market that probably has today about 300. We found that the revenue we projected was like 15 percent of what a company like New England Media, the Boston Globe, is bringing in today, which is about what newspaper companies are bringing in online, ten to 15 percent.

So, the point was we saw a sustainable journalistic model that enabled a community to have an equivalent amount of journalistic effort that was actually closer to the community, worked harder in the community, more answerable to the community, for a lot

less money. It's much, much smaller.

The mogul who says, I'm this big, isn't going to be that big anymore. All right? There are going to be a lot of little people that add up to an ecosystem that we think is even bigger in journalism and we're optimistic.

So, finally, why are we here? I'm not sure. Because I am optimistic to a fault about the future of news and journalism. The barrier to entry into media has never been lower in the history of mankind. We have more voices and more diversity of voices in this country right now than we've had at least in more than a half a century.

But what we do need is a level playing field, a level lawn, and my caution to you, I beg you, Mr. Leibowitz, stay off the lawn. There are tender sprouts of grass here trying to grow. If you, as the FTC, talk about nasty aggregators and how we're going to deal with them, or nasty bloggers, and try to bring in government regulation to that, I fear that you are going to, as the very name of this day says, surviving, journalism surviving? Hell no. Journalism is prospering and growing and doing great things.

If you're talking about surviving, you're talking about the perspective of the old legacy players

who had a decade and a half to get their act together, and they didn't. The future of journalism is not institutional, we now know, it is entrepreneurial. So, all I would ask is, stay off the lawn.

(Applause.)

MR. JARVIS: By the way, one more thing, that's one thing apparently today, we could have Rupert Murdoch, Arianna Huffington, Steve Brill and me agreeing on. You can't imagine a more diverse group.

MS. DeSANTI: No, I really can't.

So, what I would like to do now is turn to Josh Marshall, we have obviously a whole discussion to go through in terms of the B2B model that Chris was talking about and that I suspect Srinandan is thinking about as well in contrast to business to consumer subscription, but I would like to start out with someone who actually has been running a successful new business now, and ask you, Josh, when you were going through this process of creating what has become Talking Points Memo in its current iteration, what did you find were keys to success, what would you advise people not to do?

MR. MARSHALL: Well, TPM has been around for almost ten years now, but it's only been a business in the real sense when we have more than one person running it and all the rest that goes with the corporation being

in business for about five years.

A few things come to mind. One is, the relationship with our readers is obviously incredibly fundamental. When I say that, I always have this feeling of, well, do we really mean it, because for a lot of organizations, it's a throw-away line. But it's critical for us. Early in the history of the organization, we raised money for new projects, directly from our readers, basically voluntarily subscriptions, which were key in allowing us to start new sites.

I think the main thing that keeps coming to mind to me, hearing this whole conversation, is how much a lot of what's happening in the media today reminds me of not the technological transition, but the corporate transition between trains and planes. Railroads used to be where all the value is. They were like the oil companies today. An industry sitting on tons of money, huge profits.

Logically speaking, since air flight was another means of transportation, you would think that the railroads would have been the ones that pioneered air transportation, but it didn't happen. Ever. It wasn't just because a few people didn't make the right investments or diversify or something like that. I think what we see is that running on one kind of

technology suffuses an organization in ways that are not always immediately clear, looking at the surface. I think that's why, again, what happened with railroads and air flight happened.

When I listen to these discussions, at one level, yes, everybody knows that the Internet is totally different and information is distributed in different ways, and blah, blah, blah, blah, blah, but when I really look at the way a lot of legacy news organizations, and by that I only mean one that existed pre-Internet and are now existing in some fashion on the Internet, when I look at those, I look at the ways the organizations themselves are structured. How reporters operate, how they interact with their editors, work flow, how they see the clock.

In a lot of cases, and certainly very different now than it was two or three years ago, I think one of the reasons we've been successful to the extent that we have, is because we're web native. We don't have any legacy in a pre-web existence.

When I see a lot of the big papers, the big news organizations, that are in many ways doing incredible things on the web, I see the organizational imprint of print still defining the organizations. I think when I talk about this a lot with my reporters, that there's a

lot that we think of, still, as journalists, and I put my journalist hat on now rather than my publishers hat, as this is what journalism is. You write it this way, it's this long, you have a lead and you grab it and stuff like that.

And a lot of that is still how journalism is when you exist in a print-it-once-a-day-and-then-cannot-revise-it-model. That suffuses most, I think, still, most journalists, in a lot of ways even still most journalism schools, idea of what journalism is.

I don't mean about verifying information, I don't mean about having quality sources, I think that all of the standards and integrity get taken over wholesale, but there's a lot about work process, and just how you function that, again, it's very difficult for legacy news organizations to have, and I see it even in some web native organizations, when they bring over too much of the conceptual lock, stock and barrel to the web.

MS. DeSANTI: Any things for people not to do?

MR. MARSHALL: Things not to do. You don't want to get me started.

MS. DeSANTI: Based on grim experience?

MR. MARSHALL: Well, I think the reason we're lucky is that at a lot of critical junctures, we didn't

have an old way of doing it that we had to set aside or grow out of. At every critical juncture, we had several things. We had a pretty good understanding of the way news operates on the web. At every point until quite recently, and still largely the case, very little money to implement with, and we were sort of like, what's the best way to come at this?

So, I know that doesn't address your question exactly. I think the best I would say is for publishers and journalists to have a lot of conversations where you take, maybe it's the -- and look, I love the 5,000 word magazine article, it's a great thing and it would be terrible if it went out of existence, but to take the 5,000 word magazine article, the 500 word, 700 word A1 newspaper piece and break it down, almost like with a flow chart, and say, okay, what parts of this do we have because it came out of print? A lot about a lead, a lot about how self contained an article has to be, comes with the fact that it's growing out of newspapers.

I think, again, we do that because most, a lot of our staff came into journalism not in web journalism, and that's something I do with reporters a lot. Kind of breaking it down. We don't really need this, because that's an artifact of, again, if you can't go back to the reader three hours later with new information. So,

you have to make it more self-contained, you have to have fewer tiny references, a million different things like that.

So, I think the one thing I would say is to realize that the Internet doesn't just change the nature of the news cycle, it doesn't just change the nature of how you monetize content, it really goes into the nitty-gritty of journalistic work process and organizational structure. That's something in a lot of places when I see places that are having a hard time, it hasn't sunk in. Even if it has sunk in, it's very hard to change.

MS. DeSANTI: Thank you. I think that's a sort of a model of forced efficiency is what you're talking about.

Robert, I would like to ask you for your reactions to all of these conversations today.

MR. THOMSON: Well, my conversation with Arianna before I came in?

MS. DeSANTI: Anything you want to share.

MR. THOMSON: Anything I want to share. Well, look, I think obviously, Google is an interesting issue, and I think Josh's presentation was excellent, but I remember listening to Eric Schmidt a few weeks ago when he suggested that many media executives were

incompetent. Now, I think that's probably a fair description of me, but it's also fair to say that you might say that Eric put the dis into disintermediation.

With Google, the word search engine doesn't quite capture what Google does, because conceptually, as well as a directory, it's different to its role as a host of content. We talk about Google as though it's one thing. It is a quantitative, rather than a qualitative measure. It has some qualitative elements, but essentially, its model is quantitative.

So, it creates a horizontal playing field, a horizontal lawn, thank God, most lawns are horizontal, but the difficulty is for media companies to distinguish themselves vertically in a horizontal world. That is true of content, and it's true of advertising. Because Google has devalued advertising in the way that it purchased it horizontally, and you are getting quantitative measurements of qualitative audiences. Until that contradiction is resolved, it would be useful to have these conversations. One way of distinguishing yourself qualitatively is to charge.

MS. DeSANTI: Let me ask you about the business-to-business model that Chris was raising and has implicitly raised with ACAPP, and Danny Sullivan is here to talk about robots.txt as well. We heard this

morning from Mr. Murdoch that he doesn't believe that advertising will fully support journalism in the future. Obviously, you all believe that charging subscribers is the right way to go, and you've been successful with that. Where are you on this business-to-business issue, and more specifically, dealing with the aggregators? This may get to your conversation with Arianna.

MR. THOMSON: Well, I think Jeff will recall that when something was purchased by News Corporation, there was a great debate over whether the Wall Street Journal should go free. I can't be precise. If we had gone free, it would be 280, 290 fewer journalists now, of the Wall Street Journal, I would guess. Given that revenue stream that would have been destroyed.

I think each news organization has to think, I don't think it's right that the legacy business is something that holds many news organizations back and I have my own, partly because the legacy business is still profitable, but each news organization has to think in terms of what is the value of content, but also the different means of delivering it.

So, there isn't a simple B2B outcome, but I think what we've been saying clearly is whatever the outcome, if there isn't more value to, and distinction, ascribed to content, whatever you do, there will be

great success stories like Danny, but whatever you do, it's going to be very difficult. The costs to society of not being able to afford specialist journals is going to be profound. Because it's great to have a cacophony of voices, and there's no doubt the crowd has found its voice, but what will the crowd be discussing?

MR. AHEARN: Sorry, just to respond.

MS. DeSANTI: Please.

MR. AHEARN: I tend to agree with Robert on most things and this is a case that I am firmly in agreement with him. There's still way too much discussion of it's "or". It's not "or". It's "and". It's always been "and". The notion that for some specialized areas you'll have subscription and advertising, I think is plainly evident for all. I think one of the challenges for publishers is to continue to find those niches for what they offer, be it coverage of the Green Bay Packers or coverage of the financial derivatives market, and find ways to monetize that audience with dual revenue streams in the same way that cable has dual revenue streams. Like cable is a far better investment right now than broadcast.

MS. DeSANTI: Srinandan? Oh, Danny, go ahead.

MR. SULLIVAN: I just wanted to add, I agree with the "or", and one of the confusing things lately I

think in all this has been the idea that, well, if we go paid, then we can't also have this search traffic coming to us and that's entirely not the case with Google. You can go paid and they will continue to send the people, when they show up on your website, you can say, hi, if you want to read the article, you have to pay for it. I just continue to see comments and suggestions that, oh, if we take our content down, that's going to get us out of Google. There are so many options that you have if you want to get that traffic and play around with it more, and I just wish more people would actually understand that they have these kinds of options. It's not a light switch, on or off.

MR. THOMSON: Though historically, Google hasn't indexed paid content in the same way that it's done its free content.

MR. JARVIS: They've said they will and they will, the problem is you get fewer links and clicks and therefore, because what makes the page rate works is us, and if we can't get to it, you'll get less attention.

MR. THOMSON: That's the quantitative rather than qualitative. Not the quality, but that's the quantitative rather than the qualitative.

MR. JARVIS: It's still at the end of the day, is where do you land on search results? A company in

Germany just did a survey of German companies that if the 180 publishers who signed the Hamburg Declaration all dropped out of Google tomorrow, what impact would it have? Those publishers appeared on the first page of the search result, the only really valuable spot, five percent of the time. On the first result, four percent of the time. Who appeared three times more? Wikipedia.

MR. SULLIVAN: But I mean, you could be incredibly smart with what you do, too. You could take your very in-depth article that's got to be paid that you know will get to Google but perhaps it may not rank as well because part of what Google is looking at is what people will click on. So, then you also take your own blog and do to your own content, what you're upset that some bloggers may do, and you summarize the stuff using your own judgment about what you want to summarize, pull in some people and then continue to then say, hey, there's even more stuff that's out here, bring them in further if you want to. There's just more experimentation to be done.

I'm anxious to see you try it. I don't mean that mean, I just don't have a problem with paid content being out there. Like I said, I've run it before. I think it's a great solution in many ways.

MS. DeSANTI: Well, so far what we have heard

today, I think is that specialized professional news certainly, and that's the kind of news that gives you 90 percent of your revenues, Chris, people will pay for, and as Lauren pointed out, people will pay for the Wall Street Journal because it makes a big difference to them to have the information that's in there, in terms of their financial status.

Now, the question is, it seems to me, how can you charge for content that is more general by its nature and that leads me to ask you, Srinandan, what you're thinking about at the AP.

MR. KASI: Well, we've got a particular problem in that we're not a retailer. We're a wholesaler that has a retail base that has all over the map. So, a story that's free on one place has basically eliminated the possibility of paid elsewhere.

So, actually, I agree with Robert and Chris, that it's an "and", that's a conclusion, I think it's one of the lack of -- we were not imaginative, I think, in the nineties. We thought of content as one of marginal product, when, in fact, there were a variety of things we could have done to value add and do different things when putting the content out.

So, that's one difficulty that we have to navigate through. The second is that we talk in terms

of link economy, we talk headlines are okay, excerpts are not so okay, what do we mean by these things? If someone rewrote a story in their own words and then linked to the story and the traffic doesn't come, what do you do? Real challenges here.

The third problem we're contending with search is described almost as an independent, and I mean independent as in the sense of a neutral, non-biased activity, but I'm with Robert in that when you go investigate, systematically run some searches, what you'll find is on pretty much all of the engines, their own use aggregation results will be the top results. So, what you have is a difficulty of the power of aggregation trumping your own independent published content.

So, how do you deal with that in the once published sphere of activity? So, don't pretend to have all the answers. Our view is that this is a problem that the cooperative has seen before. We have come up with models that deal with these issues. So, we want to be part of the link economy, Jeff, notwithstanding commentary to the contrary.

The question is how do we make that work so we can support not just our journalistic endeavors but also allow the publishers who pay for our content to get

traffic.

MS. DeSANTI: Go ahead, Jeff. Two minutes.

MR. JARVIS: With all respect, though, the Associated Press does cut those links because its history was to rewrite and to modify news, which is what it was a value for a long time. In the late economy, the ethical, moral thing to do is to link to journalism at its source, and indeed, not to rewrite it, not to turn it into a commodity.

When Ken Doctor talked about 800,000 stories not done, how many of those were just rewrites of AP stories and press releases to get your byline on them. The Internet link economy demands, indeed, whether you are going to charge, whether you are going to see Google juice, you have to create and contribute unique value.

So, the AP itself recently did a survey, that memo got out somewhere, that showed that a great amount of your content isn't used by your own members because there is this, as Josh said, there's this old presumption about how we do things that we're carrying over to a new world, which is not about putting out 17-inch product stories, it's about a process of journalism. It's about using things like Google Wave to re-invent journalism. It's rethinking the ad models. That's the problem.

So, I think we're trying to -- I sympathize with the Associated Press, believe it or not, I do greatly, because you are stuck, unable to have a brand and monetize that.

MR. KASI: I just want to correct one notion. The idea that we simply rewrite is simply not true. There is independent, the Associated Press has a governance structure where the members actually contribute content, and that actually goes to start up this news narrative, if you will. We then follow up with our own journalism.

So, the idea is it's a construct that goes back to essentially saying, how can you break news faster? Well, if you have a pool to which people subscribe, you can start up the breaking news cycle faster.

That said, the memo that you're referring to is about the fact that we may continue to tell stories in second and third day or second and third hours, in some instances, when the news cycle has faded. So, a lot of our efforts is aimed at understanding, where is the audience? How are we serving that audience?

So, in a way we are trying to do all the things we're talking about, but I can tell you that it's not about cutting out links.

MR. JARVIS: I wish you would link to original

sources more.

MR. KASI: It's partly a technology situation. You will start to see a lot of that happen. If you follow our AP model product, which is off one of the New York platforms, you will see a very different product offering than on the web.

MR. AHEARN: Just in fairness to the AP on this, you have come at me with that one, too, Jeff. It is a technical issue by the history of how wire houses were architected to get everything out quickly in a flat format as opposed to a rich mark-up format. So, you will be seeing changes, and from all players.

MR. JARVIS: Good.

MR. MARSHALL: Can I add one quick point here?

MS. DeSANTI: Go ahead, Josh.

MR. MARSHALL: In a lot of these discussions, I find myself more on the side of the traditional content producers, but on this question of AP all being original work, I mean, that's just not true. That doesn't mean it's not valuable. It's hugely valuable, but believe me, I, like every other publisher, know lots of examples of stories that we broke and that ended up being AP stories. Frequently without any mention, maybe because the AP, maybe because the reporter saw it as the sort of the third generation or something like that. But I do

think that there is more of an ethic online of linking to the story, not which is necessarily the aggregated story, although sometimes that's the case, it's the story that got the reporter on the track, and then added some original reporting or added some commentary or something.

It is certainly the case that stories that exist, and this isn't picking on the AP, it's across the board, and everybody does this. So, I don't think there's anything wrong with this. There are very few stories that are birthed virgin out of people's head. You get leads in different places.

So, I do think some of the appearance of aggregation is inflated on the web, not to say there aren't a lot of real problems and even a lot of use of practices, but is inflated, because in the more traditional format, you just don't see where it came from. You think the byline person came up with it on their own, which is often not the case. Not that it's not very valuable, but very few things are truly de novo.

MS. DeSANTI: I want to thank Mark Bide very much, he has to catch a flight, so we are going to release him, but thank you very much, Mark, we appreciate you being here.

(Applause.)

MS. DeSANTI: We have a question from the audience that is really more of a sociology question, but I am going to give it to you, Lauren.

MS. FINE: I didn't major in psychology.

MS. DeSANTI: The society teaches or trains American consumers to voluntarily pay waiters and waitresses $40 billion a year, 15 or 20 percent tip. Now, so why can't the media, or some other force in society, teach or train more than 10 percent of news consumers to feel obligated to voluntarily pay for quality journalism?

MS. FINE: That's easy, they're terrible at marketing. No, seriously, I mean, I'm a long-time, anybody who knows me from my former days as an analyst at Merrill Lynch, I'm obsessed with news, I get up early, I love news and woefully pay for it and believe that everybody should, but newspapers have done a really terrible job, and in part it gets gown to the divide between the advertising and the business side, which I think is responsible for most of the demise of the industry today, this huge wall that was created that didn't allow the two to work together to be successful has created most of the problems.

The unwillingness to stoop so low as to actually

market their own product is one of the reasons the consumers don't pay for it, and it's something that I think Mark and others know that we have talked about it for years that I've always been amazed at this.

So, I might be too late, I think at this point, to really train people, because again, there's so much information that's available. The average consumer does not fully distinguish between quality journalism and everything else that's out there and that's available, and because it is more of a conversation now, they can participate. They also don't see the value in paying when they know they've also helped contribute. I actually have to do the same thing and leave, also.

MS. DeSANTI: Thank you very much, Lauren.

MS. FINE: Thank you.

(Applause.)

MR. AHEARN: Susan, just a thought, it strikes me that it's asking the wrong question again. It's like ten percent of what? It's like some general mass offering for everybody that everybody is going to opt into. I think that's the failure of the imagination. I mean, the Talking Points Memo is pretty specific. What Danny does is pretty specific. What the Wall Street Journal does is pretty specific.

Of the total universe of people, Robert, you

guys touch, I assume it's more than 10 percent who become subscribers over time, and I think that's a failure of the imagination to take the big lump and say, back to the examples that Lauren was giving, the Green Bay Packers, following the New York Yankees, following this, following that, those are the opportunities. You'll get far more than 10 percent.

MS. DeSANTI: Okay, let me just ask if there are other concluding comments that anyone would like to make?

MR. JARVIS: Of course. I think we've talked too much about revenue lines, trying to replicate old revenue lines in the new world and we've got to talk about the entire P&L. We've got to talk a lot about cost. There was an incredible waste replication from modification in this business and there's a lot of pain that goes with that, and I don't say this with any joy, but I do see journalists who are leaving their fairly commoditized jobs and obtaining specialized jobs and there is an opportunity there to serve the community better, and more communities.

We also need to talk better about the advertising. One reason I think that Google has succeeded in advertising versus newspapers, we talked about earlier, Lauren did, about a lack of innovation,

but also Google created a new model in which it shared the risk with the advertisers. We are still selling scarcity. We are still selling the old days of media, and just like we created old media in the new medium, we have to create new advertising in the new medium. We have got to have a lot more experimentation with this and experiment with a lot more models.

MS. DeSANTI: Thank you, Jeff.

With that we're going to wrap up. Robert, I apologize.

MR. THOMSON: Jeff is one of the world's most brilliant bloggers. You would agree with me on that?

MR. JARVIS: You, however, are one of the world's most brilliant editors.

MR. THOMSON: How much do you earn each year in advertising on your website?

MR. JARVIS: Our advertising, I won't even try, $13,300 was year before last. Look how transparent I am. I will spare you my prostate stories, but I'll tell you how much I earned. Last year I made about $17,000, I got a book contract about a certain big company. I get some speaking engagements, I get to come here for free.

MR. THOMSON: I know you're very successful and you're a Nationals man, but if it's difficult for you to

earn more than $30,000 --

MR. JARVIS: I don't even try.

MR. THOMSON: But when you use Google Adsense.

MR. JARVIS: Google Adsense, I think last year was about $4,000. De minimus.

MR. MARSHALL: But Jeff, you're not trying to maximize this as a revenue stream.

MR. JARVIS: No, I'm not trying. If I did, I would write something different. Who would pay for me, my media walking, you all got here for free, you didn't pay anything, so I suspect what it's worth, but it has worth to me, so I do it.

MR. SULLIVAN: He is not trying and he could make a lot more, but the problem you do have for people who are using Google, I think someone said they had devalued advertising, they did the opposite when you brought out Adsense, because if you were an option who couldn't have an ad person or agency behind you was to carry Amazon, which I can tell you paid a lot less than Adsense. So, Adsense was a revolution for a lot of people.

But the big problem with Google is you just have no idea how much money you're making. They don't tell you, they ought to tell you, it's bullshit.

UNIDENTIFIED SPEAKER: There's no transparency

at all.

MR. SULLIVAN: There's not, and they should be held to the fire. That's the thing that really tics me off when like you guys poke at Google, you poke at them at stupid things, when people can poke at you and say, what are you talking about? They have no defense. We have a black box and when we put an ad on a website, we're not going to tell you how much the advertiser is giving us and what we're giving back. What kind of ad system is that? Yell at them about that and write a few editorials.

(Applause.)

MS. DeSANTI: Please join me in thanking our panel.

(Applause.)

MS. DeSANTI: All right, we're going to take a 15-minute break and move to online advertising.

(Whereupon, there was a recess in the proceedings.)

MS. DeSANTI: Please take your seat now and we will get started again. It's late in the day. We are going to start with our next presentation. We have three presentations and then a panel, and I want to make sure that we get you out of here by 6:00, if not before.

Our first presenter is Mike Bloxham, he's the

director of the Insight and Research Center For Media Design at Ball State University. He has worked in media research and consulting for 20 years, advising multinational corporations, media owners and government agencies on strategic marketing and communications issues.

Mike?

MR. BLOXHAM: Good afternoon. It is, indeed, getting on in the day, and what can be worse than somebody who comes at you and mentions words like researcher data, I'm sure a thrill of anticipation runs up your spine as we speak. Which is why, incidentally, researchers need to first talk about delivering insight, valuable insights. So, without further ado, to valuable insights.

My presentation is entitled Mapping the Modern Media Ecosystem, activity ends at a presentation title, especially as the day wears on. But really the reason I'm going to take you through snippets of data from a very large study, or in a couple of studies, actually, in my 15 minutes of glory, is that no real discussion of business models, consumer-facing business models, particularly with regard to media, can really meaningfully take place without a deep understanding of those consumers, something Arianna Huffington was

alluding to this morning.

Not least because those consumers, as irrational and emotional and sometimes fearful as they are, and potentially resistant to change, even irritating as they may be, have the ultimate power when it comes to these business models. If they choose to disengage, they can undermine even the best and most apparently robust of business models.

There has obviously been reference to consumers here today, but we have been very, very focused on the nuts and bolts of the business. I think it's only right that I remind everybody here, should it even be necessary, that the very fact that we are in this room, means that we are all, and I include myself in this, and I mean this in the nicest possible way, we are all freaks of nature. We don't matter. Our opinions in many, many ways do not matter. We do not represent the views, the behaviors, the fears and aspirations of our public, of the consumers, of news consumers, and consumers of anything for that matter.

The data that I am going to share with you is based on surveys and research rather, observational research among a sample which is more representative of the general population, and the intention is to give you a sneak view of how different media play in relation to

each other, in people's daily lives, and this is extremely important, because, of course, news is now, as many people have already alluded to today, such an incredibly cross-platform business.

Indeed, there is no such thing as a TV company any more or a newspaper business any more, everybody is at least into two or three different platforms where they have two or three capital investments and aspire to significant capital returns.

One point, by the way, the data that I am going to show you, rather than try to take too many notes, I am going to give a web address at the end of this presentation where there is probably more data than you could ever wish to see based on some of this research.

One other point I'll make is only a reference to the Gutenberg Bible, and Jon Leibowitz said he wasn't certain what happened to the monks that had previously written and illustrated those tomes. There is one theory that says that most of them were wiped out in the various plagues that afflicted Europe, which depending on the estimates you go by, either took care of 30 percent or two-thirds of European population, many of which obviously turned out to be literate monks, and as literacy was in short supply at that point, there was a somewhat crisis driven need for innovation, which the

theory goes led to, among many other things, perhaps the Gutenberg press.

Now, of course, this can't be proven, but if we go with it, but perhaps we can say the crisis that the news industry is arguably in at the moment or heading towards in some dimension may actually yield some as yet barely perceptible innovations that are going to show us what the future of journalism really is.

I actually don't think this is a huge crisis, I actually think this is just a really good time to be thinking around this space and work in this space without further -- I say without further ado, that was a very long introduction for a lot of do.

A lot of the stuff we talk about is silo research, what we understand or what people tell us how they consume media. We know that people can't tell us wholly accurately what they do, we're simply not capable of it as beings, particularly when you start to talk about a range of different media, or what we call concurrent media exposure, using more than one medium at once, or several.

We are simply not capable of it, nor are we even capable of being consistently wrong. We have analyzed this sort of thing from various research projects and analysis of different data taken from different sources,

but from the same people at the same time in the same place and we've found that really you can't rely on people being 22 percent out in their reporting, either too much or too little time is spent with different media. They're just wildly wrong and it's not a basis for decision-making.

Which is the key when you're talking about the issue of advertising in media, whether it's news media or any other, because advertisers obviously need to go through this issue, this rather annoying issue of budget allocation. Where do I put my money on the basis of at least a semiformed estimation to get a good value in terms of investment.

The other fact we have to deal with is, of course, conventional wisdom, no sector of our community is free entirely of conventional wisdom, and a lot of that comes out in things we are all very familiar with. People say that nobody reads newspapers anymore. It's very easy to say. It's also rubbish.

It's all about online. It's not all online and we are going to be talking about that very shortly. But what is more prevalent than other things and what parts of the population? Mobile is where it's heading, certainly a lot of activity in mobile, it's going there, but where are we right now and at what rate are we

heading there and again what type of behaviors are being manifested with mobile.

Of course, young people don't care about news, we hear this all the time. I for one refute that. Spending most of my working life in a university these days, I'm surrounded by people who irritatingly are considerably younger than me and I would say, yes, there are definitely some that don't care about news, that's the apathy of youth. There are many other reasons that some of them may not care about news which may have to do with the presentation of news and the nature of its content. But a lot of them care passionately about news, more than some of you here, they are totally committed news junkies.

So, there is no such thing as siloed consumers, and yet our industry very often thinks in terms of silos because of the way we've all grown. We've all been trained to work in particular silos. Research that informs our thinking is very siloed. The media research industry, which is supposed to be informed, but media runners, agencies and advertisers is heavily siloed and is now grappling with the consequences of that and working very hard on cross-platform research agendas as they're called.

But it does bring up the question of the

relevance of content over channels, something which I think has been talked around as we've gone today and we'll talk about brands, no doubt, in the panel later.

Also the relevance of news to advertisers, and for that matter, the relevance of advertisers to news. Enough has been said about that I think already as we've gone.

So, here's one of the sorts of outputs that you can get from the type of research I'm going to talk about in a moment. We need to understand things like this. Now, this is from a study we actually published in 2005, it's not current data. It's the latest analysis of this type of data that we have, but it's showing, for example, in the top chart, the percentage of a sample who accessed one news-carrying platform or another in a given hour of the day from 6:00 a.m. in the morning until 11:00 p.m. at night.

So, what's the percentage of this particular population that were actually using news? Blue line, which gets highest, of course, unsurprisingly is television still remains the 800-pound gorilla in the media room. The lower chart is actually what we think of the duration. How long in any given hour were they using it, on aggregate. Now this is aggregated across an entire week. You could do this for weekends,

weekdays, and also for different demographic groups. But this sort of data is extremely hard to come by if you're thinking about it from a single source, i.e. one group of people take where this data is collected in the same place at the same time. The challenge we have with a lot of the data that we have to rely on to inform our thinking and our business strategies is that it's all been gathered independently. Often with incompatible methods among different samples and at different times with different units of measurement.

I'm going to talk about one particular study now, the Video Consumer Mapping Study, if ever there was a study which was named by committee, this would be it. The intention was that it was meant to help give us better understanding of media consumption in context. A brief bit of background as to who was behind this, because I think it's important. The funding came from Nielsen, who you all know, but that's about all that came from Nielsen. They put money into a group called The Council For Research Excellence. What they have done over the last few years is put two and a half million dollars of their own R&D money into this group. The council is made up of about 35 to 40 heads of media research from their clients. So, they're media owners, they're advertisers, agencies, and some outside input

from people from academia as well.

Really it's a group made up of people who, for 99 percent of the time, are fiercely competitive and are competing for money and they are competing for ratings and all the rest of it and they don't tend to collaborate very much. In this group, the agenda, which is to understand better how media is being used in order to better inform how it could be measured going forward, is a shared agenda.

My experience in working with this group for about two years on this particular project, it's a little bit like working with extreme inequity and sometimes rather awkward, to be quite frank with you. United Nations of Research, they are very obsessed with methodological purity, which is great, and they're very collaborative, which is perhaps surprising.

Then there was a subcommittee which was put together to run this particular project, which was delivered by us at Ball State and a company called Secret Partners who we worked with very closely who have a long background in media research.

So, briefly, what this was study about, with a bias towards television and video because that was a particular agenda, but with a huge amount of other data included, and how it's changing over time, as I said, to

guide media audience measurement.

What did we do? There's the who, what, where, when, how and how many. Basically we observed 350 people twice in six different cities around the U.S., once in the spring, once in the fall of 2008, and we captured data in ten-second increments using what I'm about to show you. Basically it's observational research is what we're doing here. This is pretty much the only way you can get a reliable take on how the entire range of media fit into people's day, because you simply can't ask them.

We trained observers to shadow participants throughout their waking day, we get with them, if any of you were one of our participants, we would get with you as early we could arrange to after you've woken up in the morning and with two shifts of observers we would be with you as close to your bed time as we possibly could.

During that time, they use the device up there which is largely touch-screen driven to every piece of media in every use state that they are apparent to use it, about 17 different life activities which are tied in with the American Time Use Studies from the Bureau of Labor Statistics, and, of course, we are recording every location that you are in. We capture all of this data in ten-second increments, so it's an incredible amount

of data with very, very fine granularity.

I am not going to dwell too much on this method any longer, but if anybody wants to talk about it later afterwards. What it does is give you incredible detail about how the procession of media through a person's day pans out. The secrecy of media, as well as concurrency. Those are just some of the codes that we pick up, so as you can see, even on the phone, there's like nine different ways of using your phone and we have to trunk out all of those.

When you look at the media ecosystem, this is some of the things that you start to pull out here, this scatter. Now, normally at this point I go wandering around away from the microphone, waving my arms about a great deal, but obviously that is not going to work for the webstreaming, so I am not. I will probably wave my arms because I do anyway.

One of the conventional things if you watch television anymore, you do see that live TV is still, as I said earlier, the 800-pound gorilla in the room. But also, look at where computing and Internet, web, email and all the rest of it are in this group in the middle here.

Now, some of these things are trending from previous studies, they're going up, some of them are

staying still, some of them are declining very slightly. This, as I said before, is general population and it includes nonusers. But you do get an idea of kind of a map of the average day in a general population sample for use of different media. Now, this is about time spent with the media.

So, the vertical axis is, again, as I've said before, it's about the percentage of people in the sample who used any of these media during the day they were observed. The horizontal axis is the average minutes per user of those same people who used it during the day.

So, you get an idea that land line phone is quite high, somewhere less than now, probably about 40 minutes on average people would be on the phone, not for one call, obviously, but for several. Mobile is slightly lower than that in terms of reach and so on.

Now, that line around there really gives you what could be thought of as an amused footprint. That's really the area of opportunity when you look genuinely across platform in an average person's average day. All of these media carry one way or the other some form of news content.

Now, we're not saying that the people in this study access news on the day of observation in each of

these, but what it does do is draws out the footprint, if you will, with that other little area down there like other media which you could think of as out-of-home media, which was a reference on this morning's panel, for time that could be spent with news content in any of those media. That's really the territory that journalism has to play for, in different forms. Of course, they're very, very different media. So, what one is actually looking at is repurposing content for different areas.

There I would also just show you news programming within television with reference to sports and other forms of programming. Similar sort of concept.

Now, that website, researchexcellence.com, is a website for the Council of Research Excellence. If you are interested in finding loads more data, there is an awful lot of data there, presentations and technical appendices and so forth which can inform your deliberations as you think about just where your consumers might be throughout the day. Hopefully that will give us a few topics of conversation as we lead into our panel.

With that, I will be silent. Thank you very much, indeed.

(Applause.)

MS. DeSANTI: Thank you very much, Mike.

Next we will hear from Susan Athey, who is a Professor of Economics at Harvard University, she advises businesses and governments on the design of option-based marketplaces and she currently serves as a consultant to Microsoft in the role of chief economist focusing on online advertising markets.

Susan?

MS. ATHEY: Thanks very much. I am very grateful to the FTC For including me in the program today.

I am speaking today with my academic hat on, reporting on economic theory models that I've studied in my academic work, and as such my comments don't reflect the views of any institution.

What I would like to do today is to spend my time laying out some economic concepts that sometimes get confused in contemporary discussions in the media in the hopes of making the policy discussions more precise, and I will be trying to react to a number of the teams that came up during the day today.

The first set of economic forces that I think are important to clarify and understand are sort of really basic econ 101 forces in the news media business,

basic supply and demand. But they're actually quite confusing in this marketplace, because there are many constituents, and the effects can be quite subtle.

On the supply side, in particular, there's often confusion about the number of websites or the available space versus user retention. User retention in the end is fundamentally limited, and we can have the number of websites growing without bound, but consumers aren't going to spend 30 hours in a day viewing advertising. So, that's a really fundamental constraint that I think gets less attention than it should.

Commentators also mention that new sites don't need new Internet traffic, but they may not be exactly precise. Advertising dollars in principle should follow the users if the users can be identified, understood and duplicated. Duplicated advertising can be avoided. But advertising in practice are moving more slowly, but there's a reason to think as the industry matures and as we get better at measuring and understanding the effectiveness of online advertising, that the dollars can follow the users.

The second set of economic forces are sort of more modern economics, the economics of platforms markets, where platforms bring together groups like users and advertisers, and often one group like users or

readers attracts another group, the advertisers. In such markets, the economics suggests that you reduce the prices for the most sensitive side for the market, and the side that has the most important impact on drawing in the other side.

In this case, that would be the consumers. The basic economics lead to phenomenons disparate as ladies night in the bar, free Yellow Pages, free Google, free Bing, all sorts of free content. There's really fundamental economic forces pushing towards the price of free for the users.

So, the economics will say that in the media, free is often going to be more profitable than paid. But that's because consumers are price sensitive. Especially if you have nondifferentiated content, charging a small price is going to be a massive decrease in your traffic. Also because losing consumers loses advertisers.

So, then, of course, the concern that has come up over and over again all day is we've got a problem here, because free isn't enough to cover our fixed costs, but if free is more profitable than paid and free is not enough to cover your fixed costs, then you've got a problem, and you have two options. You can cut your fixed costs, or you can grow. Okay?

Those two, those two ways will get you out of the problem. Of course, cutting costs, trying to embrace free content, I think Arianna talked about that quite eloquently, growing that itself involves large fixed cost investments, often. Making better quality, more unique content is actually quite expensive. That's going to create strong pressure for consolidation, and for concentration. That implies that regulation from entities like the FTC will play a central role in how the industry develops, but the pressure is going to be there.

In response to Rupert Murdoch's comments this morning, I thought it was kind of interesting why people should pay for content, in some sense the economics says it doesn't matter that the content is expensive to produce, nor does it matter that it's valuable to consumers. Google and Bing are valuable, they're expensive to the tune of a couple of billion dollars, but the business model is that they should be free, even in Europe where Google has 95 or 98 percent market share, depending on the country, they don't charge for search services.

Now, part of that, it's just like the classic Yellow Pages, when the Bell had a monopoly, they didn't charge for the Yellow Pages. It was better to get the

Yellow Pages in front of more consumers and monetize with advertising.

Of course, what does matter in this calculation of whether you would charge, you don't charge for the Yellow Pages, because it's so much more valuable to get that book in front of the consumers, the advertisers are willing to pay for it.

For some content, if you're differentiated enough, and if charging doesn't decrease your consumer base enough, and if reducing your consumer base won't cause your advertiser base to go away, then perhaps it makes sense to charge, and the Wall Street Journal, of all publications, fits those conditions the best, but unfortunately, not a lot of other content has all of those characteristics, and so it doesn't strike me as the solution that's going to help the great mass of the news media.

So, here's a slide that sort of represents a picture of the old world. The publishers are going to deliver a well understood, stable, tailored audience to advertisers. The advertisers know what they're getting, they understand it, they learn it, they can measure its effectiveness, and the newspapers have little competition across cities for either consumer attention or advertising dollars, and in some sense, you can think

of the old newspapers having a monopoly over their consumers, they had high margins and we had regulatory oversight to try to prevent them from getting even more concentrated.

So, now here's the first picture of a new world, and what I'm going to do is bring in different features of the new world one at a time to try to isolate their impacts.

So, the first change I want to focus on is the change from online browsing, we call it multihoming in economic theory. You're visiting multiple places.

So, what does that do? Well, the first thing to remember, again, is that consumers still have limited time. So, there's still a constraint on the amount of ad space that's available. The effective ad space. The consumer is only going to be reading news a certain amount of time a day, it's just they're dividing that time among a larger set of outlets.

So, what does that do? It's going to, in principal, reduce the effective supply, because as consumers move around the websites, they can see the same ad twice, and the ad impressions are less effective. In addition, the publishers no longer know their users, and so they do a much worse job matching the ads to their pages.

So, when you think about why the web surfing traffic is not monetizing as well, a lot of it has to do with the fact that you don't understand your audience and that advertisers don't understand the audience and it's much harder to do the matching.

On the advertiser's side, the advertisers have fixed costs of engaging with publishers and learning their audience, and so as consumers multihome, not all advertisers will compete to appear in front of all consumers. That's going to reduce the demand, in a sense, for advertising.

On the publisher competition side, we've got increases in competition on both sides. On the consumer side, you have to compete for your consumers, and that's going to potentially require greater investments. What we're going to see is people trying to spend more to grab market share away from each other, at the same time that's going to have economies of scale, and again, create pressure for concentration.

On the advertiser side, now we've got different outlets, multiple outlets who all see the consumer in basically the same context and the same space.

So, instead of the Washington Post having a monopoly on Washington consumers, there are lots of places to reach those Washington consumers now, and that

puts downward pressure on price.

What does this all add up to? Lower ad prices, less efficient advertising and redistribution of eyeballs towards those who provide attractive content which creates greater concentration at the high end.

Of course, that's just multihoming against existing media. One of the big problems we have for the publishers, or biggest perceived problems, is the advent of all this other content, which is going to compete for eyeballs. I agree that this is a big problem. If you lose eyeballs, you're going to lose customer attention and that's going to be very bad for revenue.

On the other hand, we have to think about what the nature of that competition is coming from. If things like blogs and YouTube and Facebook take people's time but actually doesn't provide effective advertising space, in a sense it's reducing the effective supply of advertising. If people are substituting away from places where they used to see effective ads and now they're spending time in context where advertising is not as effective, in fact, that can be good for prices for the remaining media.

Of course, as several other speakers highlighted, that's only part of the problem. The other ways that users are multihoming can lead to unbundling

of very profitable content. Craig's List, Monster, sports, movies, auto, city hall coverage. If all of those things go to blogs and that was driving your advertising revenue, then you're in trouble, and in some sense, it's that unbundling that may be more of the problem than just the direct competition from the blogs.

So, now the scene gets even more complicated, and my slide is actually intentionally cluttered to illustrate how complicated it is to think about all this and keep it in your head. In this slide, the ad platforms have come in to save the day. They have solved a lot of the problems by the multihoming, like emphasized earlier, they help publishers sell audience in an environment where they know their users less well.

Their users are coming in from many sources, but the ad platforms can allow you to provide information. They can offer tools for tracking consumers, avoiding the duplication of impressions problem. They can also increase demand by lowering the fixed cost of advertisers to reach small publishers, but they also create a lot of challenges for traditional publishers because they increase the supply of effective ad space.

Now, bloggers and Facebook are potential more effective vehicles for advertising and so the supply of space has grown. In addition, they make it potentially

easier for the advertisers to shop for different publishers, they in some sense will facilitate competition among publishers for the same advertiser, the same advertising dollars, to make it easier to buy the same users in different places. So, that can be problematic for publishers.

Finally, while targeting is going to increase the advertising, there are some limits on the efficiency of targeting to indefinitely increase revenue from advertising. The more finely we chop up the targeting buckets, the thinner is the advertiser competition. You see that empirically and it's a very important constraining factor on how much targeting is going to help monetization in the industry. It's going to be an interesting thing to see how it plays out empirically as to what the limits are in terms of how finely we can divide up our users into different buckets while still keeping thick markets for the advertising dollars.

The ad platforms also shift the balance of power, and the focus of the value added, because they own a lot of the consumer information, not the publishers, and they also are going to determine how much profit to keep and how much to share with the publishers. Thus competition among the platforms is really crucial in the perspective of the publishers.

If the platform is making the match and creating the value, if they know your consumer and not you the publisher, what's going to guarantee that you receive the value?

Finally, our best friend in this room, Google News, hits the scene, and comes between the consumer and the publishers. What's the role of the aggregators? As we heard from Google earlier in the day, the aggregator model attempts to search a large number of sources and redirect traffic to the publishers sites. In terms of ranking, one thing that I know very well from working with search engines is how data intensive and how difficult it is to provide good rankings. So, use user feedback and find exactly the right content to put at the top of the screen.

It's natural for a company like Google to be in that business, search engines are pros at that. Another thing that an aggregator does is it has a limited number of links to show and that's going to make publishers vie to get those coveted links and to get that traffic, which, of course, is not so great for publisher bargaining power if they have any designs on sharing in revenue streams and so on.

So, competing aggregators can potentially give publishers more bargaining power, at least very large

publishers, since the aggregators would risk losing traffic to competitors. If you had two aggregators that provided really similar quality content, then if one of them had content that the other didn't, that would be something worth paying attention to from the aggregator's perspective and you could potentially as a publisher extract some value from that. But that really requires balanced competition among the aggregators and it's a much harder proposition when there is one dominant aggregator.

Now, if that's the case, we can also imagine publishers being tempted to fill this vacuum themselves. Of course, that's going to raise regulatory concerns and as well, the scale aggregation business is actually quite a difficult one to enter. There's large fixed costs, there's a lot of economies of scale in just learning to use the data to predict clicks on different types of links and that's a very expensive business to do well at a large scale.

So, a big problem for traditional publishers with this model is that it greatly increases multihoming. As a result, they no longer understand their users very well at all, nor can they bundle content. That's why we see things of the 1.7 million readers of the Milwaukee article that they're able to

monetize. So, that's where the ad platforms can come in again. The ad platforms are going to try to help save you from the problem created by the aggregators, okay, but we have to hope that the ad platform that saves you, in fact, is going to share the rents with you in a competitive way.

So, just to sum up, some of the economic forces, again I tried to make it in a stylized way to try and hold in mind as we're trying to sort all of these arguments. Econ 101 in the Internet, there are fundamental constraints of supply and demand don't change. In particular, the consumer time in the end is limited, so there's not just an infinite amount of supply out there.

Technology is going to change efficiency, it's going to change competition, it's going to make publishers face competition on all angles. They've got competition for consumers, they've got competition for advertising dollars, they've got aggregators competing with them to own the consumer and they've got ad platforms competing with them to own the information about the consumer.

So, they've got multifaceted competition, everywhere they look. The ad platforms will create amazing efficiency, but they will change the effective

supply and the effective demand. Competition will be key. The aggregators potentially will own the eyeball and the information, there's going to be strong economies of scale, which is going to make it difficult to enter and compete with them. They're going to encourage the use of ad platforms, and so again, competition is going to be very important, and publisher scale is going to help publishers bargain for rents, which will, again, create regulatory issues.

So, I think it's very salient that the FTC is trying to bring all these issues together in this conference, because it looks to me like they're going to have a lot of work to do in the coming years.

Thanks.

(Applause.)

MS. DeSANTI: Thank you very much, Susan. I'm not sure whether we should be happy or alarmed by your predictions.

Next we're going to hear from David Evans, who is an economist who holds academic positions at the University of Chicago Law School, where he's a lecturer, and at University College London where he is executive director of the Jevons Institute For Competition Law and Economics and a visiting professor. He is also a managing director for LACG, an economic consulting firm,

and he has authored or edited seven books.

David?

MR. EVANS: Thank you very much, Susan. Thanks a lot to the FTC, to Chairman Leibowitz and to you for having me here today. Let me make sure that I can get the slides going here.

So, I'm in a tough spot here, because after, what, eight hours, I think, almost anything you could possibly say has probably been said. Susan took away all my two-sided market stuff. Jarvis, I don't know if he's still here, took away my punch line, so, virtually everything you're going to hear I guarantee you you probably heard somewhere during the course of the day today.

So, you can take it more or less as a summary speaker. So, let me give you my bottom line. I'm going to stick to the topic of newspapers and journalism. My view is the newspaper business, as we think of it as a supplier of journalism, traditional journalism, and as an advertiser, intermediary, that business, I really think is going to continue to shrivel, that's a theme that we've heard echoed through the day.

I think the big unknown for all of us is whether the newspaper industry turns out to be the typewriter or whether it turns out to be like the bicycle, and I will

get back to that in a little bit.

So, let me give you a quick overview of how I come to this. So, again, you've heard all this, but the growth of the web has increased the supply of content, has increased the supply of ad space, had diverted viewers and advertisers from newspapers, and as we've heard it's reduced advertising prices.

It gets worse, and I have to disagree with Susan just a little bit, because we're going to get more web apps, there are already more web apps out there and a portal that we have mobile phones, and yes, there's a limited amount of time in the day, so I agree that we only have 24 hours, but my guess is at least some of the people in the room, at least the younger people in the room, probably check their Facebook pages or do something like that on their mobile devices. So, I think there's at least some increased supply of advertising space that we're going to see.

Traditional journalism, that's going to decline, because advertisers have other options available to attract viewers, and I agree with Susan that if we try to increase prices, demand is pretty elastic here, we're starting from zero, you raise prices, there's going to be less demand for journalism. So, journalism is going to go down.

Newspapers, as an advertising intermediary, as a business, that kind of matches viewers and advertisers, not very efficient, lots of efficient, more efficient businesses out there to do that, so they're going to decline with that function. Fortunately, new models are going to emerge.

So, let me go quickly through the basic economics of ad-supported media. I don't really need to say very much about this. The one point that I do want to emphasize that Susan already touched on is the supply aspect of this.

So, the supply of advertising is really coming from two things, the supply of advertising inventory, if you will, is coming from two things, is coming from the availability of space on the web, and accordingly the marginal cost of that is essentially zero. Really, really cheap to supply the space that you put advertising into, and then the other thing we have to have, if you want to be in the advertising business, is you have to have viewers filling that space. So, that's a very important concept in this.

The ad supported media business, it's very simple. Viewers are attracted by the content, the content is simply the bait, the bait is the thing that is basically reeling in the viewers, those viewers are

then sold to the advertisers, and that's basically what the business is. The newspaper or the ad-supported business is essentially a match-making service, it's in the business of trying to figure out ways to match content and advertisers, it's in the match-making business. Whether it's very efficient at that is a question, there is the journalism side and there is the ad side, we've already heard some of the speakers point out that they are not all that well integrated and maybe that's one reason why they're not a terribly efficient intermediary.

The traditional journalism business, and by that I mean, kind of what we do today, in print newspapers, it's mainly an input into producing the viewers for the advertisers, and it's not something that generates a lot of revenue directly. The quantity demanded of journalism that we see today reflects prices that are essentially between free and low. So, that's kind of where we are.

So, with that, kind of as background, what's happened to the newspaper industry? Well, now I'm going to show you, maybe in a different form, some of the data that you've already heard today. So, first of all, there's been a massive increase in advertising space on the web. So, we have an increase in the space, again,

marginal cost of that is essentially zero. We have a massive increase in the people that are looking at that space.

One point that I want to make is, you notice that very weird line on page views. Well, if you think about measuring advertising inventory on the web, page views, the number of eyeballs that are looking at space, that sounds like the good measure, echoing one of the points that was made earlier today, it turns out there are no good metrics of this on the web.

So, it turns out that around 2006 or so, lots of people switched to Ajax and as a result of that, all the measures of paid views turned out to be, well, unreliable, at least if you did diagrams like this.

So, if you take the early line and think about extrapolating that up, page views are going up quite rapidly, as are unique visitors.

A lot of that inventory that we're seeing on the web is very substitutable for what newspapers are doing, and we'll come to this in just a second. But if you think about classifieds and so forth, what you see online, very substitutable for what you see in the newspapers.

So, advertising inventory, the supply side, that's vastly expanded. There's also lower demand for

offline content. So, here's one statistic I came across, as with all statistics, I'm not sure it's right, but it's consistent with what we've heard today, and consistent with the media ecosystem diagram, very interesting, that we just saw. The time spent by readers of newspapers, down 17 percent between 2004 and 2009, meanwhile, time spent on Internet, more than doubled over that time period, almost equal to the time that people are spending on television, which is really quite amazing.

There has been a massive reduction in viewers offline, as someone pointed out earlier today, there has been a secular decline in newspaper circulation, that's absolutely true, but starting in around 2004, we're going to see this with all the data, starting in around 2004, you had an inflection point, and the decline in the circulation of newspapers at that point in time really starts accelerating.

Getting back to the intermediary point, increased competition for web-based intermediaries for matching people with advertisers, let me stick to the classified portion of this. We heard earlier today, and this is right, that classifieds had been a very, very significant portion of newspaper revenue, 40 percent as of 2000, down to 28 percent today. Massive decline in

classifieds.

One reason for that is think about the intermediaries that have arisen on the web to do that. You have Career Builder, you have TheLadders, you've all seen the advertisements for that, you have eBay, you have Craig's List and so forth, very, very efficient intermediaries that have sucked vast amounts of classified advertising away from newspapers, that on the display side you have Google with Adsense, you have the ad networks, ad exchanges and so on and so forth.

What are the economic consequences of this? This is not news for all of you who have sat through here today, but maybe a little different take on the data.

So, the advertising revenue has declined. Why? Well, lower realized prices, advertising prices are down. Fewer viewers, so there's less inventory. Advertisers are substituting going online. Subscription revenue has declined, because there's a hell of a lot of free stuff online. That's leading to a downward spiral.

One of the things that you've heard repeatedly during the day today is newspapers are cutting back on staff. So, think about what that means. So, revenue has gone down, and one of the consequences of that is newspapers have cut back on journalists, they have cut

back on content, my New York Times is smaller, my Wall Street Journal is smaller, I'm not happy about it. The result of that is you get fewer viewers, you get less advertising, that leads to less journalism, less content, that leads to fewer viewers and you get the spiral downward which on pessimistic days we call a death spiral and on optimistic days maybe we don't, but it's a spiral downward that a lot of these papers are facing.

Online, online obviously can't make up for that. You've heard everyone say that today. Price revenue online is too small to make up for that.

Take a look at the chart just quickly, I've indexed everything to 100 for 1989. What you see, again, is 2004, precipitous drop in newspaper advertising revenue, which is again the main thing supporting them, and what's remarkable is the decline in the classified advertising revenue which is the red line on the graph there.

So, the big question for newspapers, at least in my mind, is, again, are newspapers, like typewriters, that industry doesn't really exist any more, or are they like bicycles, which is a smaller industry than it might have been if the automobile hadn't been invented, but nonetheless, it's a really vibrant industry. So, that's

the question.

What are the consequences for traditional journalism? Well, if the downward spiral continues, then traditional journalism, I suspect, kind of wanes. If the demand for traditional journalism is reasonably elastic, starting from a price of zero, you raise the price, then maybe Rupert Murdoch will get people to pay money for, what is it, New York Post and things like that. Maybe he will get people to pay money for that. But my guess is the demand is going to be smaller once you start raising the price.

Either way, it's very difficult to see how traditional journalism isn't going to shrink considerably. If we had more time, we could actually talk about what I mean by traditional journalism versus a lot of the interesting stuff that you heard from the previous panel. When I say traditional journalism, I mean the very labor-intensive practices of newspapers today.

So, it's going to get worse. It's really going to get worse. The reason I believe that there is a coming vast expansion of advertising inventory. Mobile. How many people have a Blackberry, Smartphone, an Apple iPhone? How many people? How many people, keep your hands up, how many people of those who just raised your

hands checked those during the course of today? Yeah, how about that? Okay.

So, the number of those, if I asked that question five years from now, everyone is going to have it, everyone is going to be looking at it during the course of the day, everyone is going to be looking at their Facebook pages, so forth.

So, massive increase in that. In addition, the web has really only just started. Just think about what's happened since 2004. On the top there, you see the graph of social networking sites. Massive expansion of social networking sites. Massive expansion of video sharing sites. One thing that I've been working on recently is advertising networks for online financial services site, like online banking and so forth, that's another source of supply.

Microsoft, I'm not sure if they're actually going to do this in a big way, but Microsoft has talked about putting ads on windows, ads on the operating system. Another place where people are going to watch.

So, it's true that there's ultimately a limit on the amount of time that people are going to be able to spend during the day, but nonetheless, my guess is there is going to be a lot more opportunity to put ads in front of people over time and that's going to lead to a

further depression of advertising prices.

So, new space will suck even more advertisers and viewers from traditional media, that's going to further depress advertising revenues in newspapers and other media, I suspect, and that's going to further reduce the demand, I suspect, for traditional journalism.

So, what is the future of traditional journalism and media? Just very quickly, I think traditional journalism shrinks a lot. So, if we're talking about investigative reporters and we're talking about this model where I have an editor and I have a bunch of reporters and photographers and so forth, that kind of labor-intensive model, it's really hard to see how that isn't going to shrink, and it's also very hard to see when you look at what's happening to the online world and the innovation that's occurring there, that that model is going to get transported over. Print newspapers, they shrink, too. My guess is we'll end up with some scale driven properties, some really big newspapers, and we'll end up with some niche properties and then a lot of the stuff probably just moves online.

So, I just want to quickly finish with some public policy observations, and I don't actually completely agree. When I wrote this slide, I guess I

agreed with it, and over the course of the day, I've learned some things, so I don't agree with it quite as much as I did.

So, on the left-hand side, I really do think policy makers, there's been a massive change. So, if the FTC is looking at market definition, looking at lots of things, you just have to take into account that the world today is just different than it was before. That's going to have implications not just for antitrust, there are probably reasons for thinking about copyright, and there are certainly reasons for thinking about how we approach media regulation, that's probably the big thing we ought to be rethinking.

Now, I sat here, hard to see a market failure in the production of traditional journalism, and Chairman Leibowitz, you have not convinced me as a result of your eloquent use of economics this morning that there is a market failure. Nonetheless, I think it's something that's worth thinking about. I mean, the role of investigative journalism and so forth in society is very important, and there may actually be market failures that are coming from things that the government has produced, as a result of maybe laws that aren't optimally designed, regulations that ought to be changed and so forth.

So, we ought to at least think about the market failure question. The one thing I do worry about is mixing up market failure with nostalgia. So, personally, I would just love it, Jon, if you could give me my six-pound New York Times for $2 on Sunday morning, if you could give that back to me, I would be very happy. Whether that's a market failure, I'm not so sure about.

Then, this is the punch line that Professor Jarvis took away from me, I think the one thing that a lot of us do agree on, is that by and large, by and large, we ought to rely on the market to sort all this out. There are lots of entrepreneurs out there doing lots of exciting things, there are going to be lots of interesting ways to meet consumer demand, and by and large the default position ought to be that we ought to try to let the market kind of sort this out over the coming years, but the FTC, I'm sure, still has a little bit of work to do.

Thank you very much.

(Applause.)

MS. DeSANTI: Thank you very much, David, I will ask the next panelists to come up. That was a terrific summary to set us up for the last panel of the day: Online Advertising and Consumer Demand Trends.

We're going to go back to our three-minute format and start with Barbara Bacci Mirque, who is executive vice president for communications and best practices for the Association of National Advertisers.

MS. MIRQUE: Thank you, Susan.

I just wanted to tell you all who the ANA is, because I seem to be one of the outliers in this room, I guess, as someone who does advertising and marketing for a living. Being in this room with a bunch of regulators and lawyers and economists is kind of interesting to say the least, but the ANA, we're the leading marketing trade association and we provide our members best practices, proprietary insights, opportunities to collaborate with each other and we advocate other important industry issues, and many of them here in Washington, D.C., so it's providing marketers a self-regulated business environment and working on behalf of free commercial speech. So, we could have some discussions on that with David.

I think I have a different perspective on what I think about the news business, and I'm going to give you, I think, the advertiser's perspective and the consumers' perspective, because there's a couple of things that haven't been talked about. We've been kind of unidimensional in the room, but I haven't heard

anybody talk about the power of the brand. As a marketer, I live and die by brand equity. I think until Mike, nobody talked about the consumer. So, I want to give you a little bit of information about that.

The digital age is throwing all of the commercial space models, and that supported content, be it news or entertainment, and by commercial speech, I mean advertising, into disarray. So, I think what you're talking about in journalism, as it abounds to the web or as we're in a multiplatform world, it's not different than the aches and pains that content, if it's news content or entertainment, is facing in television with DVRs and we'll even go back further to the remote, if we remember that.

I want to talk about what Lauren said, because I think she made a great observation, and that is that probably news journalists have to be better marketers. I do believe that journalism is going to live, but it's going to be survival of the fittest, and by fit I mean the most robust brands.

What is a brand? It's the essence or promise that a product or service delivers, and it's an entity that a consumer trusts and has a relationship with. So, I'll tell you a little bit about myself from branding perspective. I read the New York Times, and I read it

the old-fashioned way and I pay for it and I read it on the train when I go to work. My husband reads it online. So, I guess what somebody said earlier, he's reading the free version and I'm reading the one you pay for. I may not agree with everything I read in the New York Times, but I define myself, people define themselves often by brands. So, if they're wearing a Rolex or Gucci or they drive a Mercedes, that says something about a person.

I think it says something about me that I read the New York Times and I also read the Wall Street Journal every day. What's important to me is I believe in the power of those brands and if I go to a dinner party and I talk about something and it was some great analysis that I read in one of those papers, and people go, wow, you sound so smart, how come? Well, I read it in the New York Times or the Wall Street Journal and I read about that tid-bit X, Y, Z. That says something about me and that's important to me.

I have to be honest, a lot of my friends don't know what Gawker is and I don't think they know what the Huffington Post is, although it's a great brand, and I live in a little bit different world than some of my friends.

Back to what Lauren said, I think the

newspapers, news sites or news as a product or brand need to differentiate itself, and they need to be better marketers.

Now, let's talk about the consumer. The consumer, I think, does expect free content. Sorry, what? Stop, okay, I guess I have to stop. Sorry. So, I was just going to say that I think some of the research I've seen is that consumers do expect free content, but if the brand, if you build a brand and you build these wonderful brands and you add value to it, the consumer will respond to that. And we advertisers are looking for that, so we'll advertise if it's print or if it's online. We're living in a world-integrated marketing, so I think somebody talked about Politico that started as a website and it also has a print piece now that it's actually making more money on. That's a great integrated marketing example. That's important to advertisers. So, as these models evolve, and I think there's a lot of models out there, advertising will support it.

MS. DeSANTI: Thank you, Barbara, and I'm sure we'll get back to your other points.

Next is Joe Laszio, who is the director of research for the Interactive Advertising Bureau.

MR. LASZLO: Thank you very much for being here.

Thanks to the FTC for inviting the Advertising Bureau to participate today.

I will say a quick word about the IAB. We are a trade association representing sellers of online advertising, that includes everyone from publishers to ad networks to technology companies. Our main mission in life is to set standards that help reduce the cost of ad-supported businesses for both the buyers of advertising and the sellers of advertising. We also try to help educate the market, we try to help grow the market by showing how online advertising works and how companies can leverage it effectively.

I guess I had three main concepts that I wanted to get across in my opening remarks today. The first is we've heard a lot today about the importance of the Internet to news as a business, and I wanted to flip that around and talk for a second about the importance of news to the Internet.

The Internet started out as a communications medium, email was the first application of the Internet, it was a way for people to keep in touch. But I think these days, if you look at the most frequently done online activity, the most frequently performed online activities, the media piece, the content piece is at least as important as the communication piece, and news

is a key kind of content that consumers turn to the Internet for.

If there wasn't news online, I think there would be a lot less demand and a lot less usage of the Internet. You can look at University of Southern California, the Annenberg School does a study there every year and in their '09 study they found that consumers spend 53 minutes per week reading newspapers online.

So, we saw all the stats how offline readership of newspapers is declining, but that's the highest level the Annenberg study has ever found, up from 41 minutes in 2008.

A company called Akamai is to help facilitate the delivery of Internet content, they make the Internet perform better and they track traffic to online news sites and they have found that some of the very biggest traffic peaks they have ever tracked have been related to specific news events since 2005 when they started tracking traffic to news sites.

The biggest traffic spike they've ever seen came in November of 2008, the night of the election, about 8.6 million visitors per minute were hitting online news sites. So, the infrastructure of the Internet these days has to be designed with news in mind because it's

really the kind that's kind of stretching the capabilities of the medium.

The second thing I wanted to talk about was the importance of advertising to the Internet economy. The IAB puts out a study twice a year that looks at online advertising revenues, and for 2008, about $24 billion in revenue was generated by online advertising. If you look a little more broadly at primary and secondary impacts of the ad-supported Internet as a whole, not just the news piece, you get to an impact of about $300 billion per year, about 3.1 million jobs, either directly or indirectly related to the Internet.

Finally, I want to say and pick up on a theme that we heard earlier that I think one of the key things the Internet is doing around news and content is really greatly increasing the supply, greatly increasing the diversity of voices that cannot only deliver a message that they want to online but actually make a living doing it as well.

You look at, say, razor fish, which does a study of digitally savvy, let's say, online consumers, and asks them where do you get your news online. Not surprisingly, 80 percent of those consumers said they go to a traditional news site and 30 percent said they go to Facebook and 20 percent said they go to Twitter. You

think about breaking news when somebody calls you and says something is happening and you go to a traditional news source to follow up on that.

The Internet is having that impact as well, people are finding out and communicating in new ways, reaching out to new sources of information, as well as turning to traditional sources, too. So, I think that diversity is a key benefit the Internet is giving in terms of consumers way to access news.

MS. DeSANTI: Thank you, Joe.

Pam Horan, president of the Online Publishers Association, a position she's held since June 2006. Previously she was vice president of marketing and membership for that organization for two years prior.

MS. HORAN: Thank you, Susan.

The Online Publishers Association is also a trade association, and our members are companies that are investing in the creatorship of original content. Newspapers like the Washington Post, New York Times, Time Inc., Forbes, cable outlets like ESPN, CNN, broadcasters like ABC, CBS, and also pure plays like Edmonds.com and actually the Huffington Post. The thing that I wanted to share is that this group of members combined reaches almost 110 million U.S. online visitors every month, which is about two-thirds of the U.S.

online population. Last year, these companies invested over a half a billion dollars in the production and creation of original content. The predominant fuel that funded this was advertising, as we've talked about today. Today we've talked a lot about how the Internet has transformed the way consumers get news, information, entertainment, and there are two things I want to just touch on as we think about the future, and that is really the role of content, as well as the role of environment.

It's clear the consumers are spending a lot of time online, we've seen it today, the OPA has conducted a study since 2003 that tracks where consumers are spending time online. We today look at five key categories, content, commerce, communications, community and search. The majority of consumers time is spent with content, at 42 percent, followed by communication at 24, community is at 20, commerce is at ten, it had been on average over the last six years at about 16 percent, but the macroeconomic challenges have forced that down and search has hovered around three or four percent. So, we know the majority of time is being spent with content.

So, that brings us to the question that we often hear from Barbara's community, which is the advertisers,

is really is all content created equal, and are all environments created equal. The answer to that question is actually no. To better understand this, we've done quite a bit of research understanding the impact of environment, and we have looked at and leveraged syndicated research to do this, and we've actually found that a brand halo actually exists. So, to Barbara's point, there is a value that an advertiser gets by having their message in certain environments.

What we have found is that OPA sites which we use as a proxy for the content environment actually has a greater impact of driving the key brand metrics that Barbara's community is interested in. Whether it be at the top of the funnel in terms of brand awareness or down at the bottom of the funnel where purchase intent exists.

So, I think that it's important that as we take a look at what's going on in the future, we are cognizant of the fact that environment does matter, and we need to think about what that means for the advertiser.

MS. DeSANTI: Thank you, Pam.

Next we will hear from Jeff Chester. Jeff is executive director of the Center For Digital Democracy, a Washington, D.C. nonprofit group that aims to foster

Democratic expressions, civic engagement and consumer protection in the digital media era. His book, Digital Destiny: New Media and the Future of Democracy examines the threats to the public interest from both old and new media consolidation, and he is currently writing a book about global interactive marketing and its impact on society.

MR. CHESTER: Thanks very much, Susan. I want to thank the FTC, I want to apologize for my back facing some of you.

I want to say that we fully support the FTC and the FCC and the Congress and the administration engaging in policy development to ensure that journalism, regardless of platform, survives and thrives in the digital age.

There is a market failure. There was a market failure when Edward R. Murrow gave that famous RTNDA speech, there was a market failure when Paddy Chayefsky wrote Network, that was diagnostic, that was not predictive only, and anyone who has witnessed the cutbacks as a result of media consolidation and deregulation and all the lobbying that went on at the FCC during the 1980s and the 1990s and looked at the cutbacks in news rooms, the closing of the overseas bureaus, the cutbacks in investigative reporting.

Investigative reporting in this country is on the endangered species list, it's been that way for two decades, otherwise we wouldn't have had to send it out to nonprofits like the Center For Integrity and the Center For Investigative Reporting.

I have two concerns today. One is that the news media industry online has embraced a business model that threatens the privacy of users everywhere, and I think ultimately threatens the news media's future as a trusted brand. Two, the potential concern that I think is possible that interactive advertising will play a very major role in shaping news content. We already know the distinctions are gone, they're obliterated, but as advertisers demand for editorial control, it's going to affect the news. We need to look at this now.

Now, in terms of online targeting, I think the news business, I know it's digital, because there is this digital collection data arms race, we have only heard a part of the story about the online marketing system that's going to be discussed next Monday here, it's a system somebody mentioned of deeply involving a consumer, of having a relationship with that consumer, regardless of where they are, online, cross-platform, multiplication, and to have a very deep connection to that consumer.

I mean, that's the basic business model, and data collection is at the core of it. But when the news media industry embraces this behavioral targeting business model, and in essence is stealthily monitoring, as newspapers do with their behavioral targeting product that Yahoo! and others do, what people read, where they go in the newspaper, what they like and what they don't like, and that information is then amplified and shared and now sold in realtime.

When a business model develops that, in fact, undermines consumer protection, consumer integrity, and privacy, something is wrong. The news industry should be in the forefront of calling for rules that protect the privacy of individual consumers. Otherwise, I suggest to you that you will be the target, in the United States and the EU, from the privacy and consumer community, who will go after you for the kind of ads that you're running that, in fact, collect financial data from consumers. Will go after you for the kind of health advertising, we're already seeing online that the FDA is now investigating. That's really just a part of it.

The news media industry should, in fact, embrace fair information principles. Now, it's great that the American Newspaper Association has reversed its position

from last year, privacy is no longer a violation of their First Amendment rights, now they support in their latest filing to the FTC notice and choice, but they oppose regulation, they oppose opt-in, they oppose consumer control. The news media is going to be on the losing end of the branding proposition, this incredibly competitive online world that has been created that, as the previous speakers describe, will only get more intense, unless they can really convince and convey to the individual that we have your interest at heart.

Make a distinction, we're protecting your privacy, and I suggest to you, consumers will then be willing to share more information about themselves with you, and look, as the FTC, as it's now doing, we've asked the FTC, look at AdMeld, look at realtime targeting, look at optimization, look at everything you're doing, and they are looking at it now.

As the FTC begins to fully comprehend the digital data collection apparatus that you are now a part of, there are going to be consequences, so there is time now to get on the right side of that equation. I see stop. Finally, I just want to conclude by saying that interactive advertising is a very, very powerful force. Advertisers have greater controller online than ever before. There is going to be a potential for

advertisers to further dictate editorial content and we need to be concerned about it.

Thank you.

MS. DeSANTI: Thank you, Jeff.

Next we will hear from John Meyer, he is the director of Digital Media for WTOP and Federal News Radio where he is responsible for all of the station's digital initiatives.

MR. MEYER: Thank you.

For those of you that don't know, WTOP is the local all-news radio station here in town and I wanted to thank the FTC for including radio in this conversation. We've been doomed since television began, so it's not --

(Laughter.)

MR. MEYER: It's nice to have newspaper join our pending armageddon.

I have two quick points that I want to make and both are kind of focused on the selling of local advertising, both online and traditional media. The first is, everyone is now your competitor and this has kind of been an ongoing theme here throughout the day. But if I had to ask who are WTOP's top five competitors, just whether it be online or on-air advertising, maybe one radio station would be in that group. The silos of

media and differentiation, I think, are completely gone. Clients aren't interested necessarily on just buying a radio promotion, they want to buy Internet advertising. They want to sell stuff, and they don't necessarily care what platform it is.

I think our advantage as a traditional media is the fact that we have traditional media on top of new media, and we can put together campaigns and different vehicles, whether it be mobile, online, radio commercials, TV commercials, newspaper ads, combined, to sell more of our client's stuff at the end of the day.

I think a big component of that is having the right sales structure, the right sales staff, that can sell multiplatform. I think there's too many, oh, we have to sell Internet or you have to sell radio or you have to sell something else. We want people to sell advertising at the end of the day. Whatever is going to best -- I mean, we're a company, and whatever you sell, if you're a media company, it's still the dollar is a dollar and it's going to go to your bottom line.

So, I think it's very important to have the right training and sales structure.

The other point that I would like to make is that no one really knows what they're doing in this space. I mean, particularly on the local level. The

Internet is very new still. I mean, last year if we had the same conference, Twitter wasn't as prominent as it was today. All of the sudden everyone has Twitter plans. No one is monetizing it, but they still have plans.

I think what's kind of important is to realize that things that we're trying to figure out and there needs to be experimentation. Podcasting was going to change the world a couple of years ago and it hasn't ever really gone anywhere. A bunch of people in the room thought pop-up ads would be an unbelievably effective way to advertise a product, but the market rejected that. I think that is what needs to happen.

There's a lot of successes we need to kind of have an as industry and there's a lot of failures. Companies need to succeed and some companies need to fail. What I think needs to happen is the market needs to grow up. The market needs to experiment and try and grow and kind of work out all of its kinks, because as soon as we do that and see what we have going something is going to change and come and then we don't know what we're doing all over again.

That's all I have.

MS. DeSANTI: Thank you very much, John.

I would like to go back to you, Barbara, and

have you talk a little bit more about -- I'm sorry, I'm ignoring you, Mike, because you've already had a lot of time to speak and we'll get to more of a discussion.

MR. BLOXHAM: That's fine.

MS. DeSANTI: I think it's very important that we get your perspective, how are advertisers thinking about this issue of online versus not online or combinations as John was just talking about?

MS. MIRQUE: Well, as I alluded to, I think advertisers want to surround the consumer. So, consumers are online, they're reading newspapers, they're listening to the radio, as you saw from Mike's research. So, we want to follow them around in a day and we also want to serve to them and I have to address what Jeff said. We want to serve to them relevant advertising. That is, I think, incredibly important. I do not think it invades privacy.

I'm always amazed in these conversations that you go to the grocery store, and you use your little card to buy, say five cents on a can of peas and they know amazing things about you and they can say, hello, Jeff, and you've got adult diapers in your cart.

Online, there's some anonymity. I don't know the technicalities, Pam and Joe can talk about it, but they're addressing a cookie or a web address and they

don't know my address unless I have given them that information. So, what's important to advertisers is being able to serve relevant advertising, because that's not going to be ignored, and it's the beauty of the web as opposed to some other types of media.

I think as I said before, to kind of follow the consumer throughout the day and give them a totally -- they're using multimedia, and we want to give them the appropriate advertising where it matters.

So, online is important, content is important, the brands are important, and as Pam said, where we present our advertising is important. So, in those top notch sites is important to advertisers as well.

MS. DeSANTI: Thank you. Well, I just have to mention I went to a presentation by Bob Garfield a couple of weeks ago, who is the author of The Chaos Scenario, in which he basically says that the advertising business model has been exploded just as well as the news organization model, and one of the examples he mentioned about behavioral targeting was the one you just mentioned, Barbara, in terms of supermarkets, and we all give this information to the supermarket so we can get discounts, and basically, as he pointed out, the supermarket knows all of the ointments you've ever used.

So, now, Jeff, I know you want to speak to this.

MR. CHESTER: I mean it's a shame in a way that this panel is not also taking advantages of the tremendous amount of information collection that the Federal Trade Commission has already done, the Bureau of Consumer Protection, Chairman Leibowitz and other commissioners have appointed a terrific new director of consumer protection, David Vladeck, and under the chairmanship for the first time in a number of years the FTC is getting to the bottom of interactive advertising and data collection. Congress is also getting to the bottom. The European Union, as you know, has issued new rules.

I'm afraid that if you look at the system, they know you, they know your interests, they don't need to know your name to know who you are and what you like anymore, online they are able to import outside databases. They are able to, in fact, take some of those records outside and bring them in.

So, anyone who knows online advertising understands that elaborate system of profiling for targeting and retargeting online has emerged and that it is a considerable privacy threat, and my first comment is this, and this is something that the FTC is now looking into through Vladeck's office.

Look, the advertising industry globally is working, as you all know, because you're a part of this, is working very hard to recreate itself. All you have to do is go to the Advertising Research Foundation and look at any of the seminars, or go to the Microsoft's Ad Lab or what Google is doing to understand they have put it together. There is a very sophisticated advertising system that has emerged.

Yes, it's innovating; yes, it's growing, but it's not unknown, and frankly, it affects consumers, which is why the FTC is now looking into how online advertising promotes obesity in children, among other issues, as well as the subprime crisis, and it affects privacy.

MS. DeSANTI: Thank you, and we will have an in-depth discussion of that on Monday.

Elizabeth? What would you like to add? Or ask questions about?

MS. JEX: Barbara, you --

MS. DeSANTI: Elizabeth Jex is on my staff and has been key to the preparation of all of this today.

MS. JEX: Hi. Barbara, you mentioned that consumers expect free content. How can news entities maximize their ad revenue in light of that?

MS. MIRQUE: Well, I think there's been a lot of

discussion about that today, and I actually, I did see a survey from Ipso, where I would like to look at the cup half full, where 50 percent of the respondents said they expect free content but that means 50 percent said they're willing to pay for paid content, if it's relevant to them, if it's something in which they have an interest.

So, Arianna talked about it, lots of people talked about it, I think from an advertising perspective, what the model is, is probably a little bit less relevant to us, if it's paid or not. We're interested in reaching the right consumer at the right place at the right time, and if you're a mass market advertiser, you really do want the aggregation, want many eyeballs. If you're a specialized advertiser, because all of us, our brands have different objectives, I want specialized content.

So, I think if it's paid or not, it's probably a little bit less relevant to the advertiser itself. Is it relevant to me, is it good content, does it give me positive influence on my brand, and not deter from my brand equity.

MS. DeSANTI: And could you speak to one of the other points that Bob Garfield discusses in his book, and I've also heard some other people speak to, is the

extent to which brands are now creating their own websites to market directly to consumers, and could you give us some understanding of what's happening in that area?

MS. MIRQUE: Absolutely. I mean, it's content is king, and the consumer is in control. We've heard all these mantras, and the consumer is looking for information. So, again, it depends on the brand. It's not going to work for every brand, but there's some wonderful examples of babycenter.com, which is J&J, and provides great information. You might not even know if you went on that site it's owned by J&J. Procter & Gamble has some great sites as well that are kind of information-based sites.

So, that's important for the advertisers. But I have to say, the advertisers are also getting into -- P&G just announced, just launched a print vehicle. So, print is not dead in any way, shape or form. It's, again, it's we're looking at the integrated spectrum, and we're looking across all types of media.

So, it's all important to us, but, yeah, from a website perspective, we can get in, and if it's right, the consumers are smart. Mike and I were talking about this at lunch. They see through it. It has to make sense, it has to be relevant to the brand, it has to

have the kind of the right application and the right approach and be the right content for the brand. If it's not related or relative to the brand and the consumer, they're not going to pay any attention to it.

MS. DeSANTI: Mike, let me invite you into the conversation.

MR. BLOXHAM: Yeah, I was going to say, I think the issue of targeted advertising and relevance and so forth is obviously a key one, and it's one of the things that the Internet has brought into our lives probably more forcefully than anything else. There were always attempts at targeting advertising, but digital makes it a lot easier to do, for good or not, depending on your point of view. It's also created a demand in other medias, such as television, for the kind of accountability and an aspiration for the similar kinds of targeting which ultimately will probably be much more commonplace when people work out what to do with the set-up data, how to approach set-up data. Among them, I'm sure Jeff is aware, the previous concerns around that are considerable, and the cable companies themselves are terrified of moving into that space, because they haven't got their heads around those sorts of implications and they quite rightly are very concerned about the court of public opinion and about

concern for any actual real legislation.

But I think the point about consumer perception here is very interesting. I have done a lot of research over the years with consumers around different aspects of media, including targeted advertising or however one wants to phrase it in these research sessions. One of the interesting things is people, they know it's possible, because, well, it's digital, so it must be possible. They can envision it, therefore it must be doable. Once they get their heads around it, they say, okay, well, that means I would get more relevant advertising.

There's usually a couple of questions that comes up in this scenario. Who defines relevance? Is it relevant because I'm relevant to the advertiser, or is it relevant because it's relevant to my lifestyle as I live it and therefore perhaps of more interest to me. Of course, the advertiser wants to send out advertising that is both.

So, I think people are fairly familiar and feel fairly confident in their own ability to understand it. They are less confident in their ability to enunciate exactly how it happened, understandably, they are not propeller heads, they are not geeks who understand the technology, and perhaps they are less confident in their

understanding of what recourse there might be if such a capability were to be abused.

Now, I come from a country, obviously, which has more regulation, and I think that's probably less of an issue there because people have faith in some of the institutions and the notions of regulation to perhaps a greater extent than here. It's just more a part of the way of life. But at the end of the day, my experience is that consumers, rightly or wrongly, come down with a view that at the end of the day, if their relationship with that medium, which is a relationship of choice on their part, not yours, is in some way abused or they perceive that it's abused, they'll walk.

This comes back to the issue of the brand. Brands have to protect their own integrity, and I believe that that's even more so the case when it talks about news and information brands. You have this dichotomy of a business model along side their notion of being a force for the public good, et cetera, et cetera, which in the abstract news clearly is.

The reality is, of course, that in many news outputs, that's somewhat questionable. That's another issue to get into, in terms of public perception. But I think the issue of protecting the brand integrity is incredibly important, and I would just raise the

prospect of something I was hearing about the other day, this concept of out-greening the competitive angle, companies these days are actually competing against each other on the basis of their green credentials.

Relatively new and a while ago we would have probably scoffed at the idea, but it's actually happening. Maybe there's a prospect in the future that as this data mining and process and the marketplace talks about it more, perhaps people will market their brands on the basis of that respect for the relationship with the consumer, not seeking to avoid the subject all together, or leverage it, but perhaps they'll say, no, we do actually respect the relationship that we have with you. Now, that may be idealistic, and there will undoubtedly be people who go down that path, but it's something to bear in mind.

MR. CHESTER: Susan, can I have one point?

MS. DeSANTI: One point, Jeff.

MR. CHESTER: I think a more serious study, and being the only consumer advocate on the day, I have to fill in on a number of areas. The most serious study that looked at U.S. attitude towards online advertising came out at the end of September, UC Berkeley, University of Pennsylvania, and you may know Joe Terrell. In that study it found the overwhelming

majority of Americans don't understand how the behavioral targeting advertising works, and once it was described, they're opposed to it. The overwhelming majority, even young users, and they fully support regulation to protect privacy, in Congress, which is one reason why the FTC is now looking at redoing its own guidelines.

MS. DeSANTI: Thank you, and I also want to mention in terms of the greening, that the FTC is working on revising its green guidelines for precisely the reason you mention is that people are competing on how green their products are.

Pam, you had some points you wanted to add.

MS. HORAN: I think to Mike's point, it's a really good one, and the thing I took away from what Mike was talking about was it's really important also that we're careful to not simply put everyone in the same bucket, because the reality is if I look at the members of the OPA, they have a first party direct relationship with their community. They understand a responsibility that goes with that, and the foundation of trust which is so critical, and as Mike mentioned, there's a lot of places people can go for content. So, they value that, their success of maintaining that is paramount.

So, I think that it's really important as we think about the way that we're connecting with consumers, we're cognizant of the fact that there are relationships, just like in the physical world, there are different types of relationships.

MR. LASZLO: I think I would add, another thing that the Internet has really done, it's greatly accelerated the time it takes for a brand to become an established trusted brand. You look at the Huffington Post, you look at a website like Engadget that provides some consumer electronics that didn't exist three or four years ago and now it's one of the go-to places, when someone wants to know about new TVs, it's one of the places that they go.

I would say the flip side is also true, it's a way for them to lose that consumer trust as well because there are so many watchdogs out there keeping an eye on what's going on.

So, I think it greatly behooves media companies of all sorts to be very careful how they proceed. They obviously have to make a profit at the end of the day or we turn to news as a public good provided by nonprofits. But again, I think the nature of the Internet means it's fast to gain consumer's trust, but it's also very fast to lose that trust if you mess up.

MS. DeSANTI: Okay, John, we're going to let you have the concluding observation today, then we're going to wrap this panel up.

MR. MEYER: I'll keep it short. I mean, I think there are consistent themes kind of across today for the most part. I don't think any media is doomed, I don't think any journalism is doomed, I think it's just an evolution. If you figure it out, you survive. If you don't, you probably shouldn't.

On the commercial side, it's a business. I mean, part of the business is putting out a good, solid product. As long as you do that, you kind of run your business smartly, you'll succeed. If you don't, you shouldn't.

MS. DeSANTI: Thank you for the voice of the entrepreneur. Thank you all for coming.

Please join me in thanking this panel for an excellent presentation.

(Applause.)

MS. DeSANTI: Please keep your badges, if you have badges, for tomorrow.

(Whereupon, at 5:35 p.m., the workshop was adjourned.)

C E R T I F I C A T I O N O F R E P O R T E R

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CASE TITLE: HOW WILL JOURNALISM SURVIVE THE INTERNET AGE?

DATE: DECEMBER 1, 2009

I HEREBY CERTIFY that the transcript contained herein is a full and accurate transcript of the notes taken by me at the hearing on the above cause before the FEDERAL TRADE COMMISSION to the best of my knowledge and belief.

DATED: 12/10/09

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SALLY JO QUADE

C E R T I F I C A T I O N O F P R O O F R E A D E R

I HEREBY CERTIFY that I proofread the transcript for accuracy in spelling, hyphenation, punctuation and format.

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SARA J. VANCE