

Statement of

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Mr. Chairman, thank you for your leadership in trying to further the interests of journalism and the news business with these workshops

I hope what I can add today is the perspective of an operator of local newspapers: Gannett is perhaps best known for USA TODAY, but we also publish 81 daily community newspapers in 30 different states – in larger markets like Phoenix, Indianapolis and Detroit and in smaller markets like St. George, Utah, Salisbury, Maryland and Ithaca, New York.

On the editorial side, our community newspapers specialize in local reporting, and, as a company, we believe local watchdog reporting is our future.

We distribute our reporting in many ways – in the newspaper, on our websites, via rss feeds, in e-editions and email newsletters, and increasingly on cell phones, pdas, mobile devices and E-readers. We also create content for niche audiences in print and on the web: our local offerings also include websites which serve audiences with special interests. Our Momslikeme.com and highschoolsports.net sites are good examples of that approach. Depending on the community, we may also offer specialized coverage of an issue of particular local interest. For example in Tallahassee, Florida we've found that the appetite for our Seminoles coverage is almost limitless.

By focusing on serving the interests of our communities, we aggregate substantial local audiences. In many Gannett markets during a seven day period we reach over 70% of the adults in the community. In a number of markets, that number exceeds 80%. And, on the issue we're wrestling with today, which is how to develop revenue streams to sustain journalism, our penetration is a powerful draw for local advertising. And unlike the national websites that provide local coverage of one stripe or another, we have ad representatives who know local advertisers and are constantly working with them to provide just the audience they are looking to reach. These "feet on the street" give us an important advantage.

The phrase "constant beta" is sometimes used by technology companies to suggest that their products are always evolving. To some extent, our local newspapers are in similar mode: constantly looking for the content mix that serves the interests of the local audiences and making those audiences available to local advertisers. At the core of what we do, however, is local watchdog reporting – and no other existing local media or new online start-ups can come close to matching the breadth and depth of our coverage.

So when I look at the suggestions that participants at the two earlier workshops have made – such as a tax credit to news organizations in support of journalism -- my reaction is that though well intended, these proposals are inappropriate given the importance to the media of remaining independent from the government it covers. In addition, many of the government funding proposals are premature. As the saying goes, reports of our death have been greatly exaggerated. We still think gathering local news and serving local audiences and advertisers is a business, and a good business at that.

That said, there are some steps that the Federal Government could take that would be helpful to newspaper owners moving forward.

1. The definition of the relevant market should be changed. If one thing is clear from the comments made at the earlier FTC Workshops and today, it is that newspapers face competition on many fronts. For that reason we believe that it would be appropriate for the government in evaluating an advertising market to expand the evaluation of competition beyond a comparison of newspapers to an evaluation of an entire market, including newspapers, broadcast, cable, the Internet, direct mail, and others.

2. Support efforts to help us protect and license our content. As demonstrated in a recent empirical study by the Pew Project for Excellence in Journalism, newspapers do by far the most “enterprise reporting” of any local media, and other local outlets rely heavily on the information originated by daily newspapers. Yet unlike other industries – such as the music industry – structures do not currently exist to help publishers monetize the content we produce but which is often redistributed without compensation by third parties who have not had to incur the costs of creating the content in the first place. The amount of unauthorized use of newspaper content is substantial. According to research from the Fair Syndication Consortium, over a 30-day period (ending Nov. 15, 2009) more than 75,000 unlicensed sites reused U.S. newspaper content; and 112,000 full copies of U.S. newspaper articles were found on unlicensed sites across the Internet. The industry is working on a marketplace solution that will make it convenient for unauthorized users of newspaper-generated content to license and pay reasonable fees for such use. As those plans develop, there may be issues to preview with the appropriate government agencies.

3. Behaviorally-targeted advertising. Services which allow us to sell not just specific products but a specific audience are increasingly common. As we look forward, we see this type of advertising as an important component of our future financial sustainability. We are very sensitive to the privacy issues of the audiences we serve, but feel that our experience in maintaining the public’s trust gives us an almost unique ability to guard against practices that would inappropriately invade the privacy of online readers.

4. Postal Rates The preferred postal rates mentioned in FTC’s discussion draft have narrowed considerably over time. While some weekly community newspapers may use the Postal Service for the delivery of their editorial products, daily newspapers rarely do.

What is not known widely, however, is that daily newspapers compete in their local markets with national advertising mailers for preprinted advertising inserts. Maintaining this type of insert advertising is important to our continued ability to fund our reporting. Over the last few years, the Postal Service has provided preferred postal rates for Saturation advertising mailers. For example, last year, the Postal Service offered Saturation mailers a 4 cent discount on each mail piece for incremental volume. We believe these recent rate changes have shifted advertising out of newspapers into the mail.

Thus while special postal subsidies are not needed for the delivery of newspapers, we do think that the Postal Service – consistent with its statutory mission “to bind the Nation

together through the personal, educational, literary and business correspondence for the people” – should not take sides in the competition for advertising among local media.

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