

## Remarks by Craig Aaron at the Free Press Summit

Good morning – and thank all of you for being here.

I'm Craig Aaron. I am the senior program director of Free Press. And I'd like to take a few minutes now to share some of the highlights of Part II of our new book, which is about the future of journalism and public media.

I want to start by saying that the work in here was very much a team effort. And I'd especially like to acknowledge the work of my colleague Victor Pickard — the lead author on this project — as well as Josh Stearns and Josh Silver, who did much of the heavy lifting on these chapters.

But before we get into all that, I'd like to share my favorite journalism joke. Well, it's the only journalism joke I know. But it's appropriate for book releases, too.

This will especially appeal to the editors and writers in the room. Here goes:

A writer and an editor are lost and wandering through the desert. They've gone days without food or water. The sun is beating down. Their clothes are torn. They've got sand in their teeth. They're a mess.

As they come to the top of yet another sand dune, the writer spies an oasis on the horizon.

The writer breaks into a sprint; the editor is close on his heels. Their arms are churning; they're kicking up sand, tripping over each other.

They reach the water's edge. It's no mirage.

The writer plunges his head into the cool water. He's almost submerged, drinking in as much as he can.

But after a few moments, he realizes that the editor isn't there anymore. He's not next to him. So he pulls his head out of the water, and he looks around, and he sees the editor on the opposite bank.

And – I know the FCC is here so I want to choose my words carefully – the editor has his pants down and he's — sorry — peeing in the water.

The writer is disgusted, almost too shocked to speak. He starts screaming at him: “What are you doing??!!? You're destroying it!!!”

The editor looks back at him, puzzled. Then he offers a reassuring smile.

“Oh, don't worry, don't worry about,” he tells the writer. “I'm just *making it better.*”

That fable says a lot about the relationship between editors and writers. But I think it also speaks to the current crisis in journalism.

When we talk about saving the news, first and foremost, let's be sure we're *actually making it better*.

At this point, it's hard to imagine things could be any worse.

By one count, 24,000 journalism jobs have been lost since 2008. Foreign, Washington and statehouse bureaus have been shuttered. Major news organizations are in bankruptcy. Others, like the *Rocky Mountain News*, have closed their doors for good. Newspaper circulation is nose-diving, and local radio and TV news seems headed in the same direction.

Our traditional media have been battered by a “perfect storm.”

The rise of the Internet and the end of local advertising monopolies collided with the economic downturn.

But that's not the full story. We must also recognize that many of the industry's most serious wounds are self-inflicted.

Just a few years ago, the average profit margin for newspapers was 20 percent — with some raking in twice as much or more. Did they use these astronomical profits to invest in the quality of their products or to innovate for the future?

No. They just bought up more newspapers and TV stations.

While our regulators in Washington rubber-stamped these mega-mergers, the media companies took on massive amounts of debt. And they are now drowning in it.

But here's the dirty secret of the business: *Newspapers are still profitable.*

AdAge recently reported that McClatchy's papers earned a 21% profit margin last year; Gannet earned 18% -- and yet they both still cut thousands and thousands of jobs.

Look ... I'm not saying the business model isn't in trouble or that the ads are ever coming back. I'm certainly not saying the economy isn't in bad shape.

But if Washington hadn't looked the other way as these deals went through, newsrooms might have 10 years to experiment, adjust and adapt — instead of what feels like 10 minutes.

The last thing we need now is more of the same bad medicine that got us so sick in the first place. But that's exactly what the industry is asking for: weaker antitrust laws, cross-ownership, more and more consolidation

Doubling down on the bad policies of the past is exactly the wrong thing to do. As my colleague Ben Scott told Congress a few weeks ago: Tying two rocks together won't help them float.

Some say do nothing. *Let 'em drown*. They point out that — from the run-up to the war in Iraq to the meltdown on Wall Street — the mainstream media haven't done their jobs.

Yet it's hard to imagine how we'd be better off with fewer journalists on the streets.

I believe journalism is indispensable in a democratic society. So if the market is failing, we may need to look elsewhere.

So what should we do?

First, we need to agree on what we're trying to save. This is *not* about newspapers — or not *just* about newspapers -- it is about newsrooms and newsgathering.

This is not about protecting old institutions or propping up old business models. But it is about serving local communities.

It is about understanding that journalism is a public service — not just another business.

The crisis in journalism is a national issue, and it requires a national solution. Just like we need a national plan to connect every American to affordable, high-speed Internet, we need a national strategy to make sure everyone can get quality news and information.

This national journalism strategy should be guided by core principles:

We must ...

**1. Protect the First Amendment.** Free speech is essential to a free society and a functioning democracy. We need policies that protect and *promote* free speech.

We must ...

**2. Produce Quality Coverage.** The public needs in-depth news on important local, national and international issues. They need diverse voices and viewpoints.

We must ...

**3. Provide Adversarial Perspectives.** We need to hold the powerful accountable by scrutinizing government and corporations.

We must ...

**4. Promote Public Accountability.** We need to treat journalism as a public service, not just another commodity.

We must ...

**5. Prioritize Innovation.** We need to utilize new tools and technology to get journalism to the broadest range of people.

Unfortunately, up to this point, much of the debate over the future of journalism has fallen into two camps.

One believes the Internet is killing almost everything good about journalism.

But even if we could put the Internet back in the bottle, why would we ever want to?

The other camp believes the Internet will automatically and magically replace our current model of journalism with something better.

But the Internet alone won't meet our needs, for reasons starting with the fact that more than 40% of the country doesn't have access to broadband at home. As our news organizations collapse, it is cold comfort that someday sometime someone somewhere might replace them.

There is a fertile middle ground here — in which we can embrace digital technology and the promise of the Internet, while also sustaining vital professional journalism.

The key question is what are the models that can provide the institutional and financial support needed to keep skilled reporters on the beat? Or better yet, how can we put *even more* reporters on *even more* beats?

It's important to remember here that news has always been subsidized. But just because advertising no longer subsidize journalism, does not mean that we no longer require news.

So we need to find new policies to support the media. And, yes, the government will probably have to be involved.

Of course, the government has always been involved in media policy. Back in the early days of the Republic, the question was whether we should mail all newspapers for free or just heavily subsidize them. Only the technology has changed.

There's no magic bullet here. No one-size-fits-all solution. We're going to have to experiment.

But here's what we know won't work: more media consolidation, of course, is not the answer.

This is not the time for a direct government bailout for Sam Zell or the *New York Times*.

Foundation money by itself won't do it. We don't endorse paywalls or mandatory micropayments that would cut off content from most of its audience.

Hiding from Google or suing bloggers for quoting you does not count as innovation.

But we've identified five policies — short-term and long-term — that we believe show the most promise.

In the short term:

### **1. New Ownership Models**

-- **501(c)(3)s**

-- **L3Cs**

We need to take away some of the pressures from Wall Street and reinvest in serious journalism and in-depth reporting.

Nonprofit and low-profit models for news organizations could help balance between public needs and shareholder returns, giving them protections and advantages not available to the commercial press.

The nonprofit newspaper bill introduced in by Senator Cardin is a start — but it's too limited. Its language would largely exclude community newspapers and ethnic media. And it doesn't offer the same benefits to new media outlets and online news organizations as it would to the old broadsheets.

A possible alternative is the low-profit, limited liability corporation, or L3C — a structure now available in a few states that gives advantages to corporations committed to a social good and allows them to accept philanthropic support.

Newspapers operating as L3Cs could still earn a return for investors — but their social purpose would always trump the financial one.

## **2. New Incentives**

- Divestiture**

- Prepackaged bankruptcies**

- Minority media tax certificate**

As the biggest media companies collapse under their own weight, they will be forced to sell off properties. Usually this means selling to another big conglomerate or a private equity firm with no ties to the community.

Instead, we need a menu of options that would encourage media companies to sell off these properties to new owners who pledge to operate them in the public interest under a new structure like an L3C.

To do that we should refine existing bankruptcy and tax laws to encourage local investors, community groups or employees to take over failing news operations on favorable terms, keep journalists on the beat, and invest in local newsgathering.

Bankruptcy could be an opportunity in disguise. So-called prepackaged bankruptcies allow companies to negotiate and vote on reorganization plans before declaring bankruptcy. They are ideal for still viable businesses drowning in debt — like newspapers.

If done right, a failing paper could be bought up by a cooperative of its employees through a prepackaged bankruptcy, turned into a low-profit or tax-exempt organization; take money from philanthropists; and test ways to generate online revenue – all while still reporting and writing.

Likewise, we need to bring back proven policies like the minority media tax certificate to encourage the sale of media properties to under-represented groups.

Before it was eliminated in 1995, this policy — which gave tax benefits to those who sold media properties to racial and ethnic minorities — increased the number of broadcast licenses held by people of color by more than 700%.

### **3. Journalism Jobs program**

Our third proposal is to establish a journalism jobs program to train or retrain young or veteran journalists. We just passed a nearly trillion-dollar recovery package, but where are the reporters who should be watching how this money is being spent?

What if we took a few thousand AmeriCorps jobs and gave them to newsgathering organizations? And why not retrain veteran journalists with new media skills — to match their deep rolodexes of sources?

Or let's put them to work training our college students in media literacy?  
There's already a pilot program like that running at Stonybrook University.

Alternatively, the Department of Labor could design a program to help keep reporters employed – offsetting costs that would otherwise go to unemployment payments while keeping watchdogs on the beat.

These are short-term fixes. Over the longer term, we need to look at ...

#### **4. Journalism R&D Fund**

Just as government invests in medical research to heal the body, we need to invest in the experiments and new models that will heal the body politic.

We're calling for the development of a government-seeded innovation fund for journalism – a taxpayer-supported venture capital firm that invests in new journalism models. We propose starting this effort with a \$50 million budget.

This fund — which could match private and public investment — would focus on new technology and startup initiatives, especially community-based newsrooms and outlets serving communities of color.

#### **5. New Public Media**

Finally ...

Now is the time to re-imagine our current public broadcasting system and rebuild it as new public media with an overarching commitment to newsgathering and community service.

This last strategy is crucial. In fact, we devote a separate chapter of the book specifically to look at how to finally build a world-class public media system in America.

Consider the numbers: We now spend just a little more than \$400 million per year in public money for public media. That works out to just \$1.35 per capita.

By Comparison, Canada spends more than \$22 per capita, and England spends \$80 per capita.

With increased funding — say, to as little as \$5 a person — the American public media system, could dramatically increase its reach and relevance.

This money isn't just for journalism. Public media support arts, education and community service, too. Wouldn't you pay \$5 for better media?

Think of it this way: Each of us spent \$600 to bail out AIG. Five bucks for public media is a bargain.

Better yet, Congress should end the dance of annual appropriations and create a permanent trust fund that would remove public media from the political whims of Washington forever.

But it's not just about money. We also need to reform the governance structure of public media ... we need to utilize new technology ... we need to diversify the audience and programming ... and we need to expand our definition of what public media is ... not just PBS and NPR, but Low Power FM stations, public access cable channels and independent Web sites.

One thing we can do right now is finally pass the bipartisan Local Community Radio Act and create hundreds of new LPFM stations.

It's been more than 40 years since the historic Carnegie Commission envisioned the public broadcasting system. We need President Obama to establish a new White House commission to finally bring public media into the 21<sup>st</sup> century.

Leadership from the top is only part of the answer. To save the news and build the world-class public media system, we need broad public participation that's been missing from these crucial media debates for too long.

Journalists — many of whom were taught not to vote — are going to have to get involved in politics and policy if they want to keep their jobs. Public broadcasters are going to have to reconnect with local communities.

Bloggers and grassroots media activists, academics and everyday people who believe the news should be more than traffic and weather and sports and

who got kicked off American Idol last night are going to have to come together to build the political will for real change.

To make things better — to really *make it better*, and not like the editor did in the desert — we're gonna have to pull our heads out of the sand and get to work.

I hope that long overdue, truly public conversation about the future of our media starts here today.

I can't wait to hear what you have to say.

Thank you.