

Local ink

Can GateHouse Media stop the shrinkage of community newspapers in the Bay State? BY DAN KENNEDY

IT'S HARD TO be optimistic about the newspaper business these days, but Kirk Davis is trying. Davis is the president and publisher of GateHouse Media New England, which owns more than 100 newspapers in eastern Massachusetts—and which itself is part of GateHouse Media, a national chain of some 500 papers based near Rochester, New York.

Like all newspaper companies, GateHouse is struggling. But by some measures, it's struggling more than most. Since the company went public in 2006, the price of its stock has fallen by more than 95 percent. At press time, the company was in danger of being delisted by the New York Stock Exchange. Some financial analysts have gone so far as to predict that GateHouse could be broken up at some point in the near future.

Davis, though, says GateHouse is outperforming other newspaper companies. And though its debt is sizable—\$1.2 billion, or about 10 times earnings, according to publicly reported data—he and other company officials say GateHouse has no problems making its payments.

“We feel that community newspapers have a very viable future and, juxtaposed against the trend overall, are performing very well,” says Davis, arguing that small, community newspapers have a competitive advantage over major metros because their locally focused content is not available elsewhere. “I believe in it, and I believe it's going to stay strong.”

For several years now, the newspaper business has been battered by the rise of the Internet and a failure to develop online business models that could offset the loss of circulation and advertising revenue. Large, regional papers such as the *Boston Globe*, the *Miami Herald*, and the *Philadelphia Inquirer* are under assault, as readers looking for national and international news have migrated to the websites of even larger news organizations ranging from the *New York Times* to the BBC. Local papers, with their community-based advertisers, were regarded as less vulnerable to such online phenomena as Monster.com and Craigslist, which have ravaged classified advertising. But

with housing in a slump and the economy slowing, the local advantage has its limits. Consider these developments:

- At the Worcester *Telegram & Gazette*, 36 positions and all zoned editions have been eliminated, leaving the paper with just one edition. The *T&G*, like the *Globe*, is owned by the New York Times Company, whose New England operations lost 24.5 percent of their advertising revenue in July 2008 as compared with the previous July.

- At the *Eagle-Tribune* of North Andover and three affiliated dailies—the *Daily News* of Newburyport, the *Salem News*, and the *Gloucester Daily Times*—52 jobs have been cut by their corporate owner, Birmingham, Alabama-based Community Newspaper Holdings.

- After previously announcing he would sell Ottaway Newspapers, a chain of community papers he acquired when he purchased Dow Jones and the *Wall Street Journal*, Rupert Murdoch pulled them off the market. Cutbacks have been relatively mild at Murdoch's Massachusetts papers, which consist of the *Cape Cod Times*, the *Standard-Times* of New Bedford, and two weeklies. But industry observers concluded that executives at News Corp., Murdoch's company, decided to hold on to Ottaway because they couldn't get the price they were seeking.

Over the past year, GateHouse New England has eliminated positions as well, through layoffs and attrition—the equivalent of about 50 full-time journalists (out of about 535) since July 2007, says Davis, who calls the current period “the worst in my 25 years in the business.”

It's a situation that has GateHouse staffers tense and worried.

“There's a lot of paranoia,” says one GateHouse employee who asked that he be identified only as a manager with knowledge of multiple departments. (Numerous staff members were contacted for this article, and none agreed to be quoted by name.)

“People are very anxious,” he adds. “I wouldn't say there's any kind of a mood of Chicken Little,

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MASS. MEDIA

people running around and pulling their hair. But people look at the stock price every day.”

COMMUNITY NEWSPAPERS ARE a vital part of civic life. From coverage of selectmen’s and planning board meetings to school lunch menus, from obituaries to letters from readers, the content offered by the kinds of newspapers GateHouse owns—weeklies and small and medium-size dailies—serves a need that can’t be met by larger news organizations, and that bind a city or town together perhaps more effectively than any other local institution.

According to audited figures provided by Davis and Rick Daniels, a former *Boston Globe* president who is now GateHouse New England’s chief operating officer, the company’s papers reach some 1.7 million people each week in the region, which goes as far west as Worcester. The chain comprises eight dailies, 114 weeklies, and about 20 specialty publications devoted to topics such as real estate, parenting, and jobs. Its Wicked Local websites draw some 1.7 million unique visitors each month, according to audited figures provided by GateHouse.

GateHouse’s largest papers include such familiar titles as the *Patriot Ledger* of Quincy, the *MetroWest Daily News* of Framingham, and the *Enterprise* of Brockton. Its smallest are weeklies with barely more than 1,000 paid subscribers, such as the *Bolton Common*, the *Norton Mirror*, and the *Georgetown Record*.

Many of GateHouse’s Massachusetts papers are venerable, stretching back several decades or even longer; the *Patriot Ledger* traces its roots to 1837, when the *Quincy Patriot* was founded. Several generations ago, nearly all of these papers had independent owners. The story of how they all came together under GateHouse is a parable of media consolidation.

It began in the 1960s, when enterprising newspaper publishers built about a half-dozen regional chains in Greater Boston. The modern era got under way in the late 1980s and early ’90s, when Fidelity Capital, an arm of the investment giant, assembled many of these regional chains into what became the Community Newspaper Company. CNC, as the company was known, began cutting jobs and expenses almost right from the beginning as its executives—including, toward the end, Kirk Davis, who was the president and publisher—tried to realize the economies of scale that they hoped would come from combining advertising and business operations.

In 2001, Fidelity cashed in by selling CNC for an estimated \$150 million to Pat Purcell, the owner and publisher of the *Boston Herald*. Purcell, perpetually challenged financially, kept cutting, and in 2006 turned around and sold CNC to the company that would become GateHouse for a reported \$225 million. At the same time, GateHouse pur-

chased the one piece of the Massachusetts puzzle that had eluded both Fidelity and Purcell—Enterprise NewsMedia, consisting of the *Patriot Ledger*, the *Enterprise*, and their associated weeklies—for another \$165 million or so. That purchase, in turn, brought Kirk Davis back into the fold, as he had left CNC several months after Purcell had bought it and was running Enterprise NewsMedia.

After 20 years of consolidation, it's fair to ask if corporate ownership of community newspapers makes sense—not just journalistically, but financially. Take Bill Wasserman, who built North Shore Weeklies and sold the group in 1986 to investors who, in turn, sold to Fidelity several years later. Wasserman says the main problem with corporate ownership is a failure to understand that, even in the best of times, community journalism is little more than a break-even proposition.

"I was paid a salary, which was modest," says Wasserman. "The reward was not in the profit. The reward was having a lot of fun putting out a community paper."

Not long after forming GateHouse Media, its execu-

At best, community papers do little more than break even.

tives decided to convert their chain into a publicly traded company—a move that has brought no end of negative headlines. The stock debuted at a price of \$21.60 per share. This summer, it fell to as little as 40 cents, paralleling similarly sickening plunges by newspapers stocks such as McClatchy and the Journal Register Company.

The stock price collapse and the company's debt burden have led to predictions that GateHouse may not survive in its current form, or any form. Every few weeks, it seems, the trade magazine *Editor & Publisher* runs a story about the latest misfortune at GateHouse.

"GateHouse could conceivably buy itself time. It has a number of assets it could sell off. It could hobble along and could conceivably be here a year from now," says Tom Corbett, an analyst with Morningstar, a financial news service. "But with the current revenue declines, the current profit

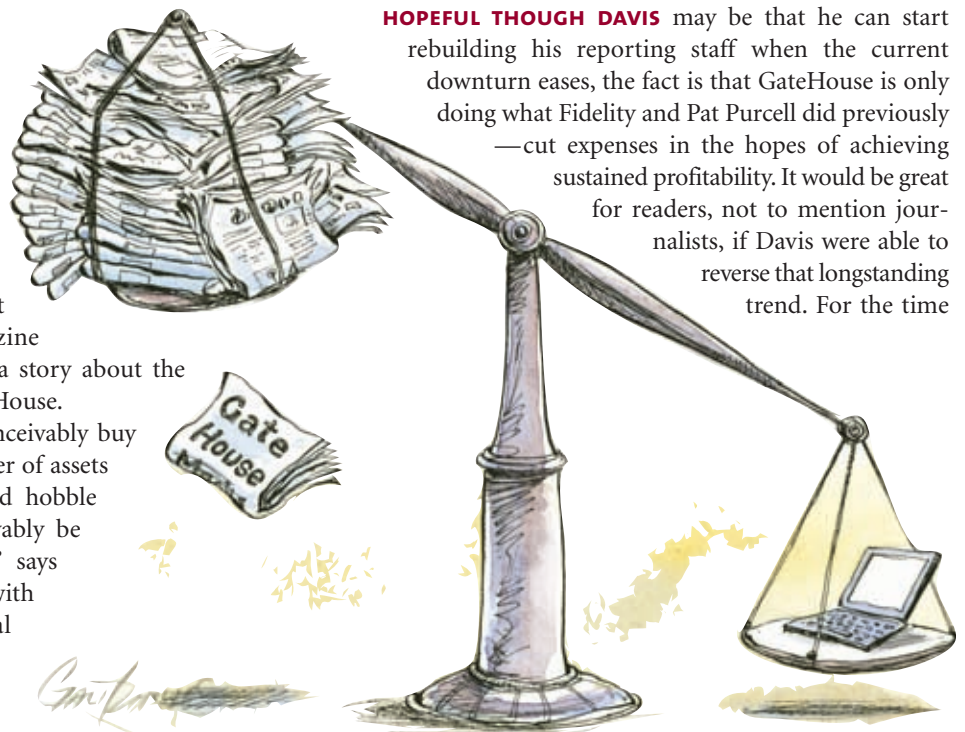
declines, and the high fixed cost of the debt obligations, something is going to have to happen."

Yet there is another side to the GateHouse story, and it seems equally plausible. In early August, during a conference call to discuss earnings, GateHouse chief executive Michael Reed said the company's revenues—despite a quarterly loss of nearly \$430 million—were holding up better than in the newspaper industry as a whole. With principal on the debt not due until 2014, Reed insisted, GateHouse has time to find a way out of its current morass. It's a view supported by at least some financial analysts who follow the company.

GateHouse's ownership structure is also unusual, although it's hard to say what effect that may have on its future. More than 24 million GateHouse shares are held by Fortress Investment Group, about two-fifths of the company's outstanding shares. The chairman of the boards of both GateHouse and Fortress Investment is the same person: Wesley Edens. That has led to some speculation that Fortress won't allow GateHouse to fail. (Fun irrelevant fact: Fortress Investment purchased \$270 million of singer Michael Jackson's loans in 2005.)

Thus, if GateHouse's future isn't exactly secure, it seems reasonable to say it's perhaps not as grim as it's been portrayed. What, then, is the future of community journalism, GateHouse-style?

HOPEFUL THOUGH DAVIS may be that he can start rebuilding his reporting staff when the current downturn eases, the fact is that GateHouse is only doing what Fidelity and Pat Purcell did previously—cut expenses in the hopes of achieving sustained profitability. It would be great for readers, not to mention journalists, if Davis were able to reverse that longstanding trend. For the time



being, though, the shrinkage continues.

Though there are GateHouse papers that are adequately staffed, there are small papers in the far suburbs that don't even have a full-time editor; their pages are filled with content from larger papers such as the *MetroWest Daily News*, which themselves are smaller than they used to be. Among those let go in the past year was the *Daily News's* popular cartoonist, Dave Granlund, whose work was shared among a number of GateHouse papers. (Granlund declined to comment.)

Two free weeklies, the *Avon Messenger* and the *Taunton Call*, were shut down this year, although it should be noted that they were barely staffed and operated in the shadow of larger GateHouse papers. Some of the *Enterprise's* operations are being shifted to the *Patriot Ledger*. The *Ledger* itself no longer runs its own printing plant, but is instead printed at the *Boston Globe*. And more consolidation is likely: GateHouse is still beset with oddities such as its ownership of two weeklies in Cambridge, the *Chronicle* and the *Tab* (a holdover from Fidelity's empire-building days in the early '90s). Davis says that and similar situations are likely to get a close look.

Ask veteran editors inside the company whether they can offer the sort of public-service journalism on which

communities depend, and you get a mixed answer: *Yes, but*. That is, yes, but they're not doing what they were doing a few years ago. If an editor is covering three or four towns instead of one or two, then there are that many more local governmental meetings that don't get covered. The editors interviewed for this article are an admirable bunch, hardworking and dedicated to their craft. But they are frustrated that they can't do all they would like to do—a perpetual lament, to be sure, but one that has become more urgent as resources diminish.

"There's a hell of a lot of professional pride. That trumps a lot of things," says a veteran editor. But morale, he says, is "not that great," adding, "I don't get the sense that there's a lot of buy-in that we should be killing ourselves for a company that won't even let ourselves keep up with the price of gas." New reporters, he says, generally earn about \$25,000 a year, and experienced editors make around \$45,000—not unusual for the industry, but nevertheless pretty tough to live on in Greater Boston.

GateHouse has invested considerably in its online presence. Howard Owens, the company's director of digital publishing, has pushed a philosophy of Web-first journalism (that is, getting breaking news online and running it in the print edition later), as well as producing news



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The videos, in particular, have garnered attention. Reporters have made pieces on everything from a Martin Luther King Day event in Danvers to a car crashing into a hospital in Brockton—as well as more notorious fare, such as a Beverly parade this past Fourth of July that featured a giant, water-squirting penis and crude signs mak-

Some say there's a conflict between more Web content and a quality print edition.

ing fun of the Gloucester teen-pregnancy crisis. That sparked a debate in the community, but GateHouse officials, including Davis and Owens, defend it on the grounds that it was newsworthy.

Owens, who's well-regarded in the industry, hopes to make his next push on Web 2.0 content — that is, finding ways to bring members of the community into the conversation by letting them blog on GateHouse's Wicked Local sites and by commenting on stories. (Some GateHouse papers were deluged with anonymous, offensive


comments when the feature was first offered, but since then a registration system has been instituted.) According to one GateHouse editor, in a few communities, especially those close to Boston, Wicked Local has already succeeding at fostering a new level of civic engagement. "Suddenly we've managed to get several aldermen who communicate regularly there, several school committee members who talk about school issues," he says. "It's leveled the dialogue, because now we've got citizens communicating with public officials."

Owens is also involved in a new model—an online-only virtual newspaper in Batavia, New York, not far from GateHouse's headquarters—that's competing with an established print newspaper. "The overall revenue would be less than what you would get from a print newspaper," he says. But with far lower costs, he adds, the *Batavian* could be a blueprint for what's to come.

Yet though some GateHouse journalists are on board with Owens's Internet philosophy, others say there's a conflict between a corporate mandate for more Web content—including widely ignored quotas—and the long hours needed to put out a quality print edition.

Owens's response: "There are some incredibly talented


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IT'S NOONTIME ON a Tuesday in early September. Kirk Davis and Rick Daniels are talking about their company in a windowless room at GateHouse New England's Needham headquarters, in an office park right off Route 128.

GateHouse has a reputation for secrecy—Rick Edmonds, who analyzes the newspaper business for the Poynter Institute, says company officials are “very close-mouthed about what they're doing”—but on this day Davis and Daniels talk for nearly two hours, with not a “no comment” to be heard. Perhaps this is the beginning of a new era.

Davis has always been able to communicate a palpable excitement about the newspaper business, and that excitement hasn't diminished since his Fidelity days. He points out that between his stints at CNC and Enterprise News-Media, he bought a small weekly in Holden, the *Landmark*, which has since grown into a chain of about seven publications, including *Worcester Magazine*. And he proudly shows a visitor an example of a new type of Web-based advertisement, exactly the sort of narrowly targeted product

newspapers are going to need in order to compete online.

“It's a very uncertain time. People are very nervous about what they read about the industry,” says Davis, who nevertheless remains the perpetual optimist about GateHouse's future. “It inspires the hell out of me,” he says.

Davis's challenge is to transmit that inspiration to his troops—and to back it up with evidence that, at some point, the cuts of the last two decades, under as many as three or four different owners depending on the paper, will finally come to a halt.

One longtime editor who expresses admiration for what Davis is trying to accomplish nevertheless offers a dispiriting assessment.

“I feel like I've witnessed the end of the local newspaper,” he says. “It's become less and less of a factor in the local community. We're not even trying to do the job that we used to take pretty seriously 20 years ago. That's probably true everywhere.

“I don't want to sound like a depressed old dinosaur,” he adds, “but what the hell. It is what it is.” **CW**

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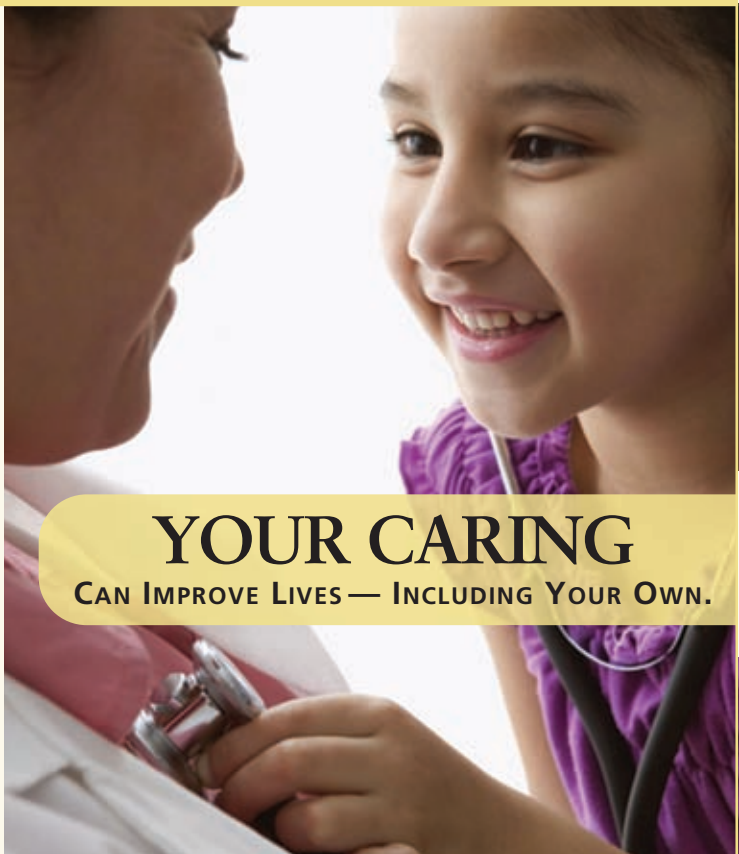
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