

Disappearing ink

How a new ownership model might ensure the survival of daily newspapers—including the *Globe* BY DAN KENNEDY

ONE OF MATT Storin's last assignments before he retired as editor of *The Boston Globe* was to carry out a painful round of downsizing. It was the spring of 2001, and—in what has become a familiar story—circulation and advertising revenues were falling at the *Globe* and the *Worcester Telegram & Gazette*, both of which, then as now, were owned by the New York Times Company. At the *Globe*, the Sunday Focus and Books sections were combined and shrunk. New Hampshire Weekly was eliminated. And 185 employees, about a third of them in the newsroom, were eliminated through early-retirement incentives. Within weeks Storin was gone, leaving his successor, then-*Miami Herald* executive editor Marty Baron, with a smaller paper—and a sense that the newspaper business was beginning to change for the worse.

“I well remember when, almost by default, we grew and prospered year to year in a way that sometimes we didn't even understand,” says Storin, who now teaches in the American studies department at his alma mater, the University of Notre Dame. “I had ridden that baby right up to the top of the roller coaster, and it was starting to hit a downward trough during the time I was there. In all honesty, I could see what was coming. Could I see all of this? No. But I could see that it was going to be a tough slog from then on.”

By “all of this,” of course, Storin is referring a crisis in the news business. Every day, it seems, newspapers are being sold and newsrooms slashed. The uncertain future of news has become a hot topic not just for insider publications such as the *Columbia Journalism Review*, but for the mainstream media as well, and it was the subject of a four-part series on PBS's *Frontline* earlier this year. The age of Woodward and Bernstein, not to mention ever-expanding news budgets, has given way to Anna Nicole Smith and profound uncertainty.

This crisis has hit Boston hard. While the tabloid *Boston Herald* struggles just to survive, a different kind of struggle pervades the *Globe*'s Dorchester headquarters. According to the Times Company's filings with the Securities and Exchange Commis-

sion, the *Globe*'s circulation at the end of 2006 was about 389,000 on weekdays, and 588,000 on Sundays—well below the figures of just a year earlier (413,000 and 646,000), and a far cry from the paper's heyday of several decades ago, when circulation was more than 500,000 on weekdays and more than 800,000 on Sundays.

Some of that circulation loss is offset—and can be explained—by the fact that readers are switching to the *Globe*'s Web site, Boston.com, which attracts some 4 million unique visitors each month, according to the Times Company. But revenue from Web advertising continues to lag well behind that generated by print ads and paid circulation. And that, in turn, helps explain why the Times Company reports that total revenue from its New England Media Group (the *Globe*, the *Telegram & Gazette*, and Boston.com) went from an adjusted figure of nearly \$701 million in 2004 to \$627 million in 2006. Last October *The Wall Street Journal* reported that the *Globe* was on its way to recording its first unprofitable year in history, which tracks with what insiders had been saying for months.

All of this has led to a remarkable series of events. In January, management announced the loss of 125 jobs at the *Globe* and the *T&G*. Two months later, 24 staffers in the *Globe*'s news and editorial operations took buyouts, including Pulitzer Prize winners Eileen McNamara and Stephen Kurkjian. Even more dramatic was a memo Marty Baron sent to his staff announcing that the paper would close its last three foreign bureaus—in Jerusalem, Berlin, and Bogotá—in order to preserve about a dozen jobs elsewhere. The Times Company also wrote down the value of the *Globe*, the *T&G*, and Boston.com by \$814 million, bringing the total value to about half of what it paid for the *Globe* alone in 1993. Some back-office jobs are even being outsourced to Bangalore.

The *Globe* remains New England's leading news organization, able to define the agenda in ways that no one else can. But it's a very different newspaper from just a few years ago. Not surprisingly, these events have led to considerable speculation that the Times Company might sell the *Globe*. Coming at a

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Brockton Brightfield, a 425-kilowatt photovoltaic solar energy system (middle) received more than \$1 million from the Trust. (Photo credit: SCHOTT Solar Inc.)

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time when formerly chain-owned newspapers such as *The Philadelphia Inquirer* have been acquired by local investors, and when a passel of would-be local buyers is hoping to wrest the *Los Angeles Times* from the Chicago-based Tribune Company, such speculation would at least appear to have some grounding in reality.

The speculation briefly reached a fever pitch last fall, when retired General Electric chief executive Jack Welch, advertising executive Jack Connors, and concession mogul Joseph O'Donnell spread the word that they would like to buy the *Globe*. But with Times Company chief executive Janet Robinson all but coming right out and saying the *Globe* is not for sale, talk of a Welch-led sale has died down. (Times Company spokeswoman Catherine Mathis, responding to a query by e-mail, wrote, "It is our policy not to comment on potential acquisitions or divestitures. We constantly review our portfolio of properties to assess their continuing relevance to our strategy. We view the *Globe* as an important asset, and ... we've taken many steps that we believe will improve its performance.")

Ownership, though, remains a hot topic—not just in Boston, but nationally. The Times Company, like Gannett and McClatchy, is a publicly traded corporation that's obliged to deliver the highest rate of return for its shareholders. Though the Times Company is somewhat insulated from the pressures of the market (chairman Arthur Sulzberger Jr. and his family control the voting shares of stock), publicly traded companies in general have come under fire for their management of newspapers. Increasingly, the typical profit margins of corporate-owned newspapers—20 percent or higher—are seen as inconsistent with well-funded public-service journalism.

What might a future ownership model for the *Globe* and other major metropolitan newspapers look like? What if newspapers could escape from the profit demands of Wall Street through private ownership or with the help of non-profit foundations? If nothing else, there's a sense that the time has come to ask those questions.

BOB GILES, CURATOR of Harvard's Nieman Foundation for Journalism, has a ready answer when asked if he can think of a better potential owner of the *Globe* than the Times Company. "Yeah, the Taylor family," he says, laughing. More seriously, Giles adds: "I think they [the *Globe*] are hampered by the *Times*. Because in the most basic way you'd have to say that the *Times* bought the *Globe* to make money."

From almost the moment of its founding, in 1872, the *Globe* was controlled and, later, owned by the Taylor family. It began with Colonel Charles H. Taylor, a Civil War veteran brought in to stabilize the struggling enterprise in 1873, and ended in 1993, when the Taylors sold the paper to the Sulzbergers, their friends and competitors, for \$1.1

billion—a staggering half of the Times Company’s stock value. The Times Company’s then-chairman, the gentlemanly Arthur “Punch” Sulzberger, left the Taylors in charge. But in 1999, with the *Globe*’s financial performance heading south, Sulzberger’s son and successor removed Ben Taylor as publisher and replaced him with Richard Gilman, a Times

magazine. “I can’t imagine a scenario where that would be an opportunity, but you never know, I guess. Stranger things have happened.”

Translation: If Arthur Sulzberger and Janet Robinson ever decide to put the *Globe* on the block, the Taylors might at least take a look. But so will other prospective owners, including the group headed by Jack Welch. Welch himself might be a problematic publisher. As head of General Electric, he developed a reputation for occasionally interfering in the news coverage at GE-owned NBC, according to the media-watch organization Fairness and Accuracy in Reporting. Welch has also raised eyebrows by publicly proclaiming that his *Globe* would concentrate on local coverage at the expense of national and international news—although, to be sure, that seems to be the direction in which the *Globe* and other major metros are headed anyway.

But if Welch is not necessarily the right owner for the *Globe*, the idea of a locally based business person taking the helm is still an intriguing one. In Philadelphia, where McClatchy spun off the *Inquirer* and the *Daily News* after acquiring them from the now-defunct Knight Ridder chain, advertising executive Brian Tierney is attempting to save a once-great institution. So far the verdict is mixed, as deteriorating finances have made it necessary for him to keep cutting. In Chicago, real-estate magnate Samuel Zell recently bought the Tribune Company—affecting both the Chicago paper and the *Los Angeles Times*, itself the object of local buyout attempts. (At press time, Zell was reportedly talking with entertainment executive David Geffen about a deal.)

Mark Jurkowitz, a former *Globe* media reporter who’s now associate director of the Project for Excellence in Journalism, in Washington,



Company executive, Gilman was succeeded last September by P. Steven Ainsley.

So is a Taylor restoration even remotely feasible? Some observers, nostalgic for a time when the Taylors would eschew large profits in favor of investing in the paper, talk about the possibility that the family might put together an ownership group, or lend their support to a nonprofit group that might acquire the *Globe*. But Ben Taylor, reached at his home in Brookline, makes it clear that it’s not something he thinks about or expects to occur—although his comments could also be seen as distinctly non-Shermanesque.

“I don’t think the *Globe*’s for sale, so I can’t be interested in anything I don’t know is happening,” says Taylor, who’s now chairman of *The American Prospect*, a liberal political

The *Globe* is very different from just a few years ago.

D.C., thinks the ideal owner might be a group similar to the one that purchased the Boston Red Sox after the 2002 season. John Henry, Larry Lucchino, Tom Werner, and company were not as well-known as some of the other bidders (including the aforementioned Joe O’Donnell), Jurkowitz notes. But they brought innovation to the Red Sox, hiring Theo Epstein as general manager, placing a greater emphasis on performance measurements and community relations, and winning a World Series for the first time since 1918.

“If you could devise your dream team, it might be some-

thing like that,” Jurkowitz says. “It might be an investment group that maybe none of us have heard of, with a real visionary sense of what you want to do with media in this climate. You want to watch out for the vanity project.”

STEVE MARTIN USED to do a hilarious routine in which he promised to reveal the secret of how to be a millionaire and never pay any taxes. It began with this: “First, make a million dollars.”

So it is with perhaps the most intriguing ownership model—the nonprofit foundation, which would presumably run a newspaper like the *Globe* in the public interest without regard for profits or shareholders. The best-known example is the *St. Petersburg Times*, a for-profit newspaper owned by the Poynter Institute, a nonprofit journalism school.

There are many good things to be said about the Poynter model, but they are accompanied by a large and unpleasant dose of reality: It all happened because the late Nelson Poynter gave away his paper. In 1975, Poynter set up the school that now bears his name. Three years later, when he died, his ownership shares of the *St. Petersburg Times* (and *Congressional Quarterly*, which he also owned) were transferred to the school. If the Sulzbergers can somehow be persuaded to give away the *Globe*, then it could work here, too. *First, make a million dollars.* Otherwise, dream on.

But what a dream. With a circulation (according to the *St. Pete Times* Web site) of about 315,000 on weekdays and 405,000 on Sundays, the paper is the largest in Florida. It’s smaller than the *Globe*, but roughly in the same weight class—proof that foundation ownership can work at a major metro. According to Paul Tash, editor of the *Times* as well as chairman and chief executive of the paper’s parent company, the goal is to earn a profit margin between 10 percent and 20 percent. That’s healthy. But with no pressure to earn higher and higher profits in both good times and bad, he says, the *Times* is able to build for the future without anyone having to worry about short-term financial benchmarks.

“I think it gives us some more flexibility, which is a key advantage these days,” says Tash. He believes the crisis in the newspaper business is one of unrealistic profit expectations on the part of shareholders, and that any private owner—not just one attached to a nonprofit, like the *Times*—could settle for lower margins and a stable, successful business. “A lot of newspapers are still doing between a 15 and 20 percent operating margin,” Tash says. “That doesn’t sound like a dying business to me. Those kinds of margins would make the oil boys blush.”

Adds Roy Peter Clark, vice president and senior scholar at Poynter: “What’s cool about the Poynter Institute owning the *St. Petersburg Times* is that, because we’re concerned

about the quality of leadership and the ethics of ownership, we’re able to take the long view of success and profitability rather than the short view.”

The Poynter/*St. Pete Times* model may be unusual, but it’s not unheard of. Newspapers as prominent as the *Christian Science Monitor* and Britain’s *Guardian* are owned by nonprofit organizations, as are papers as obscure as the *New London Day*, of Connecticut, and the *Anniston Star*, of Alabama. The Associated Press itself is a successful example of a nonprofit news cooperative.

Closer to Boston, the *Manchester Union Leader*, New Hampshire’s only statewide newspaper and once the mouthpiece of the notorious ultraconservative publisher William Loeb, is now owned by a less strident nonprofit. In 1999 Loeb’s widow, Nackey Scripps Loeb, a member of the well-known Scripps newspaper family, founded the Nackey S. Loeb School of Communications down the street from the *Union Leader*. When she died, in 2000, the school inherited

Are unrealistic profit expectations the problem?

a 75 percent share of the paper. (The other 25 percent is owned by a trust left by William Loeb, the proceeds from which will eventually be distributed among the paper’s 300 or so employees.)

Joe McQuaid, publisher of the *Union Leader* and president of the school, describes the arrangement as being similar to that in St. Petersburg: The school is nonprofit, and executives at the paper aim for a profit margin of 10 percent to 15 percent to support the school, which engages in such activities as bestowing First Amendment awards, teaching the basics of journalism to non-journalists, and training mid-career professionals. In recent years, McQuaid says, the *Union Leader* has failed to hit those profit margins, which has prompted a round of downsizing. Yet he says he and other managers at the paper are relatively free of the pressures that pervade newsrooms at papers owned by publicly traded companies.

“Speaking with my publisher’s hat, it’s a relief that I’m not beholden to Wall Street every quarter, or every week for that matter, relative to the stock price,” McQuaid says. He adds that Nackey Loeb was “very much in favor of the independence of the press, and neither she nor Bill Loeb liked the idea of big chain ownership of papers. They often said that if it’s going to be strictly a bottom-line business, it’s not doing what the First Amendment carved out for the press.”

Yet, given the *Globe*’s financial woes, there is a serious question as to whether even nonprofit ownership would make a difference, at least in the short term. Considering the deep cuts that have been visited upon even profitable papers

owned by publicly traded corporations, one could argue that the Times Company's stewardship of the *Globe* has been exceedingly benign. Nonprofit ownership might well ensure the future of the paper—but only after its business problems have been fixed.

So is there any way of nudging papers like the *Globe* toward nonprofit ownership? Some observers talk about the possibility that, if the business continues to deteriorate, Congress might be persuaded to adopt tax incentives so that a corporation like the Times Company would be better off transferring the *Globe* to a foundation rather than selling it at a fire-sale price. But things would probably have to get a lot worse before that could happen.

Another possibility is that newspapers could be run like public radio stations, another example of nonprofit ownership that provides journalistic excellence. Contrary to popular perception, public stations receive very little money from taxpayers—rather, they are virtually commercial enterprises, funded by listener contributions and corporate underwriters. In the case of National Public Radio, the network from which most public stations receive national and international news, there's also the \$200 million left behind by Joan Kroc, heir to the McDonald's fortune, who died in 2003.

Could the public radio model somehow be transferred to newspapers like the *Globe*? One answer is provided by New York University journalism professor Jay Rosen. "You have to be beloved for the public radio model to work," says Rosen by e-mail. "Are newspapers beloved?"

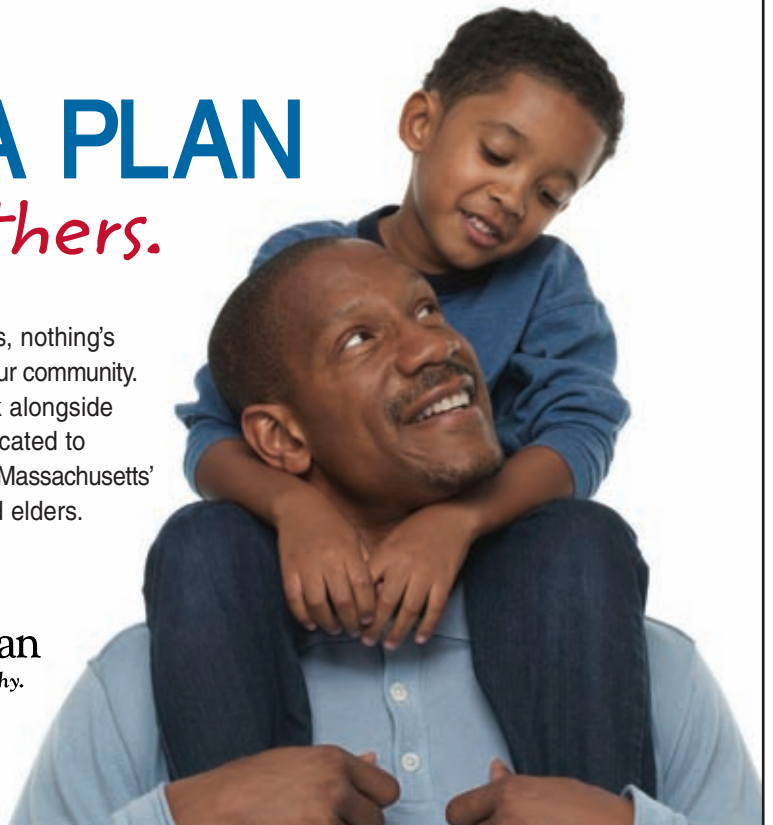
Another, less whimsical, answer comes from Paul La Camera, general manager of public radio station WBUR, a news powerhouse whose license is held by Boston University. Noting that WBUR is a \$20 million a year operation and that the *Globe's* annual revenues are somewhere in the vicinity of \$500 million, La Camera says, "There's no comparison." Besides, *Globe* readers are already contributing in the form of subscriptions and newsstand sales. Which leaves advertising, an area in which the *Globe* and most other papers are already struggling. Renaming it corporate underwriting isn't going to change that.

OWNERSHIP IS HARDLY the only issue causing angst at the *Globe* and other newspapers. This is, as we all know, a time of enormous change. Arthur Sulzberger Jr. himself said several months ago that, within five years, there may no longer be a paper edition of *The New York Times*—and that he didn't care. Indeed, within five or 10 years papers like

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the *Globe* will probably be all or mostly online and mostly local, as regional papers will cease trying to compete with the Web sites of the *Times*, *The Washington Post*, the BBC, and other world-class news organizations.

That's not to say print won't survive in some truncated form. Former *Globe* business columnist David Warsh, who writes thoughtfully on the media business and other topics at EconomicPrincipals.com, points to the *Financial Times*, a high-quality newspaper that is far thinner than a typical metro daily. "I am optimistic that newspapers are going to survive—not just survive but prosper—because I think that print and home distribution just has advantages that are not commonly recognized over the Internet," Warsh says.

On the other hand, Christopher Lydon, host of the Web-savvy public radio program *Open Source*, wonders whether newspapers as we know them can survive in any form, in print or online. Lydon, a former reporter for both the *Globe* and *New York Times*, thinks that a more promising model might be a network of blogs encompassing everything from Harvard Divinity School to the neighborhoods of Dorchester. "I don't know if it can be done, but I think it's much more buildable than the old model is savable," says Lydon.

But even if the model Lydon envisions could be created, that doesn't answer the question of who's going to do the sort of high-cost, resource-intensive reporting that public-service journalism requires. This past spring the *Globe* was nominated for two Pulitzer Prizes (winners were announced after press time), one for its series on unscrupulous debt-collection agents, the other on the Bush administration's use and abuse of presidential signing statements—not exactly the fare of unpaid bloggers with day jobs.

"Ultimately, what's important isn't the form but the content," says Dan Gillmor, founder and director of the Center for Citizen Media, which is affiliated with the Berkman Center for Internet and Society, at Harvard Law School. "My goal, and I think a lot of other people's goal, is not to preserve newspapers but to preserve great journalism. I think it would be wonderful if we could preserve newspapers, because I love them. But that's really the secondary question and not the important one."

We may, in fact, be at the bottom of the newspaper market, with better days to come. Tom Rosenstiel, director of the Project for Excellence in Journalism, talks about new revenue opportunities for news organizations. Oftentimes you'll hear about plans for newspaper content to be broadcast to cell phones, for instance. Why, Rosenstiel asks, shouldn't the cell-phone companies pay for that content?

"People need journalism. And it seems more clear today than five years ago that the source of that journalism is going to be what was once the newspaper's newsroom," Rosenstiel says. "You reinvent the revenue model and this

business, which looks dire at the moment, begins to look promising.”

And if Rosenstiel is right, then perhaps an owner like the New York Times Company doesn't look so bad. Yes, it's squeezing the *Globe* harder than we readers would like. Yes, it's going to demand higher profits from the *Globe*, the *Telegram & Gazette*, and all the other properties it owns than it will ever demand from the *Times* itself. Yes, it might sell the paper in a year, or five years, or 10 years. But it's got deep pockets and a tradition of journalistic excellence. If Jack Welch or another local owner seems too iffy, and if nonprofit ownership seems like an impossible dream, then perhaps the Times Company stands as the least bad alternative.

“I hate what the *Times* has done, I hate the steps they've taken,” says Alex Jones, director of Harvard's Joan Shorenstein Center on the Press, Politics, and Public Policy and co-author of *The Trust*, a multigenerational biography of the Sulzberger family. “But given all the choices, I would rather be under the control of *The New York Times* than just about any other owner.”

Matt Storin, who worked under the Taylors in the 1960s, '70s, and '80s and under Times Company ownership in the '90s, puts it this way: “I guess my starting point is the devil-you-know option. The New York Times Company

has the best journalistic values in the business, or arguably the best, along with *The Washington Post*. And despite all that's been done, I have probably a slight bias toward the status quo—although it's not a strongly held one at this point, because look where we are.”

Look where we are. It's a dispiriting thought. The *Globe* today is a lesser paper than it was just a few years ago—thinner, less ambitious, more dependent on wire coverage for national and international news. But so is every other large regional paper.

Someday—maybe soon, maybe not—the Times Company may put the *Globe* up for sale, creating both opportunities and dangers. On the one hand, returning the paper to local control, if that's what happens, would be a heartening development, a chance for Boston to shed its unwelcome image as nothing but a franchise town.

On the other, if the *Globe's* new owner lacks the Sulzbergers' commitment to journalism and deep pockets, then these will look like the glory days by comparison. **CW**

Dan Kennedy is a visiting assistant professor at Northeastern University's School of Journalism. His blog, Media Nation, is at medianation.blogspot.com, and he can be reached at da.kennedy@neu.edu.



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