

UNITED STATES OF AMERICA

FEDERAL TRADE COMMISSION

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

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**Opening Remarks of Chairman Jon Leibowitz, as excerpted from Transcript pages  
1 through 6**

**JON LEIBOWITZ:** I want to welcome all of you here today to the concluding FTC workshop about the future of news.

Let me also thank the National Press Club for allowing us to use this historic venue, which reflects so much of the history of journalism in America.

And I just want to say how honored I am to be here with my colleague and friend and partner Tom Rosch, who has been a strong voice for public policy initiatives and really for the Commission.

As we've pursued this project over the past year, we have learned a great deal about both the opportunities and the challenges facing journalism. And I would say especially in the last week, we've learned a lot about the passions Americans have, to their immense credit, for preserving freedom of the press without government interference.

Now, much of the criticism we've seen from the far right and the far left in the past few weeks is, of course, based on misinformation. After all, the document that staff circulated was only a compendium of proposals proffered by people who participated in our workshops or written on these issues. The staff didn't endorse any of the ideas in the draft, including any proposal to tax anyone. And the Commission, of course, would oppose any taxes to support journalism, or subsidize a particular brand of journalism.

Nonetheless, let me assure you, we do understand the notion of a limited government role here. Of course we do. But the FTC also does have a policy function going back to our origin in 1914, when Congress gave us the authority to investigate and make public developments in the marketplace and, where appropriate, to make recommendations.

Pursuant to that public policy function, we've looked at a wide array of market developments from healthcare, to patent reform, for marketing of violent entertainment to kids. And we've done seven reports on that and they've been enormously helpful, I think, and greeted, I think, with appreciation by basically every stakeholder, from kids' groups to the motion picture industry.

To making sure generic drug competition isn't unfairly stymied. And our initiative on drug competition, for example, led to a series of cases in support for legislation that, if we're successful, will save consumers \$3.5 billion each year by stopping so-called pay-for-delay pharmaceutical settlements in which branded drug companies literally make pay-offs to their competitors, their generic competitors, to sit it out and not compete. It's a win/win for drug companies, of course, but it's lose/lose for consumers, who are left footing the bill and have to pay for far more expensive branded drugs than less expensive, but equally effective, generics.

Now we're looking at the future of news, a topic that is vital to the future of our democracy. Without the kind of journalism that holds government, business and others accountable, through thorough fact-checked reporting, we can't be the well-informed citizens necessary to a well-functioning democracy. I think we all know we can't.

So, to those who say we shouldn't even be looking at the future of news, my response is, we're doing exactly what we should be doing. We almost have an obligation to look at this critically important issue.

And many who participate in our workshops agree. From Rupert Murdoch, who was the keynote speaker at our first hearing and complimented the FTC for its "timely and important workshop," to Henry Waxman, who thanked us -- thank you, Bruce -- for holding a workshop reflecting "how vital a vigorous free press is to a vigorous democracy."

To be sure, journalism is going through a period of so-called creative destruction with the old business models dying and new ones emerging. And the creative part has been just truly astounding and immensely beneficial, I think, to all Americans. There's a much greater access to a wide variety of news sources -- from bloggers to news sites all over the world -- than has ever before been possible. And we experience this really almost every day.

People can help create news stories. They can share them. They can react to and comment on them in ways that many of us never would have anticipated. The news is truly interactive now. And a whole world of mobile publishing has opened up with consumers able to get the news they want, when they want it, and how they want it. Consumers have access to a world of information right at their fingertips wherever they go.

But the nagging question, however, is about the destruction part of creative destruction. The end of April, ABC News bought out or laid off nearly one-quarter of its staff. Every sector in the commercial news business, except cable, lost advertising revenue last year with local television and radio advertising revenue declining 22%, almost as much as the 26% advertising revenue decline for newspapers.

Even the news about online news sites is somewhat disturbing. According to a national phone survey conducted in January 2010, by two of the Pew Research Centers, only 7% of the people who get news online have a favorite site that they'd be willing to pay for. And that same survey noted that only 21% of online news readers said they click on ads.

On the other hand, an article in the *Economist* this week reported that many American newspapers have returned to making profits, albeit lower than before. The *Economist* article also opines that consumers "will pay for news if they think it has value." And to ensure it has value, news organizations need to "deliver something that is distinctive." And let's hope the *Economist* is right.

In the midst of all this turmoil, though, could we lose some journalism that we really care about? The kind of journalism that beat reporters have been doing for years, where, for example, they attend town council meetings to report on what's happening. The kind of investigative journalism that won ProPublica report Sherri Fink a Pulitzer Prize for her reporting on what happened in New Orleans's Memorial Medical Center in the aftermath of Hurricane Katrina.

Is Paul Steiger around? Thank you, Paul. Good work.

Today, we'll discuss whether there are any public policy ideas that might help ensure that this type of journalism finds a place in the future of journalism. We put up a document on our website that compiled all the ideas we've read about and we've asked for public comments on those ideas in addition to the discussion at this workshop.

Let me emphasize that there is an important threshold question before we even reach any proposal -- is there a government role here? It's a question that the Commission has not yet answered.

From my perspective, some of the ideas in the discussion draft may be good, others not so. For example, taxing anyone to subsidize journalism is just a non-starter. In addition, as a competition agency, we are pretty allergic to antitrust exemptions, as well as to changes to expand copyright law. Is that right? Thank you, Tom. [Laughter] He's always listening. I'm the one who has a problem paying attention and focusing.

So a few months ago, I visited the Chicago News Co-op. Does anybody-- Is Jim O'Hara here? Oh, yeah. Jim O'Shea, sorry. Jim O'Shea, thank you. And we had a very nice visit. Or I had a very nice visit. I thought I left something at your office, but it turned out I didn't; I had it with me.

And you guys are doing wonderful work. For those of you who don't know, it's the start-up of an online news site in Chicago. I would say a lot of you are former *Tribune* reporters. And the age demographic is a little different than most of the start-ups we visit. But you guys are nevertheless doing great work. And your business plan -- I hope I'm not revealing inside information -- is to have three people covering Cook County, three people covering the State House in Springfield, and three people covering City Hall.

And as I understand it, if you-- when you, because I'm sure you will, get to that level, you will have more people on each of those beats than the *Chicago Tribune*. Now, to me, that's astonishing. And I don't know if I told you this, but when I left your office, I went back and I called the chief operating officer of the Small Business Administration, and I said to her -- who used to work at the Federal Trade Commission, that's Eileen Harrington -- and I said to her, "Are these guys eligible, this wonderful site eligible for a small business loan?" And she said no, because you're a non-profit.

Again, when we talk about some role for government, it seems to me why shouldn't new start-ups, like yours, like others, be eligible for loan guarantees from the Small Business Administration? There are some non-profits that are eligible.

And another role for government could be putting more information online, just to make your jobs easier. It seems to me that that's a useful role, from our perspective.

So this inquiry that we are doing, this initiative has always been about the future of journalism, not about saving the past. We recognize it'll take a myriad of approaches from crowd sourcing -- and we've begun to see this, I think, even in protests in Iran -- to bloggers, to subscriptions for online local high school sports news to sustain the journalism of the future. We support all of these efforts, none of which involve government. Moreover, we have no desire to see a bailout of newspapers; that is, no preference for one medium or one platform of news delivery over another.

So before we move to Commissioner Rosch and then to our first panel, let me again thank all of you -- it is an esteemed group of people here today -- for being here. And let me also thank the many folks who are not here, but who have generously shared their time and expertise on these issues. We are enormously grateful to all of you, and we are looking forward to learning more.

And now I want to turn to Commissioner Rosch, again, a strong voice for the Commission's public policy work, and really a strong voice for the Commission. Commissioner Rosch. Thank you. [Applause]