

Written Statement for the Record

by

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for a hearing before

The House Judiciary Subcommittee on Antitrust, Commercial and Administrative Law

titled

Online Platforms and Market Power, Part I: The Free and Diverse Press

Rep. David Cicilline, Chair

Rep. James Sensenbrenner, Ranking Member

Tuesday, June 11, 2019

Thank you, Chairman Cicilline and Ranking Member Sensenbrenner, and full Committee Chair Jerry Nadler and Ranking Member Collins, for your critical leadership in launching this investigation into the monopolistic power of the tech giants and for convening this hearing on the crucial subject of the impact the tech giants have had on the journalism industry. And thank you for accepting our written testimony on the existential threat that the journalism industry faces from the tech giants' monopolistic control of the online marketplace. This has impacted us personally, as it has many others in the industry. But it is also affecting hundreds of entire communities across the country as they lose access to high-quality journalism and local news. This is a crisis for our democracy.

We are among the roughly 2,500 journalists and media staffers in the United States who have lost our jobs in the first few months of 2019.

Laura was laid off in January, after nearly a decade in the newsroom. *The Huffington Post* had hired her in November 2009 to write what about the stories of the impact of the financial crisis—people losing their jobs, plunging underwater on their mortgages, hocking their wedding rings to put food on the table. Her first beat was economic suffering. Little did she know at the time that journalism was staring down its own Great Recession. Nobody, it seems, was on that beat.

The staff at *HuffPost* knew the cuts were coming. They'd been the subject of happy-hour chats for weeks. Verizon, *HuffPost's* parent company, had declared our website essentially worthless in late 2018 and directed staff reductions across the board. Even so, Laura's layoff still came as a shock. As a senior politics reporter for the site who represented it on cable news every weekend, Laura's job had felt like an integral part of her identity.

In a brief, surreal phone call, Laura's boss told her she'd had to make some tough choices and that Laura's job had been eliminated. She had five hours to clean off her desk, turn in her laptop, phone, and badge, and say goodbye to the newsroom that had been a second home.

John spent more than 20 years covering Congress, the White House, federal agencies, and federal courts before also being laid off in January. He'd even served as the first bureau chief of BuzzFeed's Washington office, and played a pivotal role in establishing the company as a legitimate, hard news organization.

News of the impending layoffs came not through management, but a tweet from the Wall Street Journal, which announced them two days prior. Like Laura, the entire experience was surreal: the company was not only laying John off, he was told, but the entire national affairs desk, the national security desk, and the LGBT desk were being eliminated entirely.

The reason was simple: while those desks had combined for some of the biggest news stories BuzzFeed had ever covered, there simply wasn't enough money to go around anymore. And the sorts of stories these desks produced, which led to changes in state and federal law, the jailing of criminals, and the exposure of corruption and wrongdoing, cost money. Money that is increasingly gobbled up by Google and Facebook.

In the days that followed, what was harder than losing our jobs was having to watch the whole industry crumble along with us. Layoffs at *Vice* came soon after ours at *HuffPost* and *BuzzFeed*. Gannett, the largest newspaper publisher in the country, cut 400 jobs from local papers. In April, more job cuts hit the Cleveland *Plain Dealer*, which has shrunk to less than a tenth of its former size over the past few years, leaving just 33 journalists to cover a metro area of two million people. And in May, the New Orleans *Times-Picayune* was folded into a competitor, ending a 182-year run, with its entire staff, including 65 editors and reporters, let go.

Tom Feran, a 66-year-old reporter at the *Plain Dealer* who heroically volunteered to be laid off to save the job of a younger staffer, aptly described the feeling as that of "a cartoon character running off a cliff into space and then looking down and noticing I'm not standing on solid ground anymore. Or like the end of 'She's So Heavy,' by the Beatles, which just suddenly ends."

When we were working at *HuffPost* and *BuzzFeed*, we never paid much attention to the financial side of journalism. But since being laid off, we've made it our mission to understand how the digital marketplace works and how Big Tech is killing the journalism industry. That's why we launched the Save Journalism Project last week to educate our colleagues about the very real and dismal future that awaits if they don't get organized and start fighting back against the tech giants.

Companies like Apple, Facebook, and Google are using their tech muscle to monetize news for their own profit, but at the expense of the journalists and news publishers who produce the content. The numbers are staggering.

In the year 2000, when the internet was still relatively new, traditional news publishers made an estimated \$48.7 billion in advertising revenue, according to a study by the Pew Research Center on Journalism and the Media. News publishers earned an estimated \$10.5 billion from subscriptions and circulation at that time. By 2017, subscription and circulation revenue was basically flat—\$11.2 billion—despite substantial population growth during this time, while total advertising revenue collapsed to \$16.5 billion, a 67 percent reduction. The economic sustainability of the journalism industry is in real doubt.

The reason advertising revenue has fallen so steeply is that Google and Facebook dominate the digital ad market, consuming more than 60 percent of all revenue. And their share is growing, because Google and Facebook devour nine out of every ten new dollars that are spent on digital advertising. Apple is leveraging its iPhone and Mac users to roll out its own news subscription product, Apple News+. Sadly, this product undercuts the subscriptions sold by existing publishers while Apple takes 50 percent of the revenue.

This has had a crippling effect on the journalism industry. Newspapers slashed 32,000 jobs in the decade between 2008 and 2017, a loss of 45 percent. More than 1,700 newspapers have closed since 2004. The loss of so many newspapers has created “news deserts” across the country. Daily newspapers are vanishing, leaving nearly two thirds of America’s 3,143 counties without one. And 1,300 communities across have lost all local news coverage.

This is not just a story about the death of the newspaper. Previously successful digital outlets are shedding jobs and news coverage at an alarming rate. The stranglehold that Google and Facebook have on the digital ad market has severed the link between increasing readers and increasing revenue. *BuzzFeed* increased monthly visitors to its site by more than 400 percent but still experienced major revenue shortfalls and it was forced to cut staff. All told, 15,500 media professionals lost their jobs in 2018.

The dominance of the tech giants gives them too much power over the online marketplace. Google’s Chrome browser has nearly two-thirds of the market share for web browsers. Apple’s Safari browser is a distant second, but the two combined have roughly 80 percent of the browser market. This incredible reach means that these companies can make small changes to their browsers that without warning can have sweeping consequences for entire industries.

Google announced at its developer conference in May that it was changing the way Chrome treats third party cookies. Just last week, Apple declared at its own annual conference that it was requiring apps in its app store to offer a sign in with Apple capability if the app offers a sign in with a social media account option. These changes to Google’s and Apple’s platforms could have major effects on the ability of news publishers to monetize their content online and sustain their business.

Both Google and Apple framed these changes in terms of online privacy—a real and important concern for Americans. Google’s CEO Sundar Pichai wrote an op-ed for the *New York Times* declaring that “privacy should not be a luxury good.” He is right, privacy is indeed high in the minds of many Americans and should not be the preserve of the wealthy. But it is a bit rich to read Google’s CEO extoll the virtues of his company’s initiatives to protect privacy when it collects more data on Americans than any other company, even Facebook.

These changes are not about whether data on users will be collected. Rather, they are about who does the collecting. In these instances, the changes simply consolidate more data in the hands of the tech giants. That would likely increase their already dominant position in the digital advertising marketplace and squeeze out more revenue that should be going to content producers like news publishers.

Should one or two companies, on their own and without warning, be able to make changes to their products that could potentially destroy an entire industry? Especially when that industry is one of the foundations of our democracy? Those questions are why the investigation undertaken by this Committee to examine the monopolistic power of the tech giants and the impact on the journalism industry is so important. Nothing less than one of the foundations of our democracy is at stake.

Tech companies are well aware of their negative impact on journalism and have pledged \$600 million toward efforts to support it. That’s a lot of money, but this is a drop in the bucket compared to the \$35 billion lost annually in advertising revenue for news publishers. And it’s a small price to pay to ensure publishers become more reliant on the data Google and Facebook harvest from users across their multiple platforms. It would be far more helpful for them to facilitate a flow of digital advertising dollars back to the publishers who hire the journalists and create the content.

A robust and well-funded news media is vital to a healthy democracy. The public should be aware of Big Tech’s death grip on publishers and the power they have over the online marketplace. Congress should be discussing legislative solutions to regulate or break up the tech giants and restore fairness to the digital ad market.

It’s uncomfortable for journalists to talk or write about ourselves, or to elevate an issue that’s in our own self-interest. We’re taught not to be the story. But as tech monopolies siphon off our revenue streams, it’s never been more necessary for us to link arms to fight for the health and future of our industry. One or two companies should not have the power to cripple the free press in the United States.