

Committee on the Judiciary
Subcommittee on Antitrust, Commercial and Administrative Law
United States House of Representatives

**Testimony of David Chavern
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Chairman Cicilline, Ranking Member Sensenbrenner, and members of the subcommittee, thank you for inviting me to participate in today's hearing.

My name is David Chavern, and I am president and CEO of the News Media Alliance, a nonprofit trade association representing over 2,000 newspapers across the United States. Our members include some of the largest news organizations covering events around the globe, as well as local newspapers focusing on the issues that impact the communities and daily lives of citizens in every state and congressional district. Our members publish both online and in print.

The news media has played a key role in our democracy since our founding. Its mission has been to enrich society's knowledge base and to foster the public discourse that is vital in a healthy democracy. And over the years, the news media has fulfilled that mission.

We are an industry of innovators. News organizations have always been among the first to adopt new technologies and to find new ways to connect with the public. That has never been more true than with the advent of the Internet. Over the past two decades, news organizations have rapidly evolved from providing content solely in print to offering digital access across a range of mediums and devices. In doing so, they have reimagined the ways in which they report news and distribute content:

- They have invested in making sure their audiences have up-to-the-minute facts about rapidly developing world events.
- They have personalized news by delivering stories that are most relevant to individual readers.
- They have developed new ways to gather, analyze, and present data that gives people a deeper understanding of their world.
- They have created apps and websites to offer a better user experience that invites audiences to engage more deeply in current events.
- And they have invested in video, podcasting, and other online media formats to connect with audiences in new ways.

The news media has thus been at the forefront of embracing and adapting to the digital age. But at the same time, the rise of digital news distribution has introduced new,

potentially existential threats to the news industry. Specifically, the emergence of dominant tech platforms as intermediaries between news organizations and their audiences threatens to bring to naught the news industry’s investments in a digital future.

Online platforms serve an important purpose. Today, 93% of Americans get at least some of their news online.¹ Digital platforms help online users find news and other content that they might otherwise miss. In doing so, they have contributed to the enormous growth in digital news audiences over the past two decades.

In the same way that digital platforms are critical for online news, online news is critical for the digital platforms. According to a study conducted by NMA, approximately 40% of clicks on “Trending Queries” and 16% on high-volume queries in Google Search are news content.² That translates into big money for Google. Our researchers estimate that links to news content have earned approximately \$4.7 billion annually for Google in search advertising revenue—and that number does not even include the revenue Google generates from ads that appear on news organizations’ own sites.³ Facebook’s reliance on news content to drive user engagement (and revenue) is similarly high.

Estimation of Google Revenue from News Search Results

Year	Revenue from Google Properties	Google Stated Value of Google News	Google News Fraction of Properties Revenue	Google News to Google Search Scaling Factor	Fraction of Google Property Revenue attributable to news on Google Search	Estimated value of news on Google Search	Estimated value of news on Google Search and Google News
2014	\$14b	\$100m	0.7%	6	4.2%		
2018	\$96b		0.7%	6	4.2%	\$4.0b	\$4.7b

The platforms’ and news organizations’ mutual reliance upon one another would not be a problem if not for the fact that concentration among the platforms means a small cadre of tech giants exercise an extreme level of control over news. At the same time, those same platforms also control the digital advertising technologies that news organizations use to monetize traffic. This has proven to be a dangerous combination.

¹ <http://www.journalism.org/fact-sheet/digital-news/>; <http://www.journalism.org/2016/07/07/pathways-to-news/>.

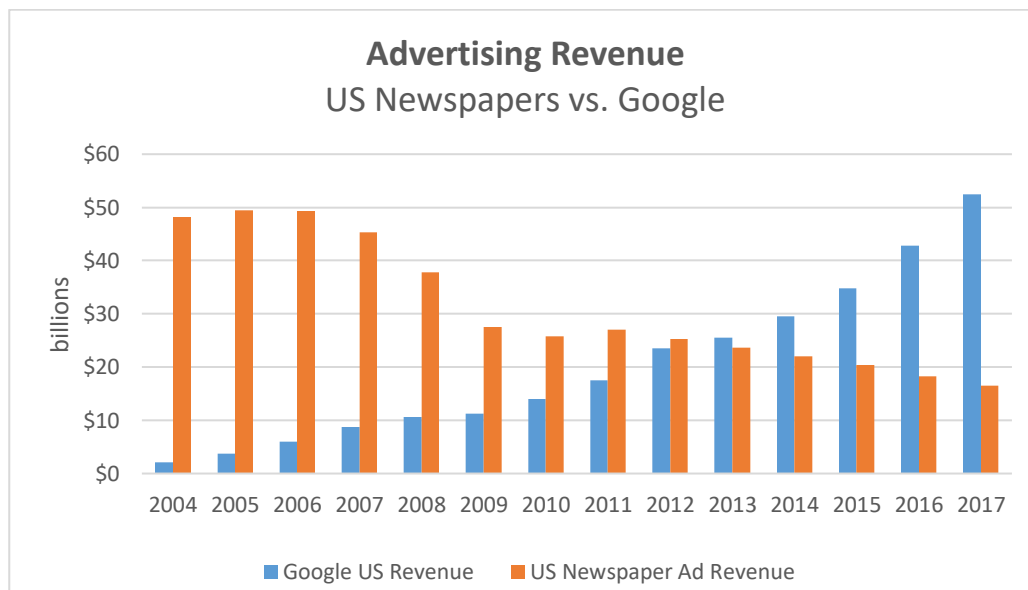
² To conduct this study, NMA researchers scraped Google desktop search results pages on a daily basis between February 8, 2019 to March 4, 2019 after generating query terms based on ahrefs.com and Google Trends. The researchers then cross-referenced the results against news domains identified by NMA and Google News. They then developed click-through data and other data based on third-party research.

³ This estimate is based off of Google’s public statements that Google News alone—which accounts for only a fraction of Google’s news-related content and traffic—generated an estimated \$100 million in yearly revenue in 2008. <http://fortune.com/2008/07/22/whats-google-news-worth-100-million/>. Although Google has provided no more recent estimates of the value of news content, the \$100 million figure quoted by Google can be extrapolated in a straightforward way to suggest an estimated \$4.7 billion of news-related revenue in 2018.

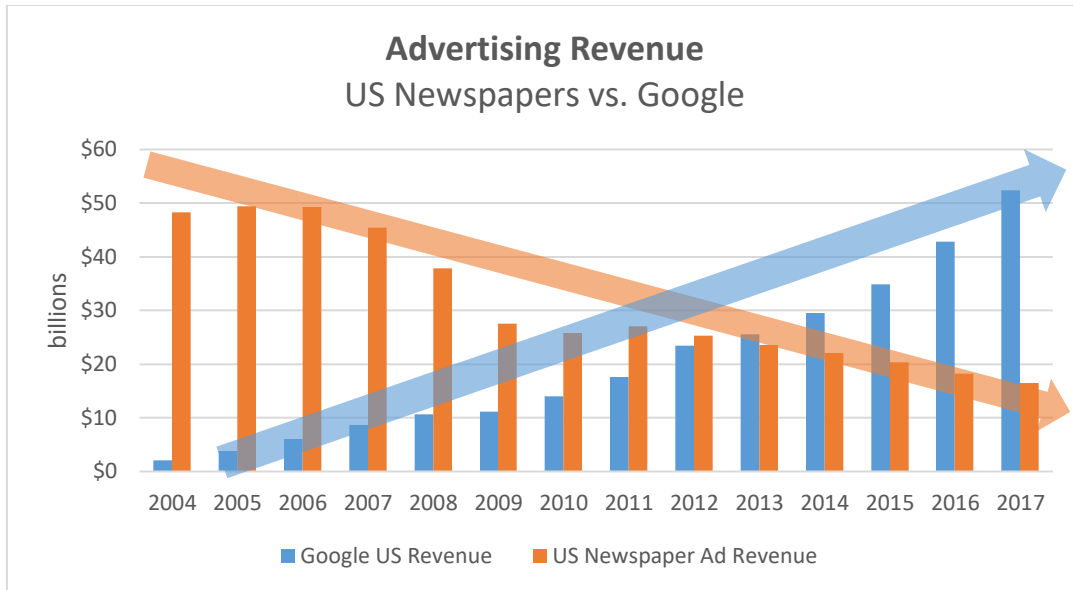
In today’s digital age, the tech giants’ dual control over news distribution and monetization threatens the very survival of news organizations. These tech giants use secret, unpredictable algorithms to determine how and even whether content is delivered to readers. They scrape news organizations’ content and use it to their own ends, without permission or remuneration for the companies that generated the content in the first place. They also suppress news organizations’ brands, control their data, and refuse to recognize and support quality journalism.

In effect, a couple of dominant tech platforms are acting as regulators of the digital news industry. Only these regulators are unconstrained by legislative or democratic oversight. And their primary motivation is not to serve the public interest, but rather to maximize their own advertising revenues. Indeed, two dominant platforms—Google and Facebook—now take the vast majority of U.S. online ad revenue through their online advertising services, leaving news organizations with little to reinvest in high-quality, original journalism. They capture that revenue in two ways. First, they scrape news organizations’ content and display it on their own pages, where they can monetize it through ads. Second, they control the advertising technology news organizations use to sell ads on their own sites, and the platforms charge increasingly exorbitant fees for the use of those technologies.

The result of the tech platforms’ regulation of the news industry has been to siphon revenue away from news organizations. This trend is clear if you compare the growth in Google’s total advertising revenue to the decline in the newspaper industry’s ad revenue. In 2004, Google’s US revenue (which came overwhelmingly from digital advertising) was \$2.1 billion, while the newspaper industry accounted for \$48 billion of advertising revenue. In 2017, in contrast, Google’s US revenue had increased over twenty-five times to \$52.4 billion, while the newspaper industry’s ad revenue had fallen 65% to \$16.4 billion.



Source: Google 10-K filings; NAA Estimates

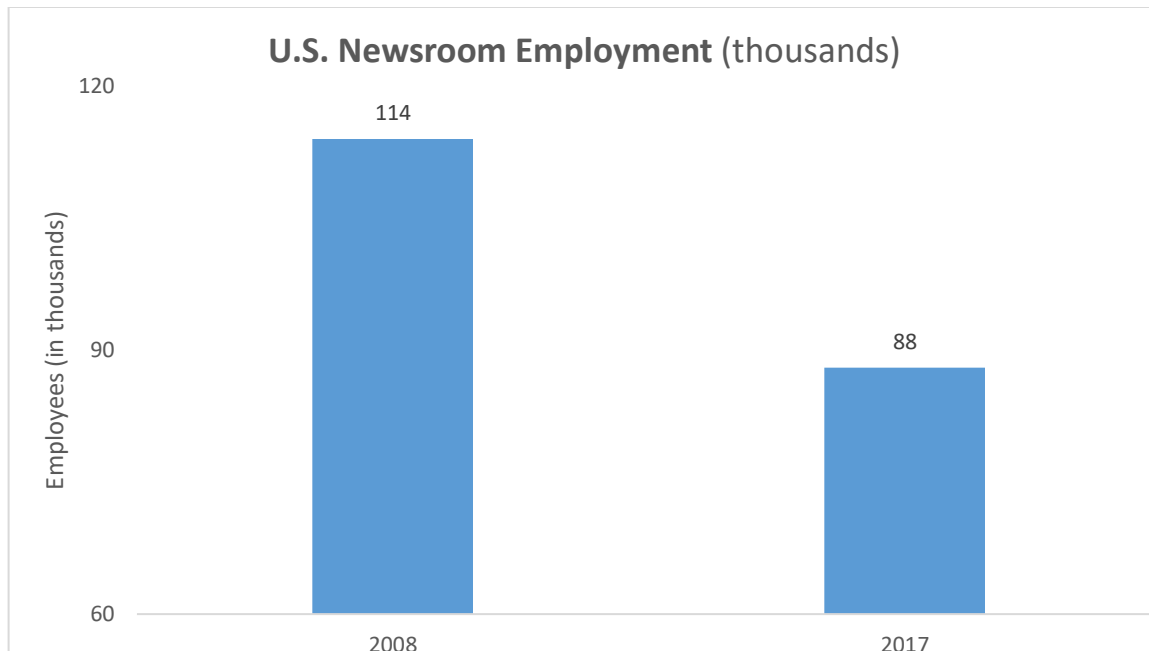


Source: Google 10-K filings; NAA Estimates

	Google US Revenue (\$b)	US Newspaper Ad Revenue (\$b)
2004	2.1	48.2
2005	3.8	49.4
2006	6.0	49.3
2007	8.7	45.4
2008	10.6	37.8
2009	11.2	27.6
2010	14.1	25.8
2011	17.6	27.1
2012	23.5	25.3
2013	25.6	23.6
2014	29.5	22.1
2015	34.8	20.4
2016	42.8	18.3
2017	52.4	16.5

The effect of this revenue decline on news organizations has been catastrophic, and they have been forced to cut back on their investments in journalism. That is the reason that newsroom employment has fallen by nearly a quarter over the last decade.⁴

⁴ Elizabeth Grieco, Newsroom employment dropped nearly a quarter in less than 10 years, with greatest decline at newspapers, Pew Research Ctr. (July 30, 2018), <https://www.pewresearch.org/fact->



Source: Pew Research Center

One question that might be asked is, “If the platforms are, on balance, having such a negative impact on the news media, then why don’t news organizations do something about it?” The answer is that they cannot—at least not under the existing antitrust laws.

News organizations face a collective action problem. It is in each of their interests to resist harmful or exploitative policies imposed by platform monopolists. It is in their interest to resist scraping, to demand attribution for their content, to demand better remuneration for their content, and to demand a greater focus on originality and reliability. But no news organization on its own can stand up to the platforms. The risk of demotion or exclusion from the platforms is simply too great. And the antitrust laws prevent news organizations from acting collectively, so the result is that publishers are forced to accept whatever terms or restrictions the dominant platforms choose to impose.

The Journalism Competition and Preservation Act, introduced by Chairman Cicilline and Ranking Member Collins, is an innovative, market-oriented solution to this collective action dilemma. Markets work best when different parties can negotiate with one another on reasonably even footing—and where both parties have some leverage to credibly withdraw from negotiations if the other side demands unreasonable or exploitative terms. Monopolies frustrate this dynamic because monopolists know the other side cannot afford to resist their demands, so they are free to impose welfare-reducing, inefficient terms on their negotiating partners. The Journalism Competition and Preservation Act helps remedy this imbalance by allowing news organizations to bargain collectively against dominant tech platforms. Our expectation is that, by doing so, news organizations

will be better situated to partner with tech platforms to find better ways to reach audiences, generate content, and support high-quality journalism.

Ultimately, our goal is to work with online platforms to give Americans the best news content and experience possible. Today's market dynamics—in which a few tech intermediaries have been permitted to thoroughly monopolize their distribution channels—is not conducive to that goal. The Journalism Competition and Protection Act promises to help solve that problem while remaining true to the spirit of free market competition that animate the antitrust laws.

Present trends in the news business cannot continue. Without action by the Congress, we will all experience the effects of deep financial stress in the industry, and the loss of great, important journalism in communities all across the country. The very fabric of our civic society is at risk. And this is not a problem that will be solved by private charity from the wealthy – or even from the big platforms themselves. What we need to sustainable business relationships that actually return value to the great and important journalists who create the news content on which we all depend.