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THE EVOLUTION OF NEWS AND THE INTERNET

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FOREWORD

This report was presented to the Working Party on the Information Economy (WPIE) in December 2009 and was declassified subject to minor revisions by the Committee for Information, Computer and Communications Policy in March 2010.

The report was prepared by Sacha Wunsch-Vincent in conjunction with Graham Vickery of the OECD's Directorate for Science, Technology and Industry. Cristina Serra Vallejo (OECD) and Soo Youn Oh (Seoul National University, Korea) have contributed to the research of this study. The report has benefitted from multiple inputs provided by delegations and external experts as referenced in the 'Background' section. This work is part of the WPIE's work on digital broadband content under the overall direction of Graham Vickery. Other studies in the series include scientific publishing, music, online computer games, mobile content, user-created content, film and video, public sector information and content, and work on virtual worlds. It is published on the responsibility of the Secretary-General of the OECD.

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SUMMARY

This study provides an in-depth treatment of the global newspaper publishing market and its evolution, with a particular view on the development of online news and related challenges.

It assesses online news consumption patterns and new online news value networks, compared with the traditional newspaper value chain. It shows that the economics of news production and distribution has been radically altered, in particular in the context of the economic crisis which has accelerated structural changes. After very profitable years, newspaper publishers in most OECD countries face declining advertising revenues and significant reductions in titles and circulation. The economic crisis has amplified this downward development. However, the data and the large country-by-country differences, for instance, currently do not lend themselves to make the case for “the death of the newspaper”, in particular if non-OECD countries and potential positive effects of the economic recovery are taken into account.

Importantly, the study shows that many promising forms of news creation and distribution are being experimented with, some of which are empowered by increasing technological sophistication and resulting decentralised forms of content creation and broad-based participation. The rise of the Internet and other technologies radically changes how news is produced and diffused. It enables the entry of new intermediaries that create and distribute news, including online news aggregators, online news publishers, mobile news actors, citizen journalism and many more. Information providers with very different trajectories (TV, newspapers and Internet companies) are now competing head-on in a global online news environment. More recently newspaper websites have seen strong growth in their own pages, with large newspapers reporting several million unique visitors to their pages per month, increasingly including readers from abroad, a radical shift from national patterns of established newspapers.

Paradoxically, while the print newspaper sector might be struggling, individuals are nonetheless confronted with an ever-increasing availability of diverse news. In terms of time spent, Internet users report a large increase in reading online newspapers, but most online readership is more *ad hoc*, irregular and sporadic than print newspaper readership used to be. The way news is consumed is also radically different on line. Online news readers get a variety of news from different sources, allowing them to mix and compile their own personalised information. However, it is unclear whether online readers obtain the same depth and breadth of news as traditional readers. Furthermore, a significant proportion of young people are not reading conventional news at all, or irregularly. The study also finds that currently no business and/or revenue sharing models have been found to finance in-depth independent news production. This raises questions as to the supply of high-quality journalism in the longer term.

Finally, the study raises a number of opportunities and issues before concluding with an analysis of business and policy issues. In the short term, some OECD countries have put emergency measures in place to financially help the newspaper industry. The question is being debated what potential roles government support might take in supporting a diverse and local press without putting its independence at stake. Given that almost all OECD countries are currently reflecting on how to approach these issues, this study is designed to provide a platform for further exchange on immediate and longer-term policy development.

MAIN POINTS

Part 1: The evolving newspaper publishing industry

- News creation and distribution were affected by new technologies such as radio and TV and by changing readership habits long before the Internet emerged. However in recent years access to a wide number of online news sources, the decline of newspaper readership and advertising and classified revenues have considerably affected the newspaper industry in most OECD countries.
- After very profitable years, newspaper publishers in most OECD countries face increased competition (free dailies, Internet, multiple TV and radio sources) and often declining advertising revenues, titles and circulation as well as declining readership (see Part 1 of this study and related figures). The economic crisis has amplified this downward development.
- About 20 out of 31 OECD countries face declining readership, with significant decreases in some of them (Table 2). Newspaper readership is usually lower among younger people who tend to attribute less importance to print media.
- Thanks to the strong development of newspaper titles in non-OECD countries the world aggregate of newspaper titles has however increased in the last decade – almost doubling since 2000. However, except for a few OECD countries (for example, Ireland, Turkey and Portugal) the number of titles is on the decline in the OECD region (Figure 6). The same applies to newspaper circulation which is also declining in most OECD countries (Figures 6-8).
- The growth of the global newspaper market slowed progressively from 2004 to almost zero in 2007 and negative growth since 2008. General and regional and local press are particularly affected and 2009 was expected to be the worst year for OECD newspapers, with the largest declines in the United States, the United Kingdom, Greece, Italy, Canada, and Spain (but much smaller impact on countries such as Austria, Australia, and others, see Figure 2).
- The economic crisis and the fall in offline and online advertising spending in general have created additional problems for most newspapers leading to large falls in their advertising revenues (including for free dailies many of which have ceased operation), loss of circulation (see Figure 2), the closure of newspapers and shedding of newsroom staff in many OECD countries. Structural factors are compounded by cyclical factors.
- Employment declines in the newspaper industry have been ongoing since 1997 for many OECD countries. But they have intensified since 2008 particularly in countries such as the United States, the United Kingdom, the Netherlands and Spain.
- However, large country-by-country and title-by-title differences and the data currently do not lend themselves to making the case for “the death of the newspaper”, in particular if non-OECD countries and potential positive effects of the economic recovery are taken into account. While it is clear that newspapers and other more formalised news outlets are experiencing threats and challenges to their more traditional business models from the Internet, it is also true that we are experiencing a period of great opportunity that must be seized by industry to ensure the success of news outlets with the corresponding benefits to society and democracy that they offer.

Part 2: The value chain and economics of the traditional newspaper industry

- The traditional role of newspaper publishers is to intermediate between content producers (journalists and other providers), information users, and advertisers and others seeking the attention of readers.
- Part 2 presents a stylised newspaper value chain where the main stages are content creation, manufacturing and distribution and this is used to analyse the economics of established newspapers.
- Newspapers have generated revenue by selling newspaper copies to readers on the one hand and advertisement space to advertisers on the other, cross-subsidising the production of news with the sale of advertising and/or other commercial activities if the newspaper is part of a larger media conglomerate. Newspapers traditionally had high profit margins.
- On the revenue side, the global newspaper publishing market derives about 57% of its revenues from advertising and about 43% from newspaper sales. The reliance on advertising is very high in the United States, Luxembourg and Canada but less so in countries such as Japan, Denmark and the Netherlands.
- Advertising as a share of newspaper revenues had been growing before the onset of the economic crisis, and for more than half of OECD countries newspaper advertising revenues increased significantly between 2004 and 2007 (or 2008).
- Nevertheless, the share of advertising going to print newspapers has been declining for the last decade in most OECD countries, and the newspaper advertising market has more recently experienced large falls in offline and online advertising growth. This turnaround in newspaper advertising revenues started to impact some countries much earlier (as early as 2000 for Denmark, France, the United States, Japan, the Netherlands, and the United Kingdom) than others (from 2007 in Canada, Finland, Italy and Spain).
- On average, online advertising only accounted for around 4% of total newspaper revenues in 2009. Nevertheless the outlook for online advertising revenues for newspaper organisations is very positive, also given the ongoing economic recovery.
- On the cost side, costs unrelated to editorial work such as production (and the costly purchase of raw material such as paper and ink), maintenance, administration, promotion and advertising, and distribution dominate newspaper costs. These large fixed costs make newspaper organisations more vulnerable to the downturns and less agile in reacting to the online news environment.

Part 3: Online news: Developments, value chains, business models and actors

- The drivers of online news include technology, changing media use, new business models and new Internet intermediaries, and social factors such as increased mobility and participation in the creation of online content.
- In the area of technology for news production, digital content management systems allow editors to produce content directly in various formats and to adapt to increasingly integrated newsrooms.
- Rapid advances in mobile technologies, wireless networks and new reader interfaces have enabled mobile news delivery and the introduction of smartphones and e-readers. This and other similar multimedia devices and business models will enable the reader to access constantly updated, interactive news in real time, and within a global, Internet-enabled context. This will empower a targeted news experience.

The Internet as an important but complementary source of news

- "Reading news on line" is an increasingly important Internet activity. In some OECD countries, more than half of the population read newspapers on line (up to 77% in Korea) but at the minimum 20% of the population read newspapers on line. The willingness to pay for online news is low but increasing.
- In many OECD countries, TV and newspapers are still the most important sources of news but this is shifting with newspapers losing ground more quickly to the Internet than TV. In countries such as Korea the Internet has already overtaken other forms of news.
- For the most part reading news on line complements other forms of news reading. Most surveys show that active offline newspaper readers tend to read more news on line. Countries such as Korea where offline newspaper reading is less popular than online newspaper reading are the exception.
- While younger age groups are much more active online news readers, it is usually slightly older groups – the 25-34 year olds – who are most active in most OECD countries.
- Despite these findings, the share of people who only read online news is likely to grow rapidly with new generations who start using the Internet early in life. The Internet is already the main source of news for the 16-24 year age bracket, even if the 25-34 year group reads more online news.
- The real concern however is that a significant proportion of young people are not reading conventional news at all, or irregularly. Research undertaken in the United Kingdom also shows that, although young people demonstrate an apparent ease and familiarity with computers, they rely heavily on search engines, view rather than read and sometimes do not possess the critical skills to assess the information they find on the web.
- In terms of time spent, Internet users report a large increase in reading online newspapers, but most online readership is more *ad hoc*, irregular and sporadic than print newspaper readership used to be. The way news is consumed is also radically different on line. Online news readers get a variety of news from different sources, allowing them to mix and compile their own personalised information.
- The question is how the different actors in the eco-system contribute to citizen engagement and to democracy generally, as each plays an important role in this regard. While there may not be many empirical studies of the impact of the Internet on the analytical skills of younger generations, including the consumption of news, this could be an interesting area for future research.

Internet traffic to online news sites

- In all OECD countries, Internet traffic to online news sites has grown rapidly. About 5% of all Internet visits are related to reading news on line, which is a conservative estimate. In fact, the combined print and online audience of news organisations may be growing.
- In many Western OECD countries the Internet webpages of broadcasters and online newspaper sites play a large role in attracting news-related visits. More recently newspaper websites have seen strong growth in their own pages, with large newspapers reporting several million unique visitors to their pages per month, including increasingly readers from abroad, a radical shift from newspapers.
- While in many markets search engines and their news services do not gather a large share of the news-related traffic, they are very important in terms of referring Internet traffic to other online news sources such as the Internet pages of newspapers or broadcasters, although there may be disagreement as to the importance of this referral both in terms of traffic and whether the volume of traffic or unique users is an important metric for publishers.

- News aggregators such as Digg and NetVibes (online only news providers) constantly increase their market shares, and social networking sites such as Twitter are also increasingly important sources of news and platforms for exchange.

Online news distribution: Value chains, business models and actors

- The rise of the Internet and other technologies radically changes how news is produced and diffused. It enables the entry of new intermediaries that create and distribute news, including online news aggregators, online news publishers, mobile news actors, citizen journalism and many others.
- A consequence of these changes is that information providers with very different histories (TV, newspapers and Internet companies) find themselves competing head-on in a new global online news environment.
- Part 3 presents a stylised online news value chain which depicts an increased role of users as contributors to news, and a large number of online news actors and intermediaries. It also illustrates the strategies and business models of different actors.
- In the online context the production and dissemination of news is much more interactive and multi-directional, rather than linear. News is constantly updated, with journalists and other news contributors monitoring, distilling and repackaging information.
- New actors are *i*) news organisations which only provide news online (so-called pure-players), *ii*) search engines which are often also a form of news aggregation, *iii*) Internet portals with news services, *iv*) social networks or communication services such as Twitter, *v*) other news aggregators, *vi*) providers focused on mobile news alone, *vii*) new online advertising groups, *viii*) hardware and services providers.
- Many of these actors will not necessarily be interested in generating money by selling news content. They also do not have the large fixed cost base of traditional news organisations to provide in-depth and varied reporting and to operate physical manufacturing, distribution and administration of news.
- News wires, freelance journalists, photographers or camera-teams which – as suppliers – usually fed linearly and directly into newspapers and other news organisations in the past, might opt to “cut out the middleman” and supply content directly to Internet actors or users willing to pay.
- Device or network service providers which did not play any role in the past also control access to end consumers and have a large degree of bargaining power with content providers. Similarly to other digital content industries, new types of intermediaries and standards are emerging. Users may also increasingly become diffusers, commentators and creators of news.
- Direct revenues generated on line from news consumers are still rather small. Most if not all revenues are generated via online advertising or online classified advertising and content licensing.
- Newspapers and in particular news wires have also licensed their content to third-parties and started collecting revenues from it. Newspapers and other news organisations have experimented in trying to sell access to news on a pay per-item basis or via subscriptions but – for the most part – revenues are negligible, although there are a few positive examples such as the *Wall Street Journal* and *Financial Times*. Towards the end of 2009, newspapers were gearing up for a second trial to charge for online content, hoping that the Internet users were more willing to pay. A new trend for newspapers is also to own other Internet-related businesses and to sell other services to their customer base.
- In 2008 and 2009 there were also an increasing number of online-only news sites which started operating with donations and trustees (offline).

Part 4: The future of news creation and distribution: Opportunities and challenges

- The impacts of the changing media landscape on news are pulling in to opposite directions.
- One extreme is that online and other new forms of more decentralised news will liberate readers from partisan news monopolies which have tended to become more concentrated and to dominate the production and access to news.
- The other extreme is that the demise of the traditional news media is with us (partially caused by the rise of the Internet), and with it an important foundation for democratic societies is at risk.
- Part 4 summarises some of the arguments of the debate.

Part 5: Business and policy issues

- Given the central role of news for democratic societies, the evolutions of news creation and distribution are a matter of public interest.
- In terms of policies, the distribution of news on line is, for the most part, not considered as an entirely separate policy issue from news policy in general. In general there is *i*) a body of Press policies and framework conditions, and *ii*) state support measures which are being reviewed in light of the current news context. And more recently these are being complemented by *iii*) a set of specific challenges or policy areas linked to online news or the Internet.
- In the short term, some OECD countries have put emergency measures in place to financially help the struggling newspaper industry. What potential roles government support might take in preserving a diverse and local press without putting its independence at stake is being debated. The question is also whether and how the production of high-quality and pluralistic news content can be left to market forces alone.
- In OECD countries support measures and topics being debated include: *i*) discussions on how to maintain a high quality independent news in a changed context; *ii*) improvement or intensification of existing state support policies (direct or indirect subsidies, funds to support local journalism, etc.) and an extension to online news providers; *iii*) rules and funds enabling the modernisation of newspaper organisations – including multimedia skills and new technology; *iv*) changing the finance of the some of the press industry, *e.g.* to a non-profit or charity status; *v*) relaxation of regulations which may improve the financial health of the newspaper industries (tax reductions, relaxed competition and media diversity laws); *vi*) the role of public broadcasters and their impact on commercial news providers; and *vii*) Internet-specific considerations about the status, role and code of conduct of online news providers and online policy challenges.
- Selected policy issues which are treated include: *i*) fostering newspaper readership; *ii*) freedom of information, the press and expression; *iii*) journalism skills and working conditions; *iv*) quality, reliability and governance of online news; *v*) the role of public sector broadcasting in a digital news environment; *vi*) media diversity and competition; *vii*) advertising and direct marketing rules; and *viii*) intellectual property rights and technical standards.

INTRODUCTION

Independent journalism and news distribution play an indispensable role in informing citizens. They are a pillar of public life and pluralistic, democratic societies. At their best, they are a source of reliable, quality information that people trust and understand.

The newsgathering and distribution process is undergoing deep changes. In many OECD countries both the number of physical newspaper titles, their circulation and newspaper readership are in decline. After a period of healthy growth for the newspaper industry, newspaper circulation and readership numbers and advertising revenues are mostly falling. In addition to competition from traditional sources such as television, radio, cable and others, today younger readers are mostly attracted to the Internet as a source of news and information. While the newspaper industry is experimenting with new distribution models, the economic crisis and related fall in advertising revenues have accentuated the downward spiral of many forms of printed news. The economic foundations of journalism have to be rethought. In particular, in certain OECD countries newspaper bankruptcies and layoffs have increased and currently a significant number of newspapers are losing money.

At the same time, it has never been easier, quicker and cheaper to access news. The Internet and related online media sources are offering users instant access to news, often associated with "rich" media such as video. And often this news can be accessed for free. The traffic on the websites of traditional newspapers, wire agencies and traditional public broadcasters such as the BBC is growing rapidly, while all these entities are reinventing their value chains and business models. Innovative news services and content distribution models are emerging which offer minute-by-minute updates, personalisation, improved functionalities and the delivery of customised information to various technology platforms (e.g. Smartphones, *e*-readers). And it is not only the distribution of news which is changing. Readers can now more actively participate in the news creation, editing and dissemination process, either by acting as citizen journalists, having their own blog, writing comments or forwarding their preferred article via e-mail. Arguably the diversity of voices and news sources has increased with a more participative web.

While it is clear that news gathering and distribution are changing fundamentally, it is less obvious what online business models, partnerships and organisations will best support cost-intensive, public service-oriented news in the future. With decreasing editorial staff and resources at traditional newspapers, resulting from the challenges that the industry is facing, questions arise whether news on line is as diverse and a trusted source of high-quality information as it might seem (in particular to cover local and costly international news, e.g. war zones). Currently few of the online news distribution models are generating significant revenues and those which do are often not directly linked to the newspaper industry itself (e.g. Internet portals, search engines). Falling subscriber bases means more reliance on advertising revenues – which can sometime be a threat to the independence of a paper. The further decrease in online and offline advertising spending engendered by the economic crisis will increase the search for a functioning business model. New technologies, new actors, new revenue-sharing practices, and changing user demographics and styles will further amplify change and the need to find a new model for news creation and distribution.

These developments are at the center of public interest and have thus recently been at the heart of public discussions, government attention and new policies.

Background

The Working Party on the Information Economy has been tasked to undertake a study on online news distribution as part of its Programme of Work and Budget 2009-2010 (Digital Economy Item 2.1) and its ongoing work on Digital Broadband Content. In this context, news is defined as the reporting of current events usually by local, regional or mass media in the form of newspapers, television and radio programmes, or distributed on line, via PCs or mobile devices. The main characteristics of quality news are timeliness, revelation, seriousness, authenticity and impartiality (*Encyclopedia Britannica*).

The OECD has carried out a number of studies assessing sectors being restructured through the rise of digital content (e.g. music or film). But due to the role it plays in democracies, news is different from other media content. There is a general agreement that a democratic political system cannot function without diverse, free, and independent sources of news, making press freedom and the watchdog role of the press a pillar of contemporary societies and well-informed citizens.¹ At its best, one of the functions of news and journalism is to keep up the accountability of governments, businesses and individuals.

Put this way, news is often considered a *quasi* public good, which markets alone might tend to under produce, especially if citizens do not see or are not willing to pay for these positive externalities. News has also been characterised as a merit good, that is a commodity, which it is judged that an individual or society should have independently of his or her ability and willingness to pay (for example, education).²

Newspapers play a critical role in the provision of news. They contribute heavily to the gathering and diffusion of local, regional or international news (which are then often re-used on radio or TV). They have set the news agenda for a very long time and have a better track record of covering public affairs than other media.³ The printed press is also the main employer of journalists in most OECD countries.⁴

The available economic literature also shows the critical importance of daily newspapers to help keep a check on corruption (in particular in government) and to spur civil engagement in politics. In fact, there is a significant positive correlation between more press freedom and less corruption in a large cross-section of countries, based on available studies.^{5,6} In the past, even small newspapers have been shown to make a difference in terms of impacts on political competition and transparency (more so than TV, radio and blogs, for instance).⁷

That said, today information and news are much more accessible than in the past. Hiding cases of corruption, other scandals or any type of information from the public has become very difficult in contemporary, networked societies. The Internet and other technologies have proven to be a powerful tool to quickly uncover and diffuse information. With this, the role of journalism and news organisations is changing. Future research in this area will be needed to re-evaluate the impact of this shift in news distribution on both the consumer and the industry.

Objective and structure of this study

The objective of this study is to provide an analysis of news creation and distribution with a focus on the Internet.

The main questions addressed are: *i*) What is the state of the newspaper industry and newspaper readership?, *ii*) How is online news distribution developing and in which way does it change how users access news? *iii*) What are new value chains, business models and ways the creation and delivery of news are organised online? And what are the impacts of digitisation and digital delivery on the news value chain? *iv*) What are the opportunities and challenges?, and *v*) What are the business and policy considerations which emerge?

The study is composed of five parts:

Part 1: The evolving newspaper publishing industry

- A short history and evolution of news distribution
- An overview of the news distribution industry in OECD countries.

Part 2: The value chain and economics of the traditional newspaper industry

- An explanation and analysis of the traditional newspaper value chain and its evolving underlying economics.

Part 3: Online news: Developments, value chains, business models and actors

- Assessing online news drivers
- Providing a recent stock-take of online news developments, and
- An analysis of online news actors, new value chains and business models against the backdrop of the traditional newspaper business and its cost structures.

Part 4: The future of news creation and distribution: Opportunities and challenges

- Raising related opportunities and challenges

Part 5: Business and policy issues

- Exploring business and policy issues related to the challenges and barriers in the development of traditional and online news provision.

Annex 1 of this study elaborates on the measurement challenges and intricacies of offline and online news revenues and audiences.

The World Association of Newspapers (WAN) has provided invaluable assistance with respect to data relating to the newspaper industry. The European Newspaper Publishers' Association (ENPA) was a very good source concerning the relevant policy issues. National experts nominated by member countries and other notable scholars (in particular: Dr. David Levy, Director, Reuters Institute for the Study of Journalism from the UK; Terry Flew, Professor of Media and Communication in the Creative Industries Faculty, Queensland University of Technology from Australia; António Granado, Professor, Universidade Nova de Lisboa and the editor in chief of "Publico.pt" from Portugal; Vibeke G. Petersen, Special Adviser, Ministry of Culture from Denmark) have contributed with very helpful comments. Soo Youn Oh (Seoul National University, Republic of Korea) has contributed to the research of this study.

The study builds on existing WPIE studies, and in particular the OECD studies on the participative web, on digital content (including Chapter 5 of the *OECD Information Technology Outlook 2008*, and the study on online advertising), and Chapter 7 of the *OECD Information Technology Outlook 2006* dealing with blogs, RSS feeds and citizen journalism. In particular Part 5 of this study builds on the OECD Policy Guidance on Digital Content (Annex 2) and has some relevant links to the ICCP project on Internet intermediaries.

PART 1: THE EVOLVING NEWSPAPER PUBLISHING INDUSTRY

After an introduction to the evolution of news provision, Part 1 provides available metrics and analysis on the state of the newspaper industry, first comparing its overall size and comparing various OECD markets and second by analysing recent newspaper market developments. A few countries are analysed in more depth to give regional examples. The effects of the economic crisis are assessed.

Historic evolution of news provision

News creation and distribution were affected by new technologies such as radio and TV and changing readership habits long before the Internet emerged.⁸

- The first regularly published newspaper in the world was published between 1605 and 1609 (*Avisa Relation*).⁹
- Rising literacy and philosophical traditions, formation of nation states, a developing postal system created new market elements in the 18th century and helped newspapers to emerge.
- Sweden passed the first law protecting press freedom in 1766. Progressively since then, the roles of the press and media freedom are considered essential in democratic societies and are protected by constitutions or laws guaranteeing free press. However, throughout much of the 19th century, in the United States for instance, newspapers were often public relations tools funded by politicians, and newspaper independence was a rarity.
- In the United States, the period between 1890 and 1920 is often referred to as the “Golden Age” of print media when press barons such as Joseph Pulitzer built publishing empires.
- By 1920, newspaper industries began to face major challenges from broadcast radio. For the first time, newspaper publishers were forced to re-evaluate their role as primary information providers. In 1935-36, television was introduced as a news medium and took off in the 1950s.
- Since the 1970s the introduction of progressively more channels and information media has led to a fragmentation of audiences into smaller segments. Until recently this media development was accompanied by a steady increase in print-related advertising revenues.
- Since the 1970s and 1980s some OECD countries have seen significant ownership changes of newspapers, *i.e.* large entities or media conglomerates incorporating newspapers and the consequent move away from single newspaper ownership. In particular in the United States entities owning newspapers were increasingly listed on the stock exchange, fundamentally altering financial expectations, priorities and newspaper management due to a greater focus on profitability.
- Those writing about the developments of the press emphasise that despite the length of the newspaper history, it is relatively recent that non-partisan, independent press coupled with investigative journalism are the order of the day.¹⁰

- In the 1980s newspapers undertook efforts to publicise news via videotext/teletext, without much commercial success however. In the 1990s, newspapers introduced services such as CD-ROM, digital assistants, fax and bulletin-boards. In November 1999, *The Yomiuri Shimbun* (Japan) released the first CD-ROM which provided searchable archives of news articles and images from a specific period that have been digitalized from microfilm.
- Broadcasters started to operate 24-hour news channels, starting with CBS and CNN in the 1980s.
- *Metro International* started with one free daily newspaper in 1995 in Stockholm. The trend to free dailies effectively started challenging paid newspapers in 2000.
- The first online newspaper was published in January 1994 by *Palo Alto Weekly California*, United States. In 1994 the first commercial browser with online classified advertising sites such as Craigslist (1996) emerged as serious competitors.
- The worldwide online newspapers and other online news media grew significantly during the last half of the 1990s. *Le Monde* (France) set up its website in 1995 and the *New York Times* (NYT) in 1996.
- In 1994 the first blogs emerged but their take up was slow among the general population. Today, they are an integral part of Internet use and the news system.
- In 1998 *USA Today* started charging for its online archives. *El País* started introducing paid access to articles in 2002. However, paid access to newspaper articles was quickly abandoned due to the unwillingness of users to pay.
- Following the rise of Netscape, Lycos and others, Internet portals played an increasing role as news outlets and news aggregators. In 2006, Google started its Google News services while Yahoo! started its Newspaper Consortium.
- The South Korean online newspaper *OhMyNews* (www.ohmynews.com) with the motto "Every Citizen is a Reporter" was founded in 2000. Citizen journalism and blogs took on a very noticeable form in the 2004 Tsunami, and the 2005 London City bombings, and have been growing ever since.
- An increasing number of online news sites (pure player sites) came on the scene. For instance, Rue89 (France) started its operations in 2007.
- Since 2007 the iPhone and other smartphones are a major driver of mobile access to news.
- In 2008, ProPublica an independent, non-profit online news organisation started its operations to become one of a number of prominent philanthropic or non-profit online only news organisations.
- In May 2009 Amazon unveiled its Kindle 2, an electronic book reader (e-reader) which gives access to online newspapers thanks to partnerships with major US newspapers.
- In many OECD countries, the economic crisis has strongly impacted the newspaper industry – in part leading to the closure of newspapers or city/foreign bureaus.
- In the last quarter of 2009, some newspapers started charging again for some of their articles or restricting them to paid subscribers, with as yet unclear impacts on their revenues or readership.

Size of the global newspaper publishing market and industry

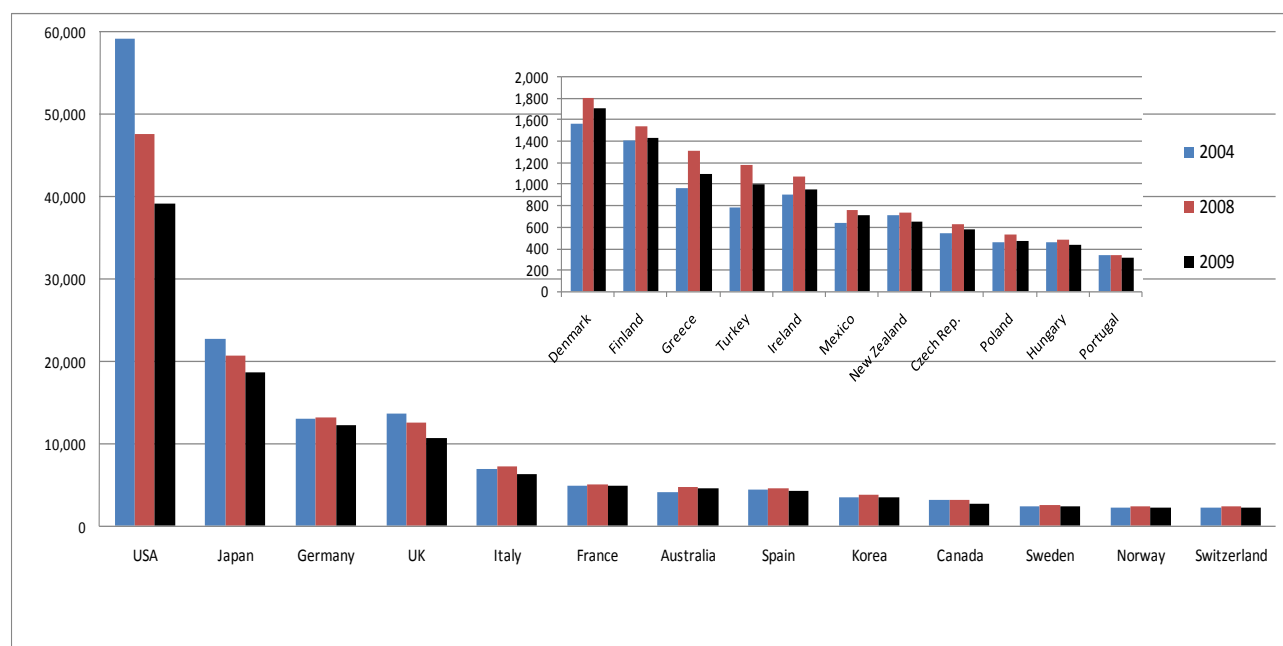
The next sections provide available market, revenue, employment and audience figures for the newspaper industry. Annex 1 explains related measurement challenges and intricacies in greater detail.

Market and turnover

The global newspaper publishing market (defined as online and offline circulation and advertising revenues of traditional newspaper publishers) is estimated at USD 164 billion in 2009 (PwC, 2009a). Despite the fact that 2009 is a year of decline, its revenues considerably exceed those of recorded music (USD 27 billion), video games (USD 55 billion), films/movies (USD 85 billion) and also consumer/educational book publishing (USD 112 billion).

The United States, Japan, Germany and the United Kingdom had the largest newspaper publishing markets in 2008 (Figure 1).¹¹ Most OECD countries have seen a growth of their newspaper market between 2004 and 2008, led by Turkey (+50%) and Greece (+35%). Only five OECD countries for which data is available have experienced a decline, with the United States being particularly affected (-20%), followed by Japan (-9%), the United Kingdom (-7%), Canada (-2%) and The Netherlands (-1%).

Figure 1. Newspaper publishing market by OECD country (in USD millions)

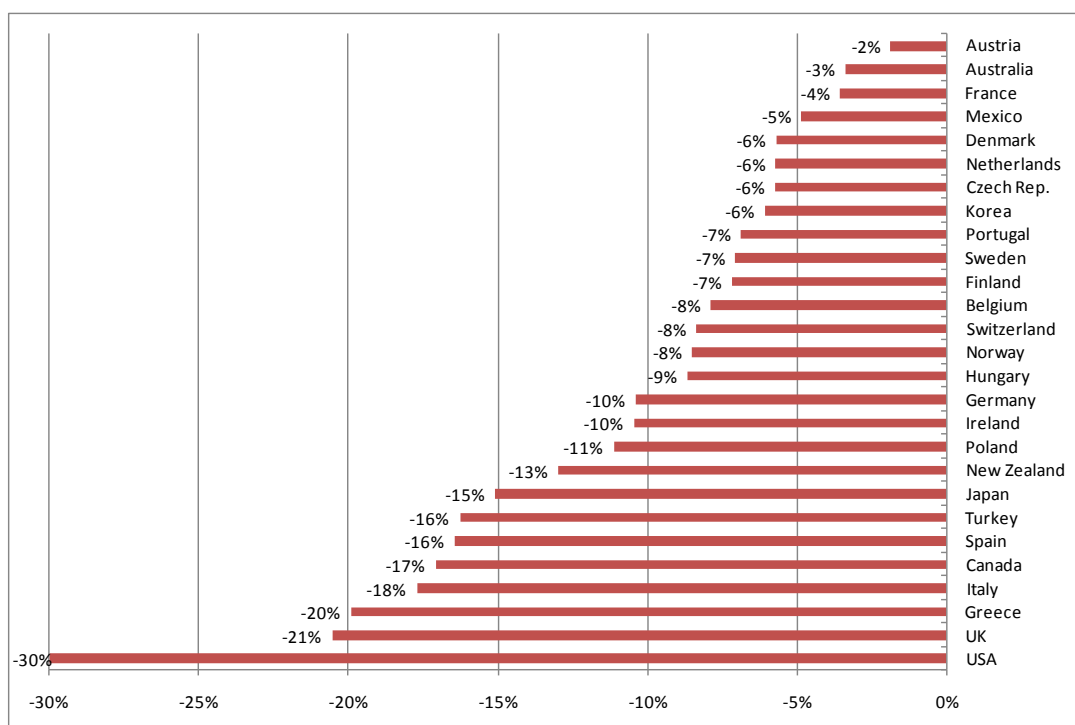


Sources: OECD calculations based on data of PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, published in PwC (2009a).

The growth of the global newspaper market slowed progressively from 2004 (3.6% growth over the previous year) down to only about zero growth in 2007 and negative growth since 2008 (-5%) (PwC, 2009a). In 2009 the global newspaper publishing market is expected to significantly shrink by about 10% (PwC, 2009a). The growth slowdown started and is most heavily pronounced in North America (since 2006 negative growth -14% in 2008, -18% in 2009). The Asia Pacific region has resisted the most with growth holding up until 2008 and an estimated decline of -6% in 2009. Turkey, Greece, Austria, Mexico and Australia were experiencing double-digit growth between 2004 and 2009. In 2009 however, the newspaper markets of all OECD countries were declining (see Figure 2 for estimated percent declines between 2007 and 2009). About half of OECD countries experienced drops below the 2004 levels, with the

United States (-34% from 2004 level), the United Kingdom (-22% from 2004 level), Japan (-18% from 2004 level) affected most. Germany, Italy, the Netherlands and the New Zealand have also noteworthy, but mostly one-digit, declines.

Figure 2. Estimated newspaper publishing market decline in OECD countries, 2007-2009 (in per cent)

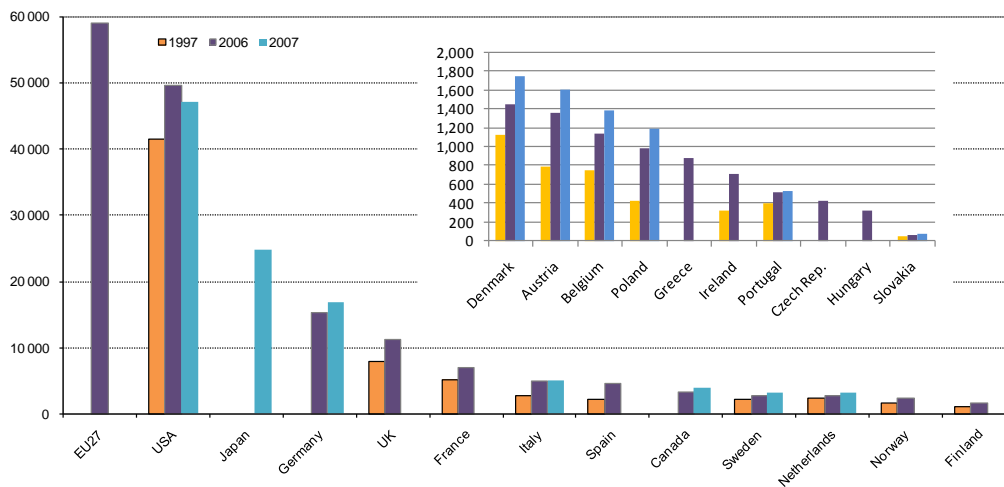


Sources: OECD calculations based on data of PricewaterhouseCoopers LLP, published in PwC (2009a).

Not all national statistical offices from OECD countries offer official turnover, value-added and employment data concerning the newspaper publishing industry. In particular, the available data from Australia, Korea and Japan concerns the much broader category of “Publishing of newspapers, journals, periodicals” which includes scientific journals and magazines and cannot be compared directly to other OECD countries. Where available other data sources are used for Korea and Japan.

Taken together the EU27 has the largest newspaper publishing industry by turnover,¹² followed by the United States (Figure 3). Within the EU, Germany, the United Kingdom and France have the largest newspaper publishing industries by turnover. For the years until 2007, the only market with a decline was the United States. As a share of total market economy turnover, however, the newspaper publishing industry is most significant in the Nordic EU countries (Norway, Finland, Sweden and then Denmark), Germany and the United Kingdom. In most OECD countries that share of the total economy was shrinking very fast in the period between 1997 and 2007, in particular in the aforementioned countries.

Figure 3. Newspaper publishing turnover, 1997 and 2007
in USD millions



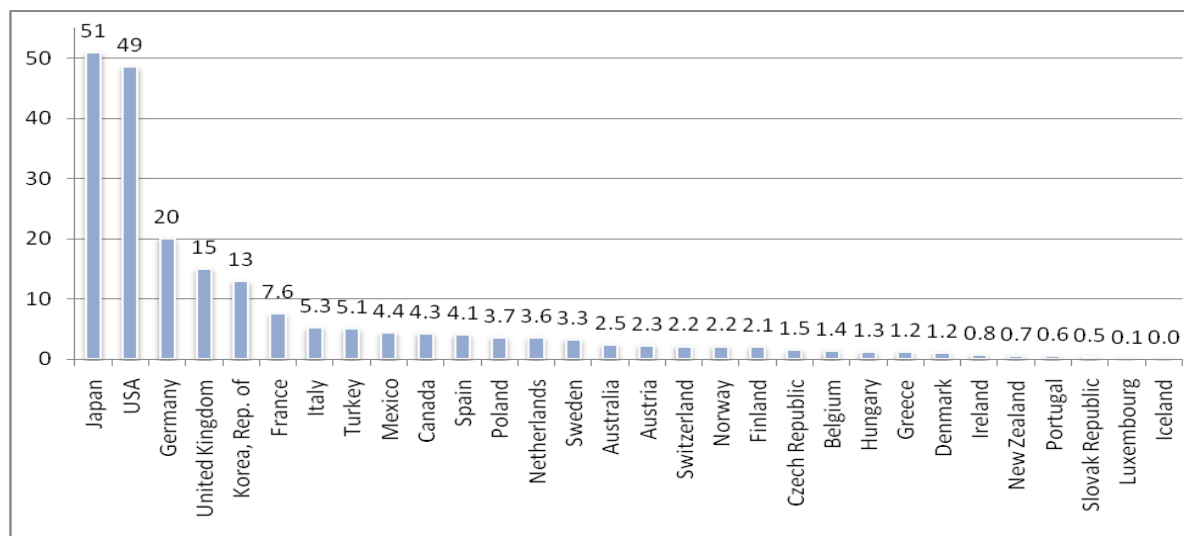
Note: The surveyed period after 2002FY is the fiscal year and that before 2002 is the calendar year. Annual survey by The Japan Newspaper Publishers & Editors Association (NSK)'s Managerial Analysis Section.

Source: New Cronos, Eurostat, the US Census, and the Annual survey by The Japan Newspaper Publishers & Editors Association (NSK)'s Managerial Analysis Section.

Circulation

In 2005 Japan overtook Norway's long term position as the country with the highest density of paid newspaper readership in the OECD. The Nordic countries also have a high readership density (defined in terms of papers circulated per 1 000 population).

- In Japan 526 paid daily papers are circulated on an average day per 1 000 population, more than Norway with 458 issues, Finland with 400 issues, Sweden with 362 issues and Switzerland with 292 issues. Interestingly these OECD countries also have a very high broadband penetration. In the United States this is true for only 160 per 1 000 population, and circulation per population is also much lower in Canada (129 per 1 000 pop.), France (122), Australia (116), Spain and Italy (both 90).

Figure 4. Paid-for-dailies: Total average circulation (in millions), 2008

Source: OECD based on data from the World Association of Newspapers (WAN). Note: Many Japanese dailies publish morning and evening editions on the same day under the same title. A "set paper" subscription to both editions is counted as one copy in determining circulation figures.

- Within the OECD, Japan (51 million per day), the United States (49 million per day), Germany (20 million per day), the United Kingdom (15 million per day) and Korea (13 million per day) lead in terms of the total average daily circulation of newspapers in 2008 (see Figure 4). However, non-OECD countries now play an extensive role in total world newspaper circulation with India and China leading paid circulation given their large populations.
- Japan provides five of the world's top 10 paid for dailies ranked by total average circulation. The Japanese *Yomiuri Shimbun* has a total average daily circulation of about 10 million copies. When excluding Japanese newspapers, the following OECD newspapers score highest: *Bild* (Germany) with 3.1 million circulated papers, *The Sun* (UK) with 3 million, *The Chosun Ilbo* (Korea) with 2.3 million, *USA Today* (USA) with 2.3 million, and *JoongAng Ilbo* (Korea) with 2.2 million.
- However, again, in terms of numbers of newspapers which make it into the top 100 the list is dominated by China (25 out of 100) and India (20 out of 100), followed by Japan (16 out of 100), the United Kingdom and the USA (both 7 out of 100).

Employment

The number of people employed in the newspaper industry grew strongly in OECD countries in the second half of the 20th century, and until the end of the 1990s. In France, for instance, the number of journalist almost tripled in two generations (CNRS, 2009). However, recent years have seen a decline.

The United States has the largest number of persons employed in the newspaper publishing industry (Table 1), followed by Germany, the United Kingdom and France.¹³ Between 1997 and 2007 most OECD countries for which data is available have however experienced a rapid or certain decline in newspaper employment: Norway (-53%), the Netherlands (-41%), and Germany (-25%). Some OECD countries such as Spain (63% growth between 1997 and 2006) and Poland (30%) have seen the employment by newspapers increase.

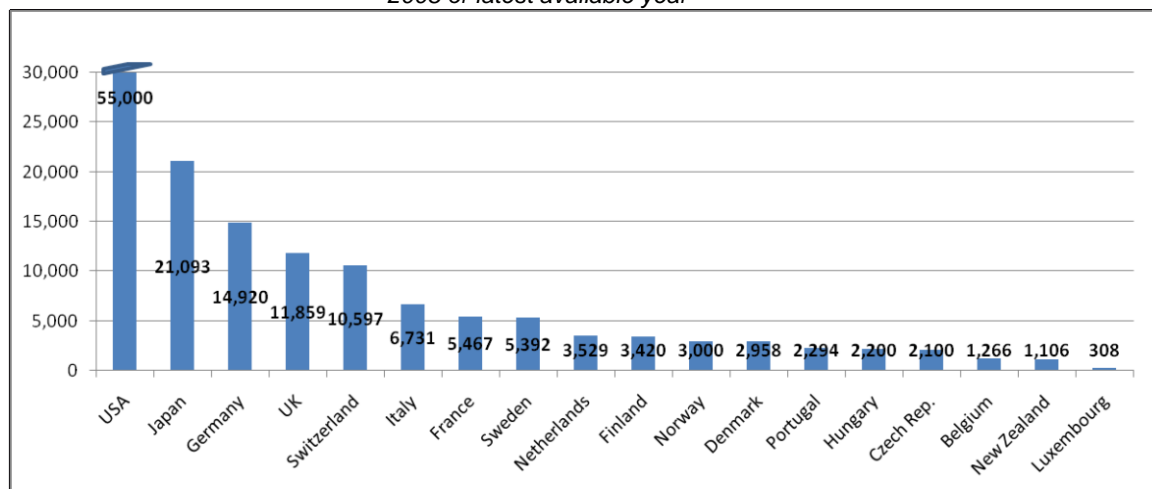
The United States has most journalists employed, followed by Japan, Germany and the United Kingdom (Figure 5). In terms of growth, the available data up until 2006 or 2007 does not show a rapid decline of journalists which is broadly shared across the OECD, but rather a slight increase or stagnation of the number of employed journalists. The exceptions are the Netherlands and the United Kingdom which has already experienced a rapid decline of journalists before the economic crisis. Most other OECD countries have felt negative impacts on the number of journalists starting in 2008 and intensifying in 2009.

Table 1. Newspaper publishing employment
in number of persons, ranked by size and per cent change, 1997-2007

	1997	2000	2005	2006	2007	per cent change between 1997 and 2007 (or first and last available year)
United States	403355	412627	380144	372048	356943	-12%
Germany		105427	80517	79691	77101	-25%
United Kingdom	51756	46279	53905	52047		1%
Japan	61846	59117	52683	52262	50911	-
France	30446	31555	30779	30734		1%
Spain	14155	17731	20507	23062		63%
Sweden	17210	15736	14308	15375	15320	-11%
Korea	21200	14662	13313	12679	14897	-30%
Poland	9853		13090	12898	12829	30%
Netherlands	21474	21468	12888	12779	12712	-41%
Italy	12321	12750	12116	12625	12472	1%
Denmark	11386	20089	11040	11133	10644	-7%
Norway	21376	18175	10263	10040		-53%
Finland	9367	10051	8518	8116		-13%
Greece			7063	7250		n.a.
Czech Republic			3897	4271		n.a.
Portugal	3838	3725	4304	4247	4071	6%
Austria	4060	3265	3736	3786	3743	-8%
Belgium	3550	3995	3498	3251	3606	2%
Hungary		3456	2144	2758		-24%
Ireland	2321	2820	1743	2714		17%
Slovak Republic		1065		1048	1105	4%

Source: New Cronos, Eurostat for Europe, Japan Newspaper Publishers & Editors Association, Census for US, StatCan for Canada, WAN and national newspaper associations.

Figure 5. Number of journalists
2008 or latest available year



Source: OECD based on data from the World Association of Newspapers (WAN).

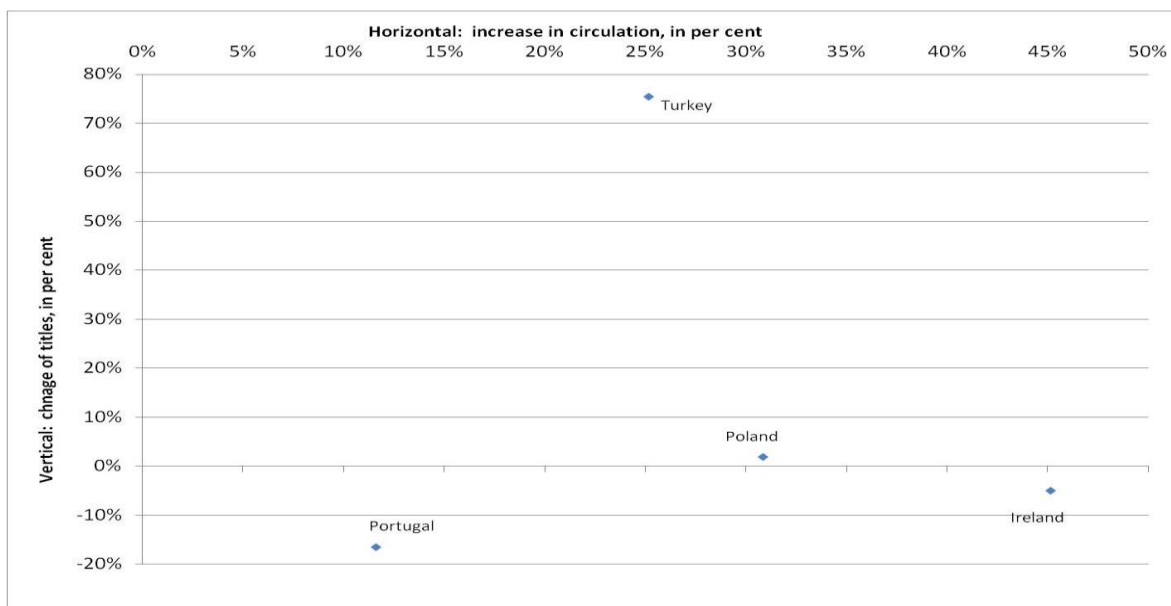
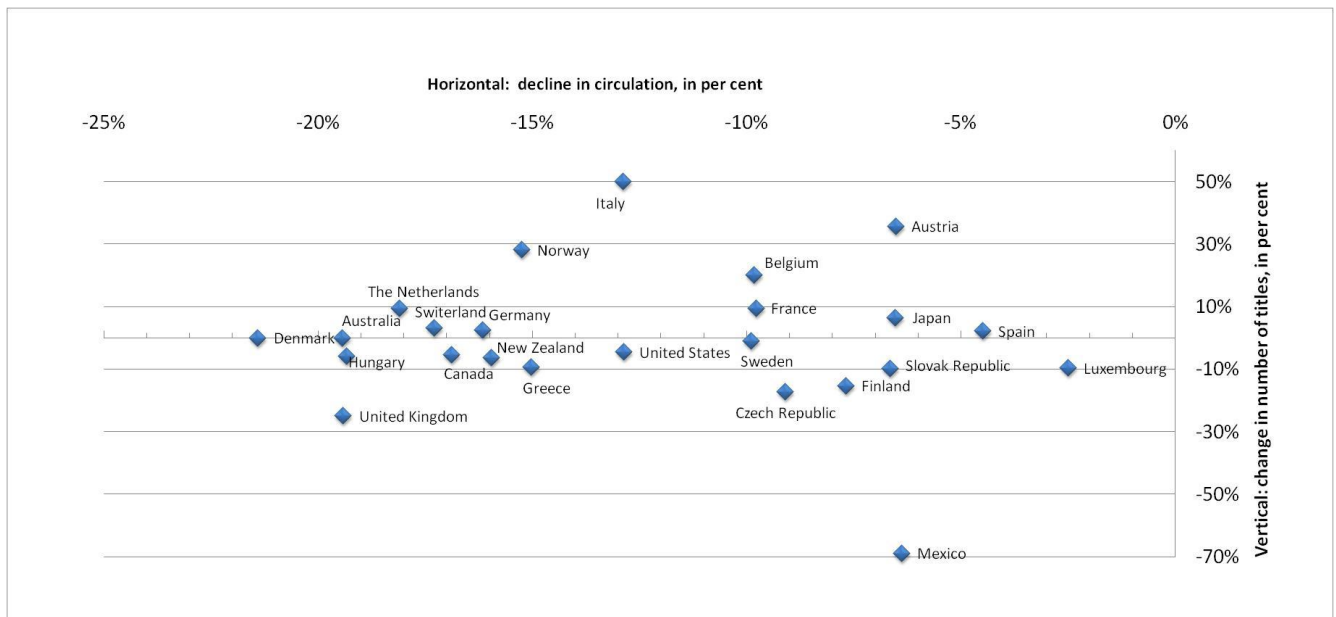
Recent newspaper market developments

After very profitable years, OECD newspaper publishers face increased competition (free dailies, Internet) and often declining advertising revenues, titles and circulation and declining readership. The economic crisis has compounded this downward development. However, there are large country-by-country and title-by-title differences and only a few generalisations can be made about the state of the news industry. Certainly the data does not currently lend itself to making the case for “the death of the newspaper” as suggested by some (Fogel and Patino, 2005; Poulet, 2009), in particular if non-OECD countries and a potential positive effect of the economic recovery are taken into account.

Number of titles

- The decline of newspaper titles has been ongoing for a number of years or even decades in some OECD countries. In France, for instance, between 1945 and 2004 regional titles went down from 153 to 56 and national titles from 26 to 10 (Le Floch and Sonnac, 2005).
- In 2008, roughly 4000 newspaper titles existed in the OECD. For a majority of OECD countries, the paid-for dailies *number of titles* decreased (in 14 OECD countries out of 30) or held roughly steady (defined as less than 3% variation – 6 OECD countries out of 30) among OECD countries between 2000 and 2008 (Figure 6). In some countries the decrease was very noticeable from 2000/2002 to 2008: the Slovak Republic (-69%), Belgium (-25%), Netherlands (-17%), Switzerland (-16%), New Zealand (-15%), and Norway (-10%). The United States has lost 5% in terms of number of titles. Yet other OECD countries have witnessed a growth in the number of their paid-for-dailies' numbers: most noticeably Korea (125%, not in graph as per the Note), Turkey (76%), and Ireland (50%).

Figure 6. Change in per cent in titles versus per cent change in paid circulation, OECD, 2000-2008 (in per cent)



Note: Korea (-4% in circ., +125% in titles) and Iceland (-140% in circ., 0% in titles) are not in graph for improved readability.

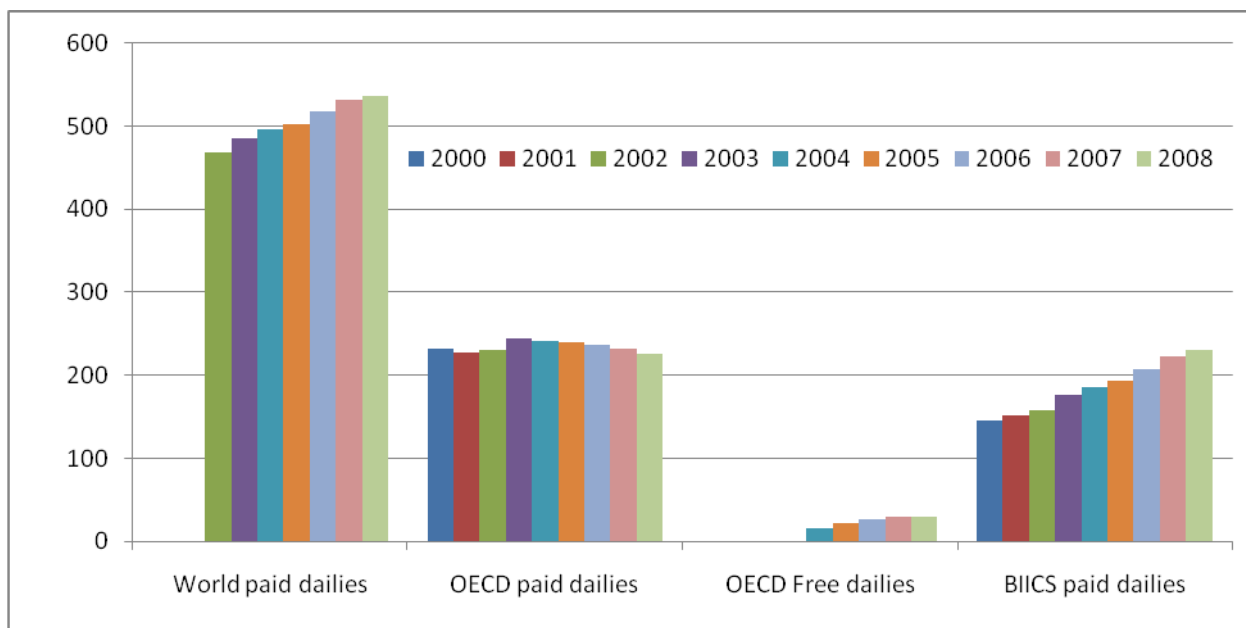
Source: OECD calculations based on data from the World Association of Newspapers (WAN).

- Thanks to the strong development of newspaper titles in non-OECD countries the world aggregate of newspaper titles has increased strongly in the last decade – almost doubling since 2000. However, these figures have to be used with care due to measurement problems (Annex 1).
- The OECD Enhanced Engagement countries now count more titles than OECD countries (4 414) with a 40% growth in the last decade. OECD accession countries (excluding Russia) total about 600 titles with less dynamic 5% growth over the same 2000/2002-2008 period.

Paid newspaper circulation

- The share of the OECD in total world daily paid newspaper circulation has declined from 49% in 2002 to 42% in 2008. Overall paid-for dailies total average circulation numbers are decreasing for OECD countries, in particular after 1999/2000 (Figure 7). Paid-for dailies *total average circulation* 2000-2008 showed a 2.7% decrease among OECD countries in this period.

Figure 7. Paid for dailies average total daily circulation
2000-2008 (in millions). Worldwide, OECD, BIICS (Brazil, India, Indonesia, China and South Africa)



Note: Here the OECD Enhanced Engagement Countries (EE5) are called the BIICS (Brazil, India, Indonesia, China and South Africa). The 2008 value for the OECD EE5 is an OECD estimate.

Source: OECD based on data from the World Association of Newspapers (WAN).

- As measured between 2000 and 2008, paid-for circulation numbers are decreasing among all OECD countries except Ireland (45%), Poland (31%), Turkey (25%) and Portugal (12%) (Figure 6). Iceland shows the largest negative change with 58% decrease of daily total average circulation since 2001, followed by Denmark (-21%), Australia¹⁴, the United Kingdom, Hungary (all -19%), the Netherlands (18%), Switzerland and Canada (-17%) and Germany (-16%).

Outside the OECD area the average daily paid newspaper circulation has been growing for a number of years, compensating for the drop in OECD paid circulation and leading to the overall growth in the number of world newspapers – by 14% from 2002-2008 (Figure 7, based on the (imperfect) available data – see Annex 1¹⁵) and by 2.6% in 2007 and 1.3% on a world-wide in 2008.¹⁶

- Growth in the BIICS countries by about 35% from 2000 to 2008 very much contributed to this growth, most notably India with a 45% increase in circulation between 2000 and 2008, South Africa (34%) and China (an estimated 29%). Gains are not only occurring there but also in other countries and continents, including Africa and South America.
- OECD accession countries (excluding Russia for which no complete data is available) have a lesser positive development in circulation but are more similar to OECD countries – with Israel having the largest circulation figure but Chile being responsible for the greatest growth in newspaper circulation

(and with falls in Estonia and Slovenia). The OECD accession countries for which data is available (Chile, Estonia, Israel, and Slovenia) experienced a slight fall in newspaper average circulation between 2004 and 2008.

More fine-grained assessment

The printed press is not uniform and its individual components, such as the title in question and its nature, matter (specialized vs. generalist, local versus regional) when assessing impacts.

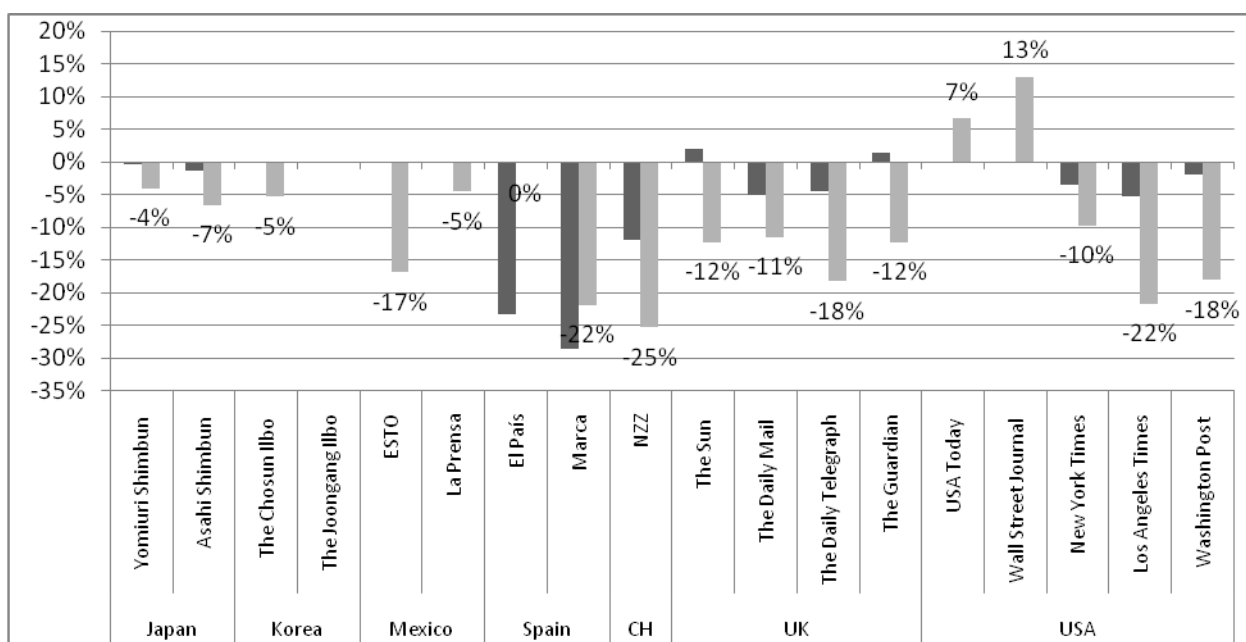
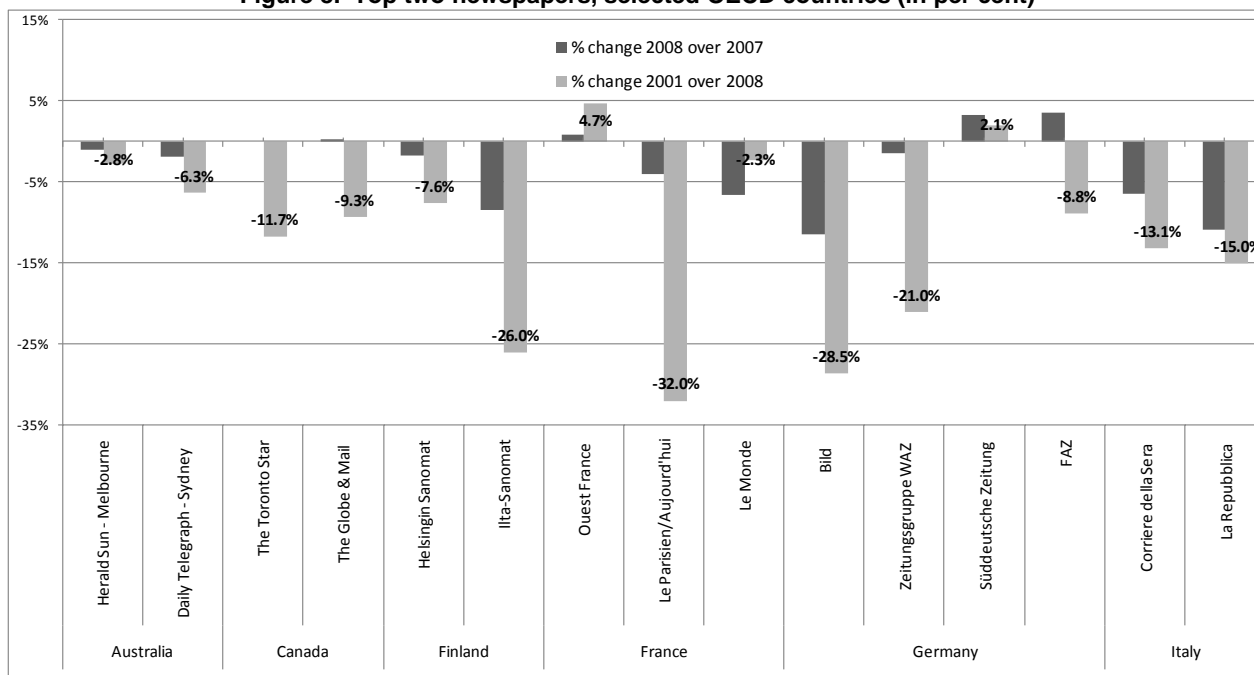
A look at the top newspaper publications by paid circulation reveals the extent of the circulation decline (Figure 8 shows the top two newspapers). Between 2007 and 2008, the majority of OECD top publications have experienced either a decline or stagnation of circulation. The situation is particularly acute when looking at the period between 2001 and 2008. The majority of OECD top publications experience declines going from anywhere between a circulation reduction by about a half: *The Hankook Ilbo* (Korea), *The National Post* (Canada), *Le Progrès* (France), a third or a quarter as in the case of *The Mirror* (UK), *Parisien* (France), *La Stampa* (Italy), *The Bild* (Germany), *Ilta-Sanomat* (Finland), *NZZ* (Switzerland), *ABC* and *Marca* (Spain), *The Long Angeles Times* (USA), the *WAZ* (Germany), *The Maeil Business Newspaper* (Korea), or a circulation reduction by a fifth from prior levels as in the case of the *Reforma* (Mexico), *Toronto Sun* (Canada), *The Daily Telegraph* (UK), *The Washington Post* (USA) and *De Telegraaf* (The Netherlands).

But there are also papers in the OECD which have significantly increased circulation (*Ouest France*, *USA Today*, *The Wall Street Journal*, *Busan Ilbo*, *New York Post*, etc.). In the grand scheme of things, one cannot say that tabloids are holding up any better than quality newspapers.

Specialized versus general: A stylized trend is that newspapers containing news of general information show higher circulation losses than local ones and also higher circulation losses than those with specialised content such as business news, *i.e.* *Wall Street Journal* (see Figure 8). The specialized press performs better than general newspapers.

Regional versus local: The fall in circulation and titles is not spread evenly among daily newspapers and is very country-specific. Generalisations as to the fact that local/regional newspapers are hurt significantly more than national ones (or the other way around) do apply to the majority of OECD countries. Also, there are likely to be considerable differences between regional and local newspapers which are hard to dissect. In sum, the available definitions and data do not lend themselves to a rigorous statistical analysis assessing the state of the local newspapers across countries.

Figure 8. Top two newspapers, selected OECD countries (in per cent)



Source: OECD based on data from the World Association of Newspapers (WAN).

Note: Many Japanese dailies publish morning and evening editions on the same day under the same title. What is called a “set paper” subscription in Japan is counted as one copy in determining circulation figures in these graphs.

Nonetheless, based on the incomplete figures for the OECD region, estimates show that between 2004 and 2008 regional and local newspapers have declined significantly more (-8.3% over the whole period) than national newspaper circulation (-2.8%) (Note: based on estimates - country sample for which data is available differs between national and regional and local categories – in particular with respect to the non-availability of Canadian data and in general no figures for the United States). The figures also show however, that the year-on-year decline of regional newspapers has been very intensive since 2008 (-4.1%), largely outpacing the year-on-year decline of national OECD newspaper.

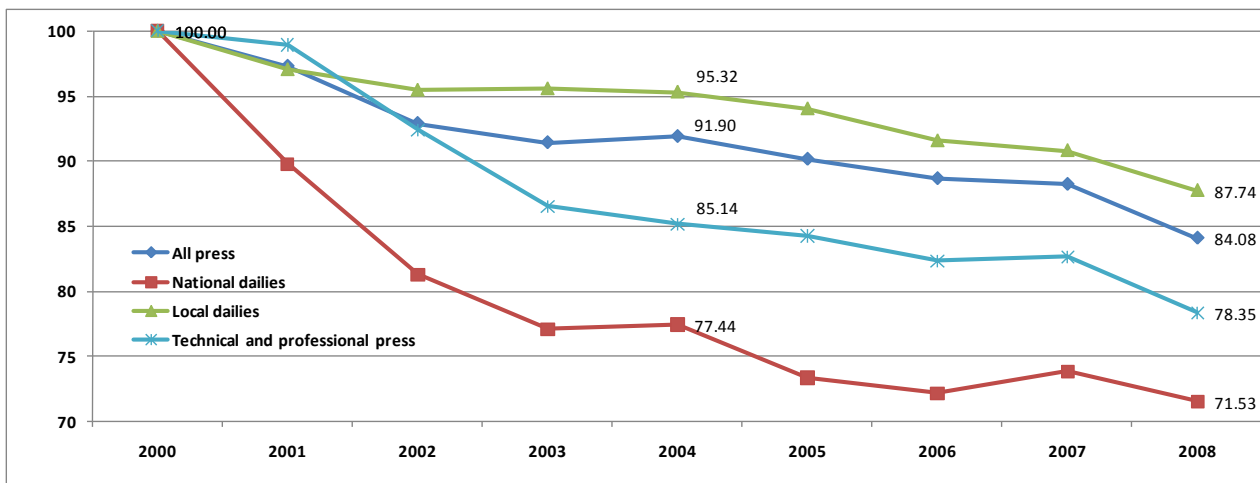
Box 1. French newspaper market: regional press holding up better

Due to structural factors such as a lack of capital, high distribution costs and low advertising revenues, the French newspaper sector has started to experience a decline in terms of newspaper sales since the 1960s, much earlier than in other OECD countries (Poulet, 2009). The share of newspapers in the annual media consumption budget has fallen steadily as households spend more on telephony and the Internet.¹⁷ Also, in 2008, more than 42.5% of French readers were aged 50 years or older.

The most recent figures show an acceleration of this trend with a strong decline in newspaper titles and newspaper sales, in particular in 2006 and 2007. In 2008, total revenues of the newspaper market fell by -2.3% (in current EUR terms) from the previous year – a 16% decline from 2000 in constant EUR terms. The national daily press has declined by -4% in 2008 – reaching a low point in national daily revenues since 1990 (with classifieds making up only 6% of total revenues in 2008 whereas in 1990 this was 26%). Papers such as *Le Monde* are facing significant monthly losses and making newsroom employment cuts. Other papers face strikes over questions of editorial control by new owners who are mostly prominent industrialists.

Contrary to other OECD countries, however, the local/regional press is doing relatively better than the national daily French press (Figure 9). In 2008, the local/regional press only declined by 1.2% (as compared to -4% for the national press). Since 1990 all components of local newspaper revenues are on the rise in current EUR terms – a total revenue increase of 33% in the period until 2008, mainly driven by an increase in newspaper subscriptions. The share of local newspaper revenue in total press revenues has thus increased from 26% to 29% between 1990 and 2008.

Figure 9. Press revenues in France, selected categories, 2000-2008 (constant 2000 EUR, in per cent)



Source: "La presse écrite en 2008". Direction du Développement des Médias. Département des statistiques, des études et de la documentation sur les médias. www.ddm.gouv.fr/IMG/pdf/infomedias12-190706-2.pdf and French Senat (2007).

On a case-by-case basis, this picture is confirmed. The majority of OECD countries are experiencing faster regional/local newspaper circulation declines between 2004 and 2008 than national newspapers. The countries experiencing the strongest regional and local circulation decline in that period are the Slovak Republic, the Czech Republic, Slovenia, The Netherlands, Denmark, Turkey and Poland,¹⁸ while the figures are not available for countries such as the United States.

- In the United Kingdom, the circulation of paid-for daily local and regional newspapers has fallen by over 20% over the past four years¹⁹ and the number of local newspaper closures has risen rapidly.²⁰ This has been the source of recent government concern (Part 5).

- In Australia, national data show that the total readership of regional dailies dropped by 4% between 2006 and 2008, with strong variations between different regional titles and partly due to demographic factors such as population movements.
- In the United States, the unique web/print nationals (*NYT*, *Washington Post*, *Wall Street Journal*) are doing much better than the metro dailies that experience strong circulation losses.
- In Germany, the number of local & regional dailies sold through subscription has decreased (from 420 titles in 1950 to 335 in 2008). Also, while the circulation of national dailies has steadily increased up until 2000 and then stayed at the same level until 2009, the circulation of local and regional dailies peaked in 1997 but has decreased significantly since.²¹
- In Korea, regional dailies show a significant decline (-10% in sales) as compared to national dailies (+6.2%) over the period 1999 to 2007. National dailies added a title between 1999 and 2007 increasing the total number of national dailies from 10 to 11, while regional dailies lost 2 titles (from 16 to 14 titles) during the same period.²²

In some countries it is the opposite however, with regional and local papers holding up better than national ones (France – see Box 1, Slovenia, Norway, Hungary, and to a much lesser extent Italy and Japan), often also owing to definitional issues and the respective newspaper market structure.

Mostly declining reach and readership

In recent years, readership figures have gradually gained prominence over circulation figures (see Annex 1). As far as these statistics can be compared, among OECD countries Iceland has the largest newspaper readership, followed by Japan, Portugal, Sweden and Norway (Table 2). At the bottom are Greece, Turkey, and the United Kingdom. For non-OECD countries, readership is generally lower but mostly increasing.

In the OECD, newspapers face an aging and often decreasing readership (defined as the number of people who read a newspaper). About 20 out of 30 OECD countries face declining readership, with significant decreases in Australia, Canada, the United States and Korea (Table 2).

Newspaper readership is usually lower among younger people who tend to attribute less importance to print media. Available data show that this aging of the newspaper readers is particularly striking in countries such as the United States (see Box 2). In some OECD countries, however, the figures look much better. In Germany in the 14-19 age bracket about 47% read the newspaper and 58% for the 20-29 age bracket (BDVZ). In Austria, 61.1% of 14-19 year olds and 66.8% of 20-29 year olds read the newspaper (WAN). This topic merits more detailed study as available indicators are scarce and often not comparable across countries.

In terms of the daily newspaper consumption, readers mostly spend anywhere between 20 and 30 minutes per day reading the newspaper, with only Spain being below that with 18 minutes and Austria, Finland, Belgium, exceeding somewhat this average and Italy and Turkey exceeding it by much more (by 51 minutes and 64 minutes respectively). Available data points to a significant decrease in minutes read in Korea, Finland, Germany, the Netherlands (-22 to -30% between 2004 and 2008).

Table 2. Daily newspaper reach
in per cent all adults claiming to have read a newspaper recently/the day before

	Previous years	2008
Iceland	93 (2002)	96
Japan	94 (2002)	92
Portugal	73 (2003)	85
Sweden	87 (2005)	83
Norway	86 (2003)	82
Switzerland	74 (2002)	80
Finland	82 (2005)	79 (over 12)
Denmark	81 (2005)	76
Canada	82 (2002)	73
Austria	74 (2005)	73
Germany	76 (2005)	71 (2009)
Netherlands, The	71 (2004)	70
Luxembourg	64 (2002)	63 (75% if free dailies included)
Israel	60 (2005)	60
Slovak Republic		60
Ireland	55 (2002)	58
Poland	32 (2004)	58
Australia	72 (2004)	54
Belgium	50 (2005)	54
Czech Republic		50
New Zealand	54 (2004)	49
Slovenia	45 (2003)	49
Hungary		46
USA	55 (2001)	45 / 48
Italy	40 (2002)	45
France	45 (2005)	44
Spain	41 (2005)	42
Chile	79 (2004)	42
India	17 (2003)	37
Korea, Republic of	45 (2005)	37
Mexico	36 (2003)	34
United Kingdom	33 (2005)	33
Turkey	34 (2002)	31
Greece	55 (2004)	12
Russia	7 (2004)	11

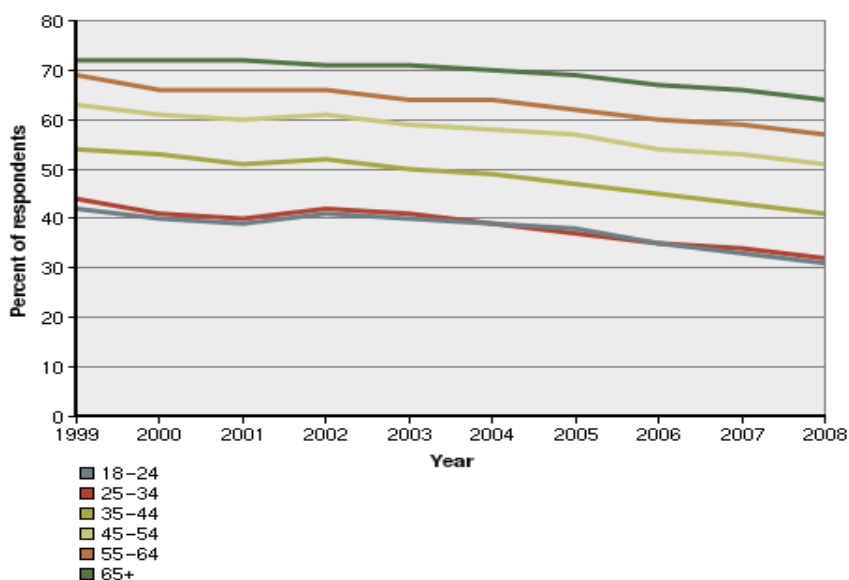
Source: OECD based on WAN and national sources.

Note: The methodologies for the different survey figures differ between countries which complicates direct comparisons. Sometimes surveys aimed at "all adults" refer to persons over 12 years, sometimes to persons over 14 years and sometimes to persons over 18 years old. Measurement methodologies also often vary from year to year and between countries, complicating the construction of comparable time series or cross-country comparisons.²³

Box 2. Newspaper readership decline in the United States

In the United States, the number of daily newspaper readers is in steady decline across all demographic groups (Meyer, 2004, Pew Surveys). In 1964, 81% of American adults read a daily newspaper. In 2008, the proportion of American who say they read a newspaper the previous day in print alone (or both print and online) dropped to 30% (down from 38% in 2006, PEW). According to the United States Census, time spent reading physical newspapers is in steady decline in the United States (from 202 hours per person per year in 2000 to a projected 165 hours in 2009). The decline in readership has been sharpest among young adults (Figure 10). Just 31% of 18-24-year-olds reported reading a daily newspaper in 2008, down from 73% in 1970. A growing population helped the absolute circulation numbers continue to increase until the 1970s, where it remained stable until the 1990s, where absolute circulation numbers began declining.

Figure 10. Daily Newspaper Readership by Age Group
in per cent of those who read any daily newspaper the previous day, 1999-2008



Sources: Scarborough Research, PEW State of the News Media 2004-2009, US Editor & Publisher Yearbook data and Meyer (2004).

Free dailies

Since 2000 the paid-for dailies market is challenged by free dailies, further eroding paid circulation and undermining the advertising base of traditional newspaper publishers. Free dailies are much cheaper to produce and distribute than traditional ones and they rely purely on advertising revenues. The reasons are much smaller fixed costs which are a result of their relatively younger and smaller structures, a lesser reliance on journalistic work (in particular no regional or foreign bureaus to maintain) and sometimes also a lesser reliance on often strongly unionised print-shops. A number of OECD newspaper publishers have launched free newspapers on their own to support their advertising revenues.

The rise of free dailies is still mostly limited to certain OECD countries but these are not yet very prevalent in non-OECD countries. In 2008, the total circulation of free dailies in the OECD was about 30 million, nearly a doubling from 2004. The ratio of free dailies to paid dailies has risen from about 6% in 2004 to more than the double (13%) in 2008. When one includes the free OECD dailies into total newspaper circulation, the rise of free dailies makes up for the fall in paid newspaper circulation between 2004 and 2008.

The trend to free newspapers is particularly developed for Europe where 23% of daily newspapers were free in 2008. This is also reflected in the ranking of the top 10 free dailies (Table 3). The German newspaper market is an exception where free dailies have had lesser success, partially also explained by the greater resistance of German newspaper publishers. Otherwise free dailies are also an important component of the market in Canada, accounting for a third of total circulation. Free papers have played a more limited role in Australia, the United States, Korea or Japan.

Table 3. List of top 10 free dailies by circulation in OECD, 2008

	Title	Country	Language	Circulation (000)
1	Metro	United Kingdom	English	1,362
2	Leggo	Italy	Italian	1,050
3	20 Minutos	Spain	Spanish	948
4	Que!	Spain	Spanish	920
5	ADN	Spain	Spanish	868
6	Metro	Italy	Italian	850
7	City	Italy	Italian	840
8	Metro	Canada	English/French	840
9	Metro Directo	Spain	Spanish	782
10	Metro	France	French	733

Source: World Press Trends, various editions (WAN) - excludes Russia.

However, the recent economic downturn and the ensuing drop in advertising revenues have heavily impacted the viability of free dailies in 2008 and 2009. Free newspapers only hold up in a few OECD countries such as Switzerland. In fact by the end of 2009 a number of free dailies in the OECD region had closed (Aalborg in Denmark, 24 Minuti in Italy, Metro in Spain and job cuts at the Spanish newspaper Que). It is expected that the economic downturn will lead to more cuts in the print run and advertising losses, until the economy recovers fully.

The impacts of the recent economic crisis

The economic crisis and the strong fall in offline and online advertisement spending have created additional problems for newspapers leading to a loss of circulation, the closure of newspapers and shedding of newsroom staff. Structural factors are compounded by cyclical factors.

But again, the impacts are not uniform across the OECD. For some OECD countries the crisis has further accelerated the revenue and circulation declines of the newspaper industry (mostly a selection of English-speaking OECD countries such as the United States and the United Kingdom but also some EU countries such as the Netherlands) whereas for others 2008 marked the start of a significant downturn. All OECD countries have in common, however, that 2009 will have been the worst year for newspaper publishers in most countries.

English-speaking OECD countries

United States: In terms of declines precipitated by the economic crisis and related employment losses, the United States is at the centre of attention. US newspaper publisher revenues based on circulation and advertising have experienced a steep drop in 2009 and the forecasts for the coming years are also rather pessimistic (14.6% decrease in 2008 and a 18% drop in 2009 according to data from PwC, 2009a). US newspaper ad revenues have fallen 23% in the last two years. And in the worst quarter for American newspapers, advertising sales fell by an unprecedented 28.3% in the first three months of 2009 (NAA). Some papers are in bankruptcy (including some large newspaper companies such as The Tribune Company), and others have lost three-quarters of their stock market value. The industry remains profitable, but operating margins are dropping fast.

United Kingdom: UK newspapers faced a strong decline, in particular regional dailies with a large number of local papers closing – which has lasted for a number of years but is now being accelerated. All in all, paid newspaper unit circulation declined during the past five years and paid circulation volume will fall by about 2.2% in 2009. In particular the projected falls in print advertising revenues for 2009 are a substantial – 26% – the steepest in Europe (PwC, 2009a).

Australia and Canada: The Australian and Canadian newspaper industry has fared somewhat better through 2008 and 2009. In Australia, for instance, among the top 12 daily metropolitan/national weekly newspapers, three publications (*The Australian*, *The Age*, and the *Courier-Mail*) have managed to increase their circulation up to the year 2008. According to the local newspaper association, Australian newspaper sales have been relatively resilient as the media has fragmented over the last ten years (see also *The Newspaper Works*, 2009).²⁴ But, on average, circulation also declined significantly over the last decade (Figure 6). In Canada, paid circulation, for instance, only fell by 1.6% in 2008 and revenues were down by 4.7% (PwC, 2009a). However, strong overall falls are expected for 2009 (an expected -13%).

Continental Europe

While some European newspaper markets are more resilient than others, the newspaper publishing market is also expected to decline in terms of revenues by 8.8% in 2009 (PwC, 2009a), mainly also due to a decline in circulation print advertising revenues. Germany seems to be outperforming many other EU markets, in spite of declines in 2008 and 2009.

Germany: Publishing groups such as Axel Springer which owns the best selling dailies, the *Bild Zeitung* and *Die Welt* have been posting profits in 2008 (also also fueled by the sale of Pro 7). In Germany advertising fell by 4.25% in 2008, and in the first semester of 2009 this fall was particularly strong with local and regional papers that faced -14% declines. However, this fall is rather modest as compared to other OECD countries. Circulation is also down but not to the same extent as elsewhere.

Netherlands: The total circulation of daily newspapers in the Netherlands dropped for three years but most severely in the second quarter of 2008, mostly affecting center-left newspapers such as *De Volkskrant* (the latter having had to shed close to 10% of its editorial workforce since). Other newspaper groups such as the Telegraaf Media Groep have also announced substantial employment cuts.

Spain: Spain is experiencing a strong fall in circulation (-2% from 2007 to 2008, *Livre blanc de la Presse*) but is mostly suffering from a strong decline in advertising (-13% in 2008 and -33% in the first semester of 2009 alone) and other revenues. Dailies such as *El País* have faced about a 20% advertising drop in 2008 whereas free dailies such as *Metro* have discontinued operations. Between June 2008 and April 2009 about 2 400 Spanish journalists lost their jobs according to the *Associations de journalistes espagnols* (Fape). Estimates of the *l'Association de la Presse Madrilène* (APM) fear that by 2010, about 5 000 posts and thus 20% of total newspaper employment could be lost.

Asia

The Asian newspaper publishing industry has also been hurt and is expected to decline. In Japan, both newspaper revenues and circulation have fallen since 2007, with increased falls since 2008. Some of the five major Japanese national newspapers experienced financial difficulty and are posting net losses. The aging of the Japanese population and the emergence of younger readers who subscribe less to newspapers are accentuating the problem. Up until 2007, Korea had still a relative increase in revenues. However, more recently circulation and print advertising have fallen, but to a lesser extent than in other countries.²⁵

PART 2: THE VALUE CHAIN AND ECONOMICS OF THE TRADITIONAL NEWSPAPER INDUSTRY

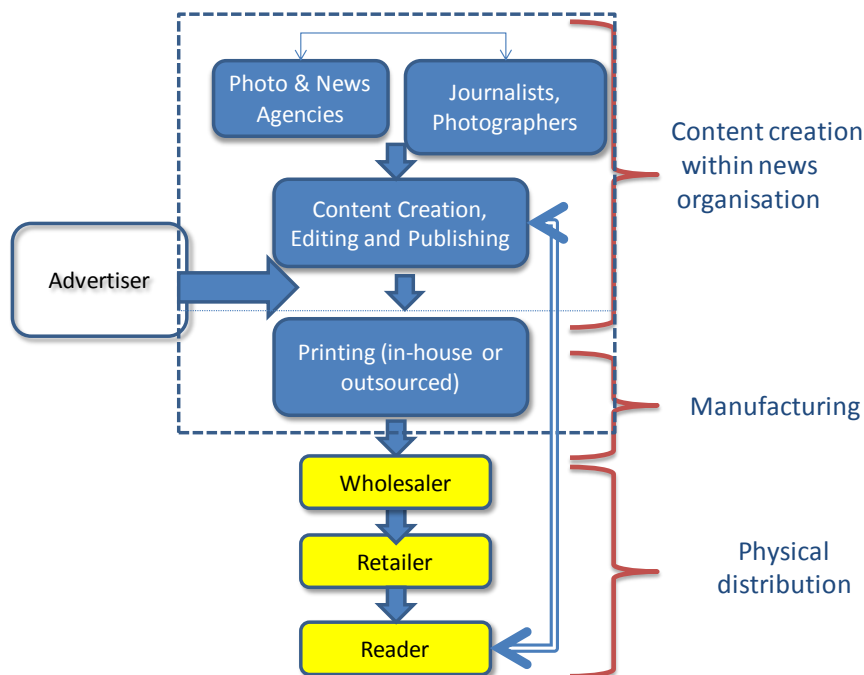
Part 2 sheds light on the value chain of the traditional newspaper industry and its underlying economics. This facilitates the understanding of cost structures relating to news gathering, printing and diffusion and provide a basis for the discussion of online news value chains discussed in Part 3.

Traditional newspaper value chain

The traditional role of newspaper publishers is to intermediate between content producers (journalists), information users, and advertisers and other attention-seekers. Publishers select, check, integrate and package information, on the one hand, and they aggregate demand for information into audiences on the other. They distribute information and sell ‘access to audiences’ to advertisers acting as intermediaries in a two-sided market. Finally yet importantly, they spread the costs of information production and distribution over a large number of users and advertisers, and consequently make information not only physically but also economically accessible to users.

Figure 11 presents a stylised traditional value chain where the main stages are content creation, manufacturing (essentially printing) and distribution. The figure is simplified and hence does not take into account other ancillary activities of newspapers (*e.g.*, weather, crosswords, events and online activities).

Figure 11. Traditional newspaper value chain



Content creation and manufacturing: Content creation in the journalistic field is an elaborate process based on background research, investigation (desk, on-site) and other activities. It draws on news agencies, journalists and photographers that supply gather, analyse and report the news. Newspaper organisations often rely on news agencies such as the Associated Press, Reuters or Agence France Press to supply *hard* news stories which can either go in direct or serve as background to feature news articles.

After drafts of the stories have been created, a diligent work flow which includes copy-editing, editing, re-arranging and graphical work (arranging articles, pictures, design) and finally the creation of a fully digital version ready for the printing press follows. Until today the print process entailed significant resources both in terms of employment and costs. Both the content creation and the printing process are ever more reliant on modern computer, communication and digitisation technologies which created new markets for the suppliers of software, standards, graphic/object tools, and digital print processes.

Distribution: Newspapers traditionally relied on extensive distribution and circulation systems based on wholesalers and retailers with newspapers either being sold at individual sales points or via subscription. Newspaper distributors have far-reaching and complex functions such as distribution center and transportation management, delivery service management and customer service. They are also responsible for backhauling expired, unsold editions from the distribution sites.

The role of readers: While in the past readers had more passive roles than potentially in the online news ecosystem, feedback in the form of letters to the editor has always existed. Journalists have also always relied on comments and the expertise of readers as a source of information.

Advertising: While advertisers do not have a very visible role in the editorial or manufacturing process, given their contribution to revenues, they are an essential element in the value chain of newspapers and often an important precondition for the financial sustainability of the operation. An elaborate system is in place to sell advertising in the newspaper and in other formats, with prices and advertising specifications varying greatly depending on the size, the section and the newspaper edition. This process is either conducted in-house in collaboration with large advertising agencies or outsourced. Over the last years there have been a number of innovations in terms of the design and the position of advertising in the papers, increasingly also the rise of mixing editorial content and advertising (advertorials) or positioning of ads around pertinent articles.

The economics and revenue structure of established newspapers

Newspapers generate revenue by selling newspaper copies to readers on the one hand, and advertisement space to advertisers on the other (Picard & Brody, 1998),²⁶ cross-subsidising the production of news with the sale of ads or other commercial activities present in media conglomerates.

The global newspaper publishing market derives about 57% of its revenues from advertising (print and online) and about 43% from sales of actual newspapers (circulation) (PwC, 2009a). As we will see later this breakdown varies greatly between OECD countries. Online advertising still only accounts for roughly 4% of total revenues in 2009 (around 6% of total advertising revenues). However, it grew very rapidly before the onset of the economic crisis, in particular as compared to the slowly growing print advertising which also started to decline as of 2007. As will be explained later, the growth in digital advertising dropped to just below zero in 2009. On the global level circulation has remained fairly steady over the last years (slow growth) with only a marginal decline in 2009; showing that it is less volatile than the more cyclical advertising revenues.

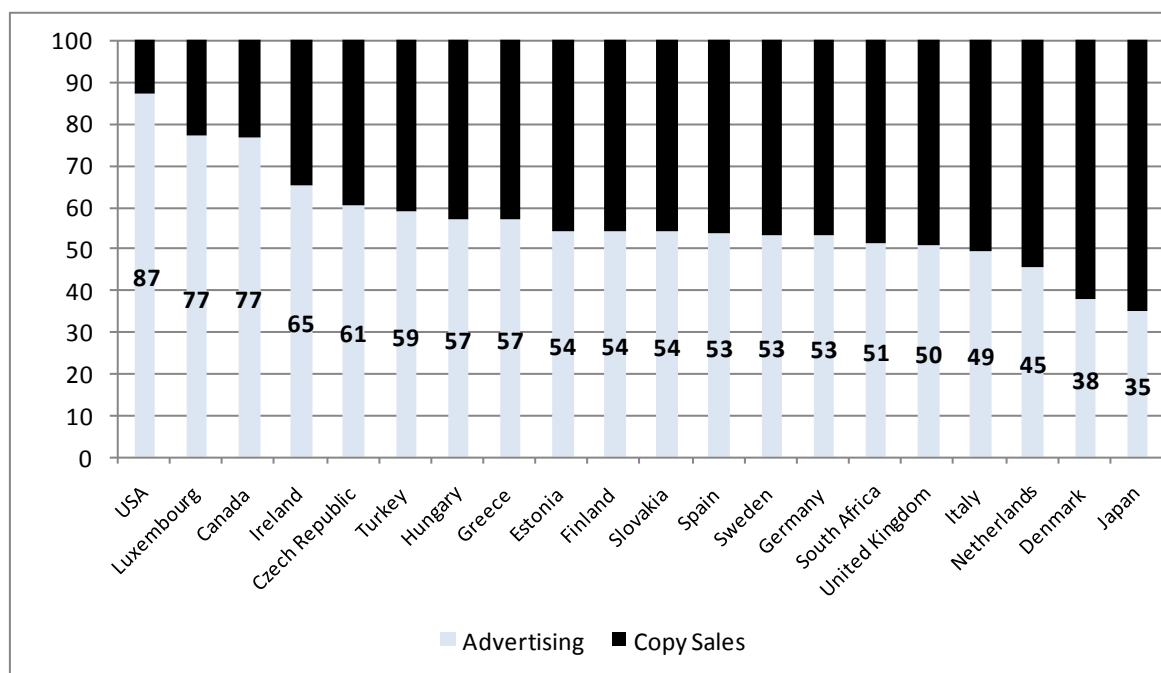
Often the production of news is part of larger media conglomerates (in particular broadcast news but also newspapers). In this case, advertising and other commercial activities have often cross-subsidised the

activities related to news. Finally, newspapers increasingly generate money by producing and selling other information services, by selling books, and by organising conferences and events. In Australia, for instance, approximately 70% of total newspaper revenue is derived from non-classified sources (including book publishing, magazines, cable network programming, TV and direct broadcasting – satellite and on line).

Advertising

Advertising and classifieds are an important revenue source for newspapers in OECD countries (Figure 12). In many countries this makes newspapers the second largest advertising medium after television or even the first.²⁷

Figure 12. Contribution of advertising and copy sales to paid-for daily newspaper revenues
in per cent, 2008 or latest year available



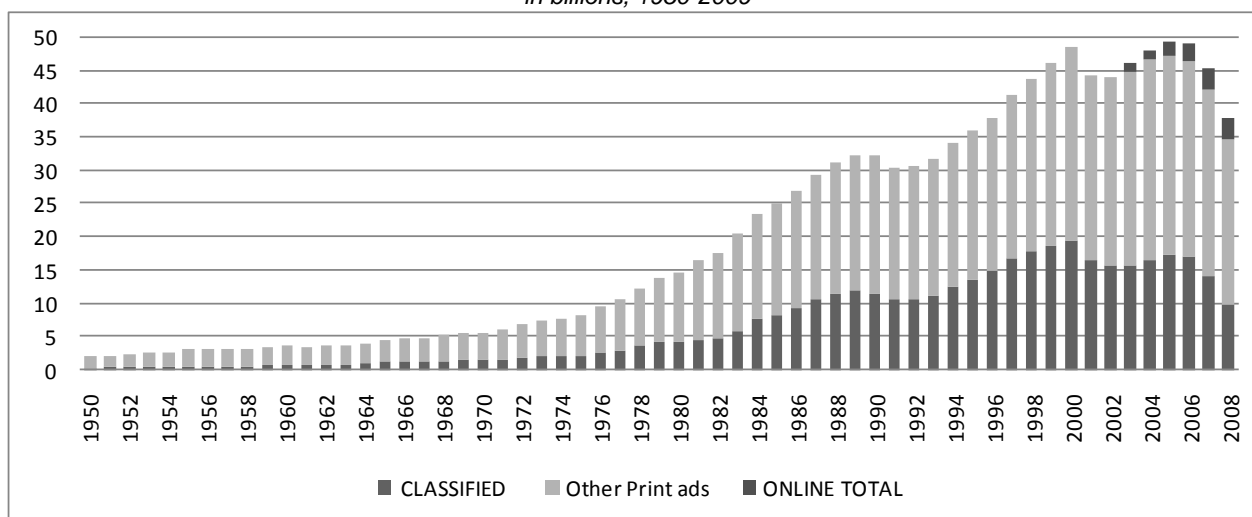
Source: OECD calculations based on data from The World Association of Newspapers (WAN).

The reliance on advertising has been growing over the years for most OECD countries, increasing the vulnerability to the business cycle as advertising sales usually contract even more than circulation in times of downturn. The reliance on advertising is very high in the United States, Luxembourg and Canada but less so in countries such as Japan, Denmark and The Netherlands. Some countries such as Japan have been relatively shielded as newspapers depend mostly and increasingly on sales revenues.²⁸ In France some newspapers live from the sales of their publication (Le Floch and Sonnac, 2005 cites the example of *Canard Enchaîné*), yet this is the exception in OECD countries and over the last years one can observe a progressive dependence on advertising in France as well.

Available data also points to the fact that advertising prices of newspapers had been going up for the last decades, potentially also a sign for the strong market power of local newspapers. From 1975 to 1990, for instance, US publishers increased advertising prices by 253%, although the print costs went up by 161% (Meyer, 2004).

The level of print newspaper advertising has not been declining consistently and for a long time throughout the OECD (Figures 13 and 14; and available data from WAN and PwC). The advertising market has actually been growing strongly over the last decades, more recently also spurred somewhat by online advertising. For more than half of OECD countries newspaper advertising revenues have actually increased significantly between 2004 and 2007 (or even 2008) (Figure 14).

Figure 13. US Newspaper ad revenue
in billions, 1950-2009



Source: OECD based on data from the Newspaper Association of America.²⁹

To benefit from these advertising revenues, in recent years many newspapers have aimed at increasing their readership base to be more attractive to advertisers or simply to increase their advertising space (more pages, etc.). In particular, they have increased the number of supplements or other products which are offered or sold to readers at discounted prices (books, CDs, stylos, DVDs). For individual publications such as *Le Monde* or *Le Figaro* this represents sizeable additional annual revenues (between EUR 20 – 30 million), with very high profit margins (above 10%) (Le Floch and Sonnac, 2005).

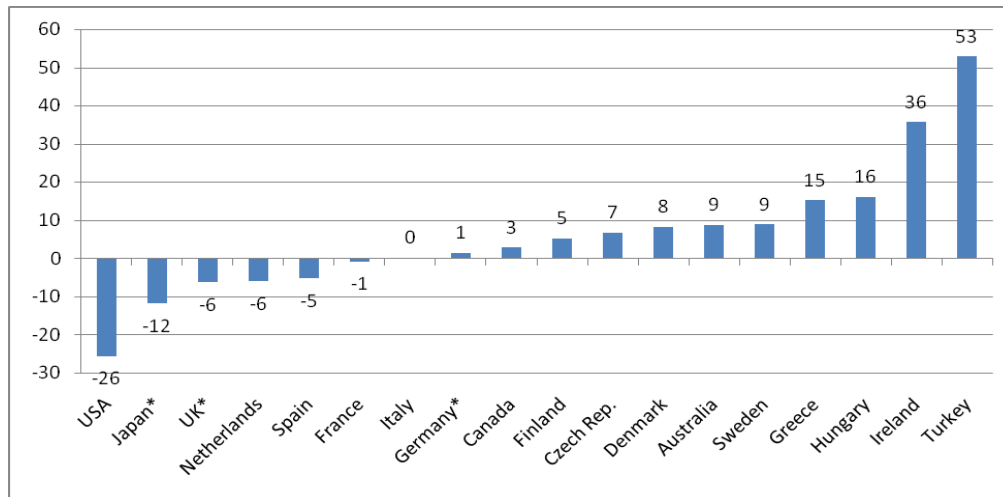
Despite these initially positive signals, it needs to be emphasised however that the share of advertising going to print newspapers has been declining for the last decade. Moreover, the newspaper advertising market is facing a turnaround from advertising growth which has started to impact some countries much earlier (as early as 2000 for Denmark, France, United States, Japan, Netherlands, and the United Kingdom) than others (from 2007 to 2008 in, for example, Canada, Finland, Italy and Spain) (Figure 14).

The main reasons for this decline are the move of classified advertisements to other media (specialised print classifieds or online sites) in particular, but also a faltering newspaper audience, increasing diversification of news outlets and the rise of the Internet (growing popularity of online advertising supported by search engines and specialised, classified advertising websites such as Totaljobs and Autotrader in the United Kingdom, for instance). Advertising-only platforms such as Craigslist.com challenge traditional advertising in printed newspapers, such as classified advertising, particularly in the recruitment, property and automotive areas.

The shift from printed to online advertising expenditures is likely to be durable. In 2008, the Internet accounted already for close to 20% of total advertising expenditures in countries such as the United Kingdom, Sweden, Denmark, Norway, and around 10-15% in Australia, Canada, France, Germany, Japan, Korea, Poland and the United States. Between 2004 and 2008 in countries with an important share of the Internet in total advertising, usually its rise comes at the expense of print newspapers, magazines. The

share of TV in total advertising sometimes decreases and sometimes increases, depending on the country in question. Most forecasts project a further rapid decline of the share of the newspaper over the next two years (Zenith Optimedia in WAN).

Figure 14. Advertising revenues for Paid for dailies
per cent change from 2004 to 2008 (or to 2007 when marked by *)



Source: OECD calculations based on data from The World Association of Newspapers (WAN).

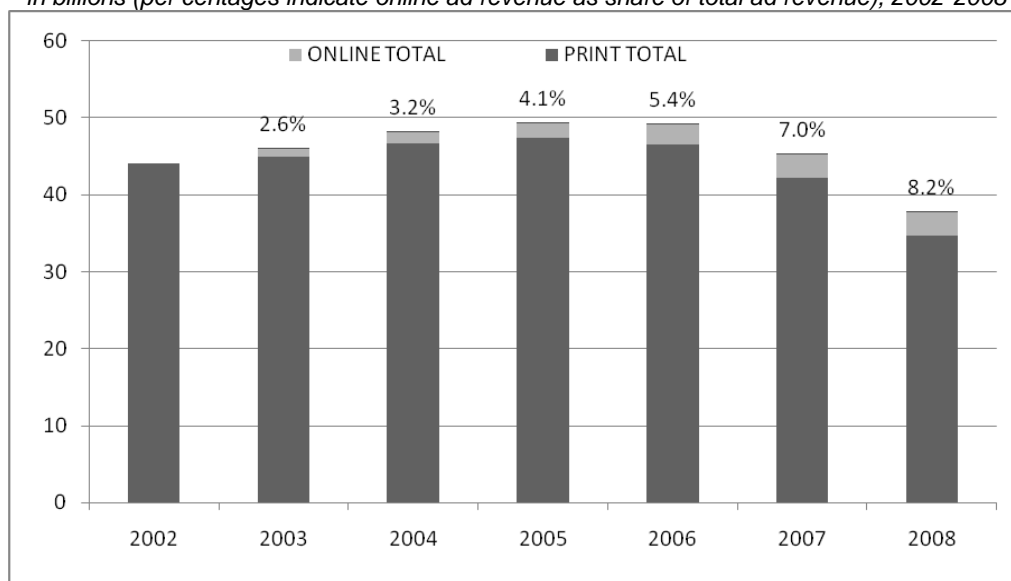
For newspaper-related advertising, the interactive nature of the Internet means that the nature of intermediation has changed. Classified advertising on the Internet is actionable in a way that it is not in print — for example, a job advertisement on line can immediately lead to the submission of an application via e-mail. Most of this activity will still take place via an intermediary, but it is not given that this intermediary will be a news publisher — it might be a recruitment agency or a chain of real estate agents.

However, display advertising (primarily ad-supported) will also be a key revenue stream for online newspapers. It consists of adverts that are shown alongside the text and other features of the site in formats such as banners, pop-ups, skyscrapers, buttons and leader boards.

All in all, for the most part, the rise of online advertising in total newspaper advertising revenues is still rather small and it only partially compensates for the decline in print advertising revenues (see Figure 15 for the United States). Importantly, online advertising is still not as profitable as print advertising in most cases. Like in other digital content sectors, hoping to run a full business model on online advertising alone and without monetising the content in other forms has mostly been a failure so far (OECD, 2008a).

As time evolves, however, it is expected that enhanced techniques in user-targeted advertising will give advertisers new possibilities of reaching their consumers more effectively, and hence potentially increased revenues and profitability out of ads.

Figure 15. US newspaper ad revenue, print versus online
in billions (per centages indicate online ad revenue as share of total ad revenue), 2002-2008



Source: OECD based on data published by the Newspaper Association of America (NAA).³⁰

According to forecasts, global print advertising in newspapers will decline during the next years and will average a 7.9% compound annual decrease to USD 24.3 billion in 2013 (from USD 36.7 billion in 2008) (PwC, 2009a). However, these forecast were made at the start of 2009 and more recent positive news concerning the global economic recovery is likely to affect these figures; most likely upwards. While online advertising on newspaper web sites is also expected to decline during 2008-2010, the overall outlook is very positive. Online advertising spending for newspaper websites is scheduled to grow to USD 3.7 billion in 2013 (from a low of USD 3.2 billion in 2008).

Circulation revenues

Sales revenues are mostly generated from sales at the stand or via subscriptions (home delivery or mail delivery). In countries such as Japan, Korea, Iceland about 9 out of 10 newspapers are home delivered. In the United States these sales are also relatively high with 7 out of 10, similar to Nordic EU countries (such as Sweden). Sales through home delivery are low in countries such as in France (2 out of 10 newspapers). And in all OECD countries sales at the newsstand are in decline.

Newspaper subscriptions, in turn, are sold at discounted price but are a reliable source of revenue and important to increase readership figures to advertisers. Currently there is a real question concerning the role of subscriptions in the crisis, *i.e.* if they really act as dampener of negative revenue effects or the contrary. Countries with better resilience to the crisis such as Japan, the Nordic countries and Germany seem to have a high share of subscriptions. But this relationship would warrant more empirical studies.

Newspapers also sell to airlines, hotels, etc. at much lower subscription prices as the exposure gives boost to advertising revenues. This makes up for significant income in cases like France where it accounts for 16-22% of revenues (Poulet, 2009).

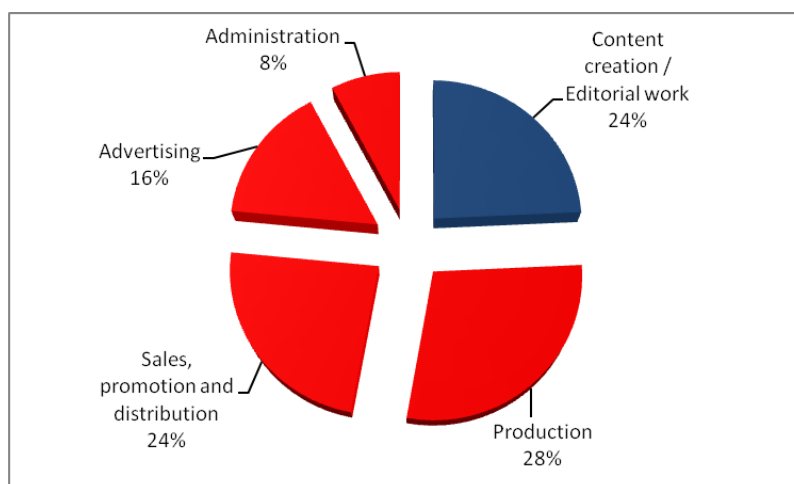
There is a relationship between paying readers, advertising revenues generated and the price of newspapers which would merit more empirical study. Countries with more reliance on advertising have lower newsstand prices, for instance.

The economics and cost structure of established newspapers

The cost structure of newspaper publishers depends heavily on costs unrelated to editorial work such as production (and the costly purchase of raw material such as paper and ink), maintenance, administration, promotion and advertising, and distribution.

Comparative data is not available across all OECD countries and would vary from newspaper to newspaper. But averaged data for Germany for instance, shows that content creation and editorial work make up 24% of costs whereas production, sales, promotion, advertising and administration account for the rest (Figure 16). For a given US newspaper, editorial work accounts for 14% of costs, while production 20%, distribution 13%, raw material such as paper, ink, etc. 18%, ads, sales promotion 12% and administrative and other activities account for 9% of costs (Vogel, 2004). In the United Kingdom, printing and distribution costs contribute, on average, over 20% to the newspaper cost base.³¹ If one looks at employment, at an Austrian average newspaper about 15% of all employees would be involved in editorial work, 10% for promotion and advertising, 45% for production and maintenance, 15% for business and administration, and 15% of employees for circulation.³²

Figure 16. Cost structure of a German newspaper, in per cent, 2008



Source: OECD based on data from the German *Bundesverband Deutscher Zeitungsverleger e.V.*

Printing is an important part of the costs base leading some to call the newspaper industry a manufacturing industry. Again there is large variation among OECD countries with the United Kingdom, Turkey, New Zealand, Australia and Korea on the high end of newsprint costs (average per ton) and Belgium, the United States, Poland and Canada rather on the lower end (WAN). Some trends to reduce that cost – such as digital print on demand exist – but require significant upfront investments. Most OECD newspapers have undergone a redesign which entails new formats and often colour which is more costly to print. Printing is one of the most often outsourced parts of the production process.

The price of serving additional readers is not negligible either. Aggregate data is not available for all OECD countries and it varies greatly from country to country. Home deliveries, postal deliveries or single copy sales, can make up for anywhere from 13% (single copy sales in Turkey) to 70% (home delivery in Mexico) of the cover price: on average, around 30% (hiding large variations in OECD countries). In general, home deliveries and postal deliveries are more costly. This high share of distribution in total costs is of course radically altered in the online context.

The fixed cost of producing the news content is also not negligible, of course. No matter how many readers are to be served, if one wants to maintain a certain breadth, depth and quality of coverage one would think that this cost item is in theory hard to compress. Nonetheless, in the recent years this source of costs seems to have been very much affected by the toughened economic environment and related cost cuttings; more so at least than other sources of cost.

Recent years have seen the rise of content sharing agreements and syndication deals between newspapers (e.g. the *Financial Times* having content sharing arrangements with publications based in Turkey, France, and South Korea). Some newspapers have also aimed at cutting down the fees payable to news wires or cutting their subscriptions altogether (at least for a trial period).

Consolidation of titles in general (especially at the regional level with one newspaper organisation buying the other present newspaper) have been an important trend over the last years to cut the costs base and use economies of scale, sometimes though with impacts on the competitive environment.

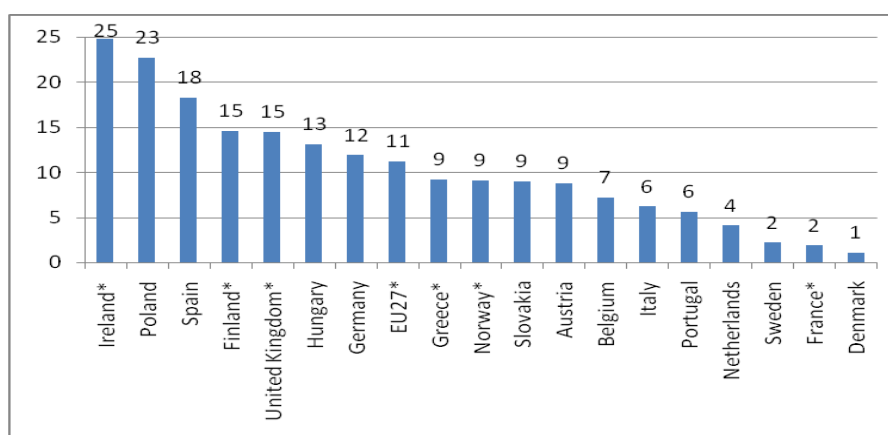
Profitability

Profits and revenues of newspaper industries have shown an increase since World War II. If today profitability is declining, it is a fall from rather high levels in many cases (similar to other content sectors such as the music industry).

Newspaper publishers traditionally had significant to very high profit margins (in particular in the United States, with above-average profit margins at about 10-13% as compared to other industrial sectors according to Vogel, 2004; Le Floch and Sonnac, 2005 and Boczkowski, 2005), sometimes as a result of being the only paper at the local level. In particular regional newspapers could achieve profit margins in excess of 20 to 30% (Picard, 2005; Le Floch and Sonnac, 2005); again in particular in the United States but even more pronounced in Germany, the United Kingdom and Ireland. In countries like Germany, publishers who own newspapers are still posting high profits. The situation is different in France, where low profit margins are at the order of the day.

Figure 17 and Table 4 show figures for operating margins which largely confirm the above trends. But these are averages hiding the large variation among newspaper titles and in particular the high returns to some prominent publications.

Figure 17. NACE 22.12 Newspaper Publishing Gross operating surplus/turnover (gross operating rate) 2007 or latest available year, in per cent



Source: New Cronos, Eurostat (for countries marked by * 2006 is shown).

Table 4. NACE 22.12 Newspaper Publishing Gross operating surplus/turnover (gross operating rate)
in per cent

	1995	1997	1999	2001	2003	2005	2006	2007
Ireland		16.5	28	18.3	31.2	20.4	24.8	
Poland			28.5	52.5	21.9	28.5	20.7	22.7
Spain	12.2	16.2	18.4	14.4	18.4	22.1	20.6	18.3
Finland	13.9	15.9	15.8	13.9	14	37.5	14.6	
United Kingdom	22.2	26.1	18.5	18.6		18.7	14.5	
Germany			15	9.5	8.6	11.3	11.7	11.9
Austria	2.8	5.1		10.1	12.8	11.8	11	8.8
Netherlands	14.6	18.1	17.7	12	9.9	8.8	10.9	4.1
Italy	5	5.1	11.8	7	13.2	10.8	10.2	6.2
Norway		14.6	11.6	10.4	10.4	9.2	9.1	
Portugal		22.8	10.9	6.4	9.9	7.3	7.1	5.6
Denmark	6.4	6	0.8	3.1	0.7	5.6	4.7	1.1
Sweden	6.4	7.6		3	3.3	1.2	3.7	2.2
Belgium	7.1	7.5	7	1.4	4.4	4	3.6	7.2
France		5.1	7.3	2.1	0.8	2.6	1.9	

Source: New Cronos, Eurostat.

PART 3: ONLINE NEWS: DEVELOPMENTS, VALUE CHAINS, BUSINESS MODELS AND ACTORS

This part will elaborate on the main online news sources. Where available, quantitative information on online news outlets and their usage will be presented – number of sites, revenues generated.

Online news distribution: Developments

Drivers of online news

The drivers of online news include new technologies, novel online offerings and business models of Internet intermediaries, changing media use and social factors such as increased mobility and a desire to participate in the creation of online content.

Technology: Technology has acted as a strong driver of online news and the gathering of information on line to make meaningful decisions affecting private and public life.³³ In terms of platforms and networks, the increased broadband availability at cheaper prices has boosted online activities such as online news consumption. In terms of Internet technologies, news distribution over the Internet increasingly relies on new information distribution technologies such as news aggregation and syndication technologies (RSS technologies), blogs but also services such as Google News (OECD, 2006). Innovative web tools such as NetVibes, delicious.com, Permalink and Digg.com allow users to find content in new and different ways and to organise the information on the Internet. The way users behave, *e.g.* skim stories, shift to other pages, return or not, etc. has profound implications on which types of information get wide readership and how news is consumed and digested, including having important implications for how news is produced to attract the readers' attention. These different uses are shaped by the means by which the news is accessed. These factors have important implications for how news is produced and the financial incentives to produce it. The arrival of online video has added a new aspect which is developing rapidly and being adopted by various news distributors.

On the side of technology for news production, digital content management systems allow editors to produce content directly in various formats (*e.g.* HTML, XML, WML) and to adapt to ever-integrated newsrooms. Looking a bit more into the future, many new technological innovations will be relevant for newsgathering, delivery and consumption. Increasingly online news sites rely on sophisticated database and visual technologies to narrate a story and to make data and facts accessible on line in a manner which was unheard of until recently and which points to innovative online journalism. Some of these multimedia sites use graphical depictions or video to elaborate on important facts or to educate about an important topic such as the environment. Some innovations are open-source platforms, application programming interfaces and developments towards a semantic web (web 3.0). Instead of being pure Internet pages that display information in typical offline newspapers, they will be interactive, multimedia databases which can pool and mix different archives search and interact with the document database. Later parts of this section will present some related initiatives.

Examples of impressive multimedia reporting sites are, <http://waterlife.nfb.ca/> from the National Film Board of Canada, on environmental impacts on the great lakes and water in general or the BBC's

http://news.bbc.co.uk/2/hi/science/nature/portal/climate_change/default.stm on climate change; or <http://reportage-video.geo.fr/en/> on inner-city renewal of Johannesburg; or <http://www.washingtonpost.com/wp-srv/metro/interactives/dcschools/scorecard.html>, a Washington Post investigation about the state of schools, or, finally, sites providing specific local information (<http://www.everyblock.com/>).

Rapid advancements in mobile technologies, wireless networks and user interfaces have enabled mobile news delivery. In particular the introduction of smartphones to the mass market in 2007 and the release of e-readers (Amazon's Kindle 2, Sony's the eReader, Orange's e-reader in France, NUUT2 in Korea, Fujitsu's FLEPia in Japan, and more recently the Apple iPad) have started to change how people access information "on the go" and related business models. And such e-readers which imitate paper-like reading are just the start, as soon foldable screens based on e-ink technology with low energy consumption will be on the market.³⁴ E-readers, such as the recently launched iPad, are also expected to provide a new model for pay-per-view news.

Online offerings and business models of Internet intermediaries: Internet intermediaries and other online actors in search of content are also an important driver of online news readership and dissemination. These are described in later sections.

Social factors: Finally, social phenomena such as increased use of the Internet and its participative nature have increased the potential for new forms of online news. Social drivers of on line news are the desire for constant updates "on-the-go" matching the greater mobility of users, the desire for personalised information and to be able to access multiple pages on the same topic or from different geographic origins, and to participate in the creation of online content and "witness" and share news. The rise of citizen journalism where citizens play an active role in the process of collecting, reporting, analysing and distributing news and information is an important catalyst for more decentralised news (OECD, 2006).

The Internet as an important but complementary source of news

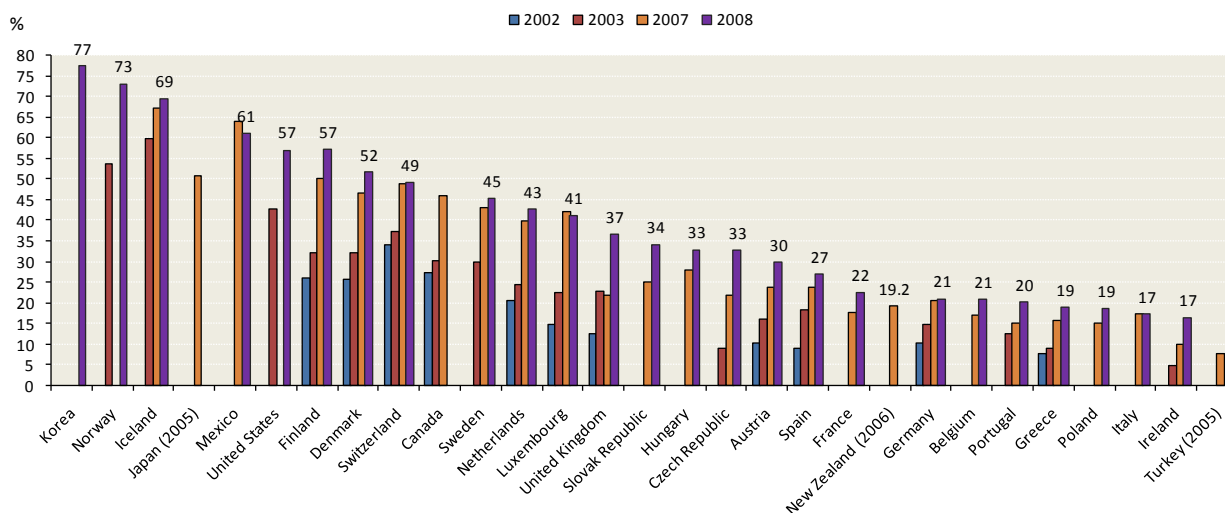
The Internet is now a critical source of information and news. "Reading news on line" is a favourite and increasingly important Internet activity (Figure 18). In terms of frequency of Internet activity it scores just below the most popular Internet activities: e-mailing and searching information about goods and services. In some OECD countries, more than half of the population is using the Internet to read newspapers on line (up to 77% in Korea) but at the minimum 20% of the population.

Between 2002 and 2008 this figure grew significantly among OECD countries. When considering only Internet users the figures are much higher – *e.g.* in the case of the United States 72% of Internet users say they only ever get news on line as compared to 57% of the total population (Pew Surveys). In all OECD countries the availability of broadband increases the propensity to read news on line, in some countries considerably (for instance, an extra 20% of the population *e.g.* as in Iceland, Denmark or Portugal). *Ad hoc* user surveys confirm that convenience, a wider range of viewpoints and sometimes more in-depth information are motivations for reading on line.³⁵

Reliable data on the relative importance of online news versus other more traditional forms of news are not widely available. In many countries, TV and newspapers are still the most important sources of news but this is shifting with newspapers losing ground more quickly to the Internet, then TV. But some surveys seem to confirm that the Internet has already overtaken other forms of news. In countries with advanced mobile broadband solutions such as Korea, offline newspaper reading is already less popular today (51.5% of the population) than online newspaper reading (77.3%) according to surveys. In the United States, the Internet has become a preferred source (40% of all Americans went on line in 2008 to

gather news) for news, just before reading print newspapers (35%) but behind television (70%) (Pew, 2008).³⁶

Figure 18. Proportion of individuals reading/downloading online newspapers/news magazines over the Internet for private purposes in per cent of individuals aged 16-74



Source: OECD ICT database, Korea, Japan and New Cronos, Eurostat.

Note: No data for Australia. Latest official data from the US broadband survey is from 2003. The 2008 value is taken from Pew Internet. Figures in the graph are rounded.

Finally, most surveys which test for the willingness to pay for online news find that it is very low but increasing. Today still, surveys tend to confirm the majority of people would seek a free alternative if their favourite news site started charging for content. There are exceptions such as the *Wall Street Journal* that has very effectively been able to charge for online news. More recently surveys show an increasing customer acceptance of paid content,³⁷ in particular for online newspapers. However, this would be from a very low base and it remains to be seen if the intentions of surveyed persons translate into actual payments. In the past, the payment of online news has been slowed by the difficulty of making efficient online micro-payments without burdensome online registrations and the payment structure of per-article payments which tended to make the access to one article much more costly than to the entire physical newspaper (up to several EUR for one single article) – next of course to the presence of free news content. Also, some surveys argue that that paid online news will not fundamentally shift newspaper industry economics as the consumers' willingness to pay is around USD 5 per month on average, with heavy news consumers willing to pay more (BCG, 2009).

The demographics of online news consumption

A critical finding of this study is that for the most part reading news on line complements other forms of news rather than replacing it.

In general, younger age groups are much more active online news readers (Figure 19). However, according to official statistics it is not the youngest age brackets (16-24 years) which are most active but slightly older groups – usually 25-34 year-olds for most OECD countries, but in some countries with a strong record on broadband such as Norway the 35-44 or 45-54 year age brackets score high as they have relied on the Internet for the past decade. Avid online news readers are likely to be professionals and also readers of printed news. Relatively speaking, the consumption of online news is also becoming more

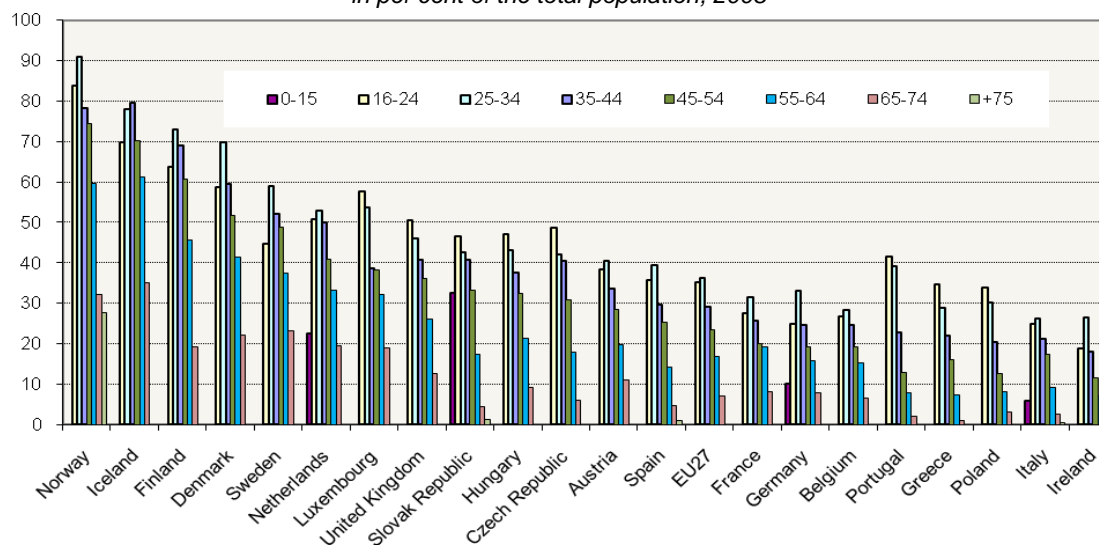
prevalent in older age groups. In some OECD countries, Internet users aged 65-74, or older, are quite actively reading news on line.

Furthermore, most surveys show that active offline newspaper readers often tend to read more news on line.³⁸ Increasingly fewer and fewer persons rely on printed news alone. Surveys in France, Germany and other countries show that offline readers actually are increasingly complementing their readership through online news. This is also confirmed by data from certain newspaper webpages. The *New York Times*, for instance, confirms that about 70% of its 1.1 million registered online users are subscribers to its print edition.³⁹

Still only very few people rely exclusively on online news. Countries with advanced mobile broadband solutions such as Korea, where offline newspaper reading is less popular than online newspaper reading, are the exception. In that sense the current data does not quite confirm the hypothesis of the very young online readers who will progressively supplant older paper readers who prefer not to read news online. Rather it tends to show that well-informed news readers will tend to supplement their news consumption on line.

Similar to the readership of printed news and other online activities, better education and social standing positively influence the propensity to read news on line (OECD, 2008a). In Canada, for example, data shows that education matters a lot, with persons having a university degree almost twice as likely to read online news as those without a high school diploma (Statistics Canada, 2005 Internet Survey).

Figure 19. Individuals who used the Internet in the last three month for reading/downloading online newspaper/news magazines by age
in per cent of the total population, 2008



Source: OECD ICT database and NewCronos, Eurostat.

Despite these findings, the share of people who read online news only is likely to grow rapidly with new generations who start using the Internet early in life. This age group may then still read printed news from time to time. Yet, available data show that already today the Internet is the main source for news in the 15-24 year age bracket. In Korea offline news readership is much lower than online news readership in younger age brackets, *i.e.* teenagers below 19 years old, or those in their 20s.

The real concern however is the fact that a significant portion of young people are not reading news at all or irregularly. Persons in the young age brackets are increasingly likely to not read news at all or not in any frequent, regular way. In France, only 10% of 18-24 year-olds read a daily newspaper, about half of

the figure a decade ago. In the United States the share of 18-24-year-olds who got no news at all the previous day has risen from 25% to 34% in the past ten years (Pew Internet Survey). This finding is most alarming and would need more longitudinal studies to assess whether eventually these younger age groups pick up news readership in some form later on. Also data for some OECD countries indicates that heavy Internet use does not translate into heavy use of online news for younger age brackets.⁴⁰ In the case of Australia, for instance, accessing news, sports or weather updates is among the top 10 online activities for all age groups except for the 18-24 and 25-34 year olds who are the most active Internet users.

Research undertaken in the UK challenges also the common assumption that the 'Google Generation' – youngsters born or brought up in the Internet age - is the most web-literate. A longitudinal study carried out claims that, although young people demonstrate an apparent ease and familiarity with computers, they rely heavily on search engines, view rather than read and do not possess the critical and analytical skills to assess the information that they find on the web (UCL, 2008). The study indicates that the information literacy of young people has not improved with the widening access to technology, in fact their apparent facility with computers disguises some worrying problems. Looking into scholarly research practice their research shows that the speed of young people's web searching means that little time is spent in evaluating information, either for relevance, accuracy or authority.

Frequency

One general problem with readership surveys is that one rarely finds out about the frequency, intensity and depth of news readership - offline versus online in particular (minutes spent reading offline news vs. minutes spent reading online news, thoroughness and breadth of readership online vs. offline).

Surveys of print newspapers show that on average OECD readers spend about 20-30 minutes reading a daily newspaper (WAN). If one assumes that every circulated paid newspaper in OECD countries (226 million copies daily, excluding the increasing number of free dailies and ignoring that many newspapers get read several times in public places or in households) is read about 20-30 minutes, the time spent reading print newspapers in OECD countries is still enormous and unlikely to be challenged by current online news readership. Crude estimates based on this imperfect comparison which applies only to offline versus online newspaper readership show that about 92% of newspaper reading is done in print and 8% takes place online.⁴¹ However, these values apply to a declining print readership, they might vary a lot between users and they are hard to compare directly to Internet news readership which mostly relies on metrics such as counting online page views (page impressions for unique visitor) for online newspaper sites, while largely ignoring all other forms of online news consumption such as news aggregators, online only news providers or mobile news.

All documentation in OECD countries confirms that Internet users report a large increase in time spent reading online newspapers (*i.e.* newspaper sites).⁴² For most persons, online readership is more ad hoc, irregular and sporadic than print newspaper readership used to be, for example 30 minutes in the morning before going to work (compare to Statcan, 2006).⁴³

Yet, the way news is consumed is radically different on line. Online news readers get a variety of news from different sources, *i.e.* just in time news alerts over their mobile phone, over various online news sources at work, and while surfing the Internet in the evening. Their Internet access to news is increasingly daily and for those working in offices or owning a Smartphone the access to news can be continual throughout the day, rather than just in the morning. Online news readers come at the news via search engines, via e-mail newsletters or mail forwards, or aggregation tools and sometimes they spend only a few seconds or minutes on a particular article (or headline, video or picture) before leaving that particular news site to find similar articles elsewhere. Some sites have a very large audience retention and loyalty (Spiegel online in Germany, NYT in the United States, Liberation in France, BBC in the United Kingdom, etc.). But

overall the retention of readers to one single news source is likely to be low as compared to offline newspapers. In terms of capturing the whole news spectrum rather than focussing on individual stories, some online readers might never get an overview of all news through the home page of a particular news site in this way. Others however will use news aggregators, newspaper home pages or the mail or mobile phone service of online news sites to get such overviews (and even several from sources and even countries and languages). In any case, this more fragmented way of reading the news allows them to mix different sources and compile their own personalised information.

It is very difficult to assess the relative quality of online versus offline news readership. Critics point out that online news consumers only skim/surf the news without reading to the full extent and without gaining a complete overview of the spectrum of important news. This criticism ignores however that those online news readers might have access to a greater diversity of news on the same topic and might actually have access to more overviews than offline readers. It also supposes that newspaper readers diligently read every article of a newspaper which is rarely the case.

There is a need for more detailed demographic user studies to understand the different usage typologies. A study in Australia, for instance, finds that there are three broad reader categories:

- 30% were loyal users who had a preference for established news brands (News Limited and Fairfax papers, as well as the ABC Online), seeing these as more credible than other online sources, and were the group most likely to also read a newspaper.
- 60% were convenience users, who access news from a range of sources (including TV comedy programmes) and have little connection to mainstream news. One-third of this group, or 20% of total respondents, primarily got their news from the Microsoft Internet portal ninemsn.com.au.
- 10% were customisers, who have a highly interactive relationship to news sources and are more akin to what Bruns (2008) has termed “producers” (producers as well as consumers/users of media). This group is less connected to mainstream media because its members are highly critical of its limitations (Flew *et al.*, 2009).

Internet traffic to online news sites

In all OECD countries, the Internet traffic to online news sites has grown over recent years. Available Experian Hitwise data for the United Kingdom, the United States, Canada and Australia show that about 5% of all Internet visits are related to visiting sites dedicated exclusively to online news. This includes visits to sites such as newspaper Internet sites but also other news sources such as news aggregators, Internet sites of news broadcasters, new services of search engines, etc. (see Annex 1 for measurement issues). It however excludes the main home page of Internet portals or other Internet intermediaries which often have some news on their site but which on this particular page are not predominantly focused on news (and thus are not classified as online news site in these Internet usage statistics). It also excludes the use of news via e-mail, SMS or on mobile phones, social networking tools and many blogs which are increasingly popular for the diffusion of news online. So in total a much higher share of Internet visits is dedicated or can be associated with some news consumption.

Combined print and online newspaper audience actually growing?

The industry still struggles to find a metric for total print and online readership that will be meaningful to advertisers. The online standard – unique monthly visitors – does not compare in frequency or intensity of attention to average daily print circulation. Despite falling newspaper readership as illustrated in Part 1, surveys show that the combined print and online audience of news organisations might

actually be growing and is faring much better than other legacy media. While print circulation is falling, the number of unique visitors to newspaper websites grew very strongly in recent years. A study by the circulation bureau with Scarborough Research for the six-month period ending on September 2009, for instance, shows that the combined print and online newspaper audience grew by 8%. In France, studies (such as *l'Etude de la presse d'information quotidienne*, EPIQ) confirm that this type of combined readership has increased significantly.⁴⁴ Improved and more reliable metrics will be needed to confirm such type of combined readership measures.

Composition of online news sites

In terms of the preferred type of online news sources there are variations between OECD countries. In many Western OECD countries the Internet webpages of broadcasters and also increasingly online newspaper sites play a large role in attracting news-related visits.

More recently newspaper websites have seen strong growth in their own pages, with several million of unique users per month in most OECD countries. Popular sites in the United States such as the *Wall Street Journal Online* site generate 33.4 million average monthly visitors. In Spain, for example, *Elmundo.es* was the most popular newspaper site, attracting about 3.5 million average monthly visitors. Again the main driver of this trend is a strong increase in referrals by Google, search engines and increasingly also social networks. Other related reasons are better search engine optimisation and the more effective use of paid searches. It is also important to note that the Internet sites of newspapers are increasingly also receiving direct hits as users have them as their homepage or type in their HTML address.

In some markets for which we have data the access to foreign news sites is an important component of the online news landscape. In particular, English speaking sites draw significant traffic from abroad. On the contrary, in the print world, newspaper readership was almost exclusively national. While online UK newspapers, for example, draw substantial domestic audiences, most attract even larger international audiences. Specifically, the Mail Online derived 73% of its worldwide audience from outside of the United Kingdom, followed by FT.com (67%), and Metro.co.uk (61%).

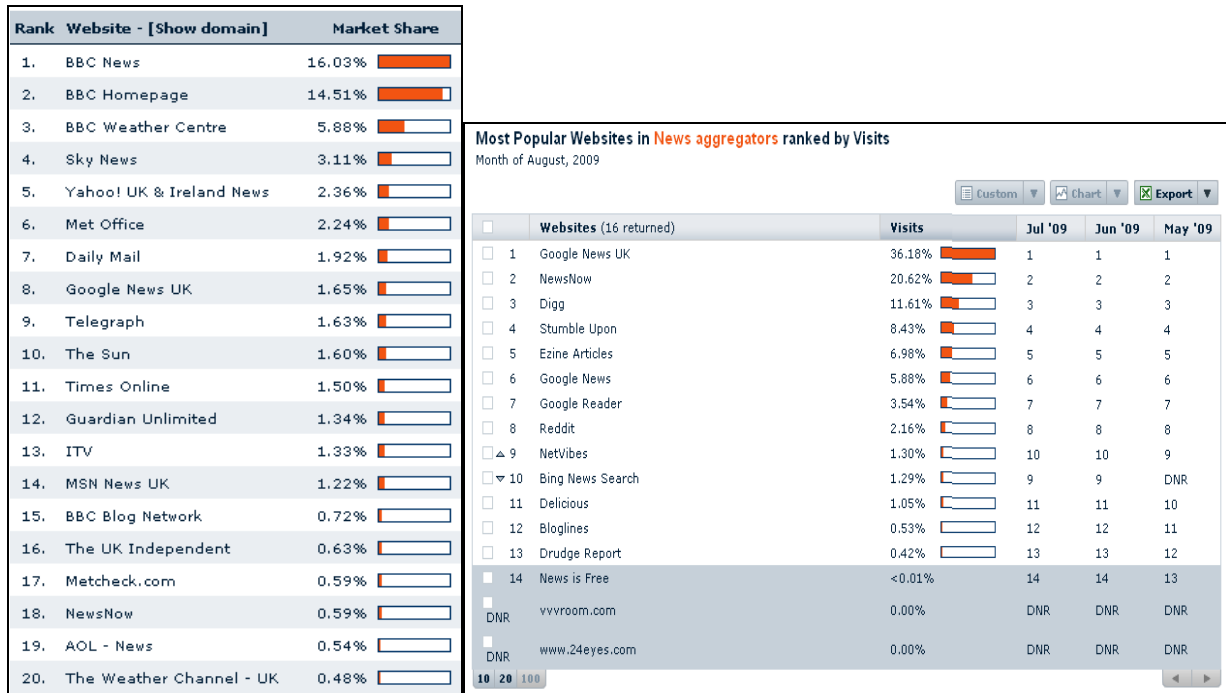
It also seems clear that tools such as Google or Yahoo! News do not capture a large share of the news-related traffic. News aggregators make up for less than 10% of total news-related traffic in the United States and more like 5% in the United Kingdom and Australia. Still, news aggregators such as Digg, StumbleUpon, NetVibes which started as rather small tools constantly increase their market shares. Moreover, online only news providers (pure players) are growing rapidly in importance with about 25% of all news-related visits in the United States and Australia.

In the United Kingdom the BBC online News (and hence the website of a public broadcaster) dominates website traffic to online news sites ahead of much smaller shares going to other broadcaster's websites: Sky News and then Yahoo (Figures 20 and 21). Online newspaper Internet sites also receive a fair share of individual traffic (*Daily Mail*, *The Telegraph*, etc.) which is lower than to the BBC site. Sites such as MSN or other news aggregators do not receive more traffic than well-known newspaper sites and are also overtaken by online only news sites (Figure 21). Among news aggregators in the United Kingdom, Google News, News now, and Digg capture a majority of the traffic.

In the United States, it is the webpages of print organisations which capture most traffic, followed by broadcasters (MSNBC, CNN), and followed by online only providers, and then news aggregators such as Yahoo News (Figure 21). English-speaking Canadians most often consult MSN, Yahoo/daily press (a news compiler), and the CBC (broadcaster). In Korea and most likely also in Japan, Internet portals dominate online news visits. While search engines and others may play a lesser role in actually disseminating news, they are crucial for spurring traffic to online news sites, followed by webmail mail and social networks

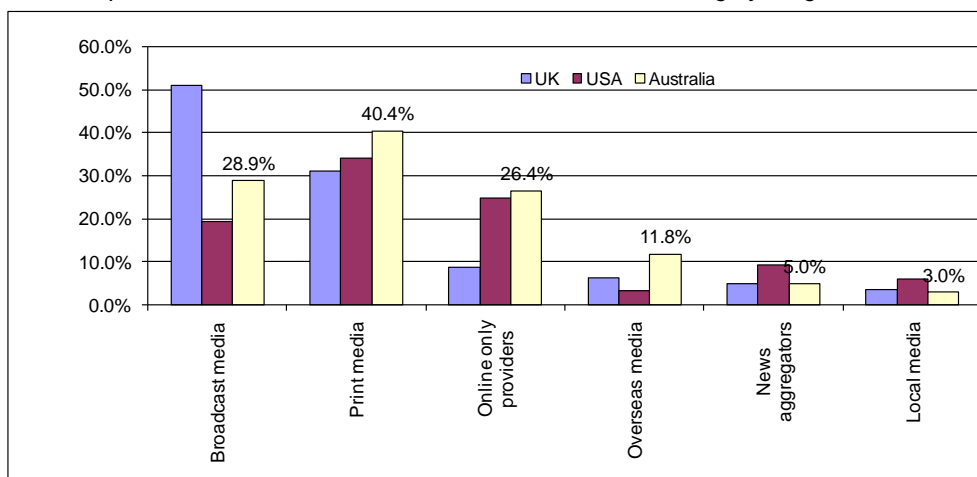
(Figure 22). Figures for the UK show that 25-35% of traffic to news websites comes from one single prominent search engine alone. Increasingly searches on services such as Google directly propose links to newspaper and other online news articles. These are counted as referrals, from a search engine to news but not as online news traffic going to Google (since they are not hosted on Google News). Sending news over e-mail is increasingly popular – even though the data below does not capture this unmeasured activity. Blogs are also important as a referral to online news items but their contribution to referral to online newspaper sites is hard to quantify and not taken into account below.

Figure 20. Online news traffic by main sites, United Kingdom
in per cent of the total Internet visits to the online news category, August 2009



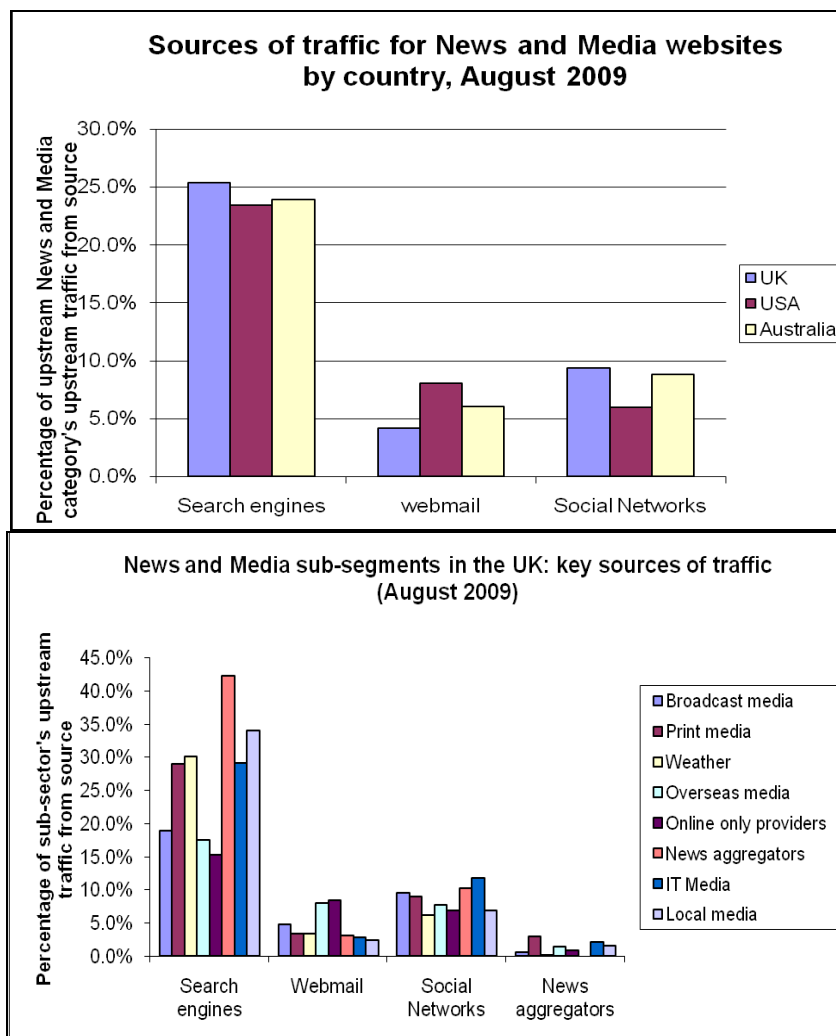
Source: Experian Hitwise for the OECD.

Figure 21. Visits by type of news and media provider
in per cent of the total Internet visits to the online news category, August 2009



Source: Experian Hitwise for the OECD.

Figure 22. Sources of online news traffic
in per cent of total upstream traffic sent to news categories, August 2009



Source: Experian Hitwise for the OECD.

Online news distribution: Value chains, business models and actors

Due to technological, demographic and other changes, a new online news ecosystem is emerging which changes the business models and value chains of traditional newspaper production and distribution. For a start, the rise of the Internet and other technologies radically changes how news is produced and diffused. Newspapers feel the impacts on their work flow, value chains and their business models. Furthermore, the possibilities of online news distribution enable the entry of new intermediaries that create and distribute news, for instance, online news aggregators, online news publishers, intermediaries specialised on mobile news, platforms for citizen journalism and many more. Competition but also partnerships between these new and more established news providers are emerging to redefine value chains, the access to the consumer and how revenues are allocated.

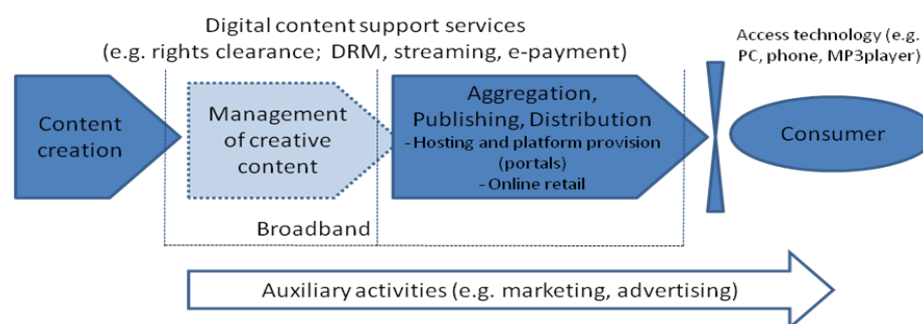
This section discusses the new value chains of online news distribution, the news business models and actors – all against the backdrop of the traditional newspaper value chain and economics. Similarly to other WPIE digital content studies a stylised 'online news value chain' is elaborated (Box 3). Questions, for example, are: How do alternative sources of information change traditional news production and

distribution? What are the main strategies of different actors and are they converging? What business models are developing to support online news?

Box 3. Stylised digital broadband content value chain

As new revenue streams and business models are explored, functions and control over the value chain are shifting among established and new entities vying to dominate certain parts of the value chain. The graphic below displays a stylised digital broadband content value chain. Compared to offline, certain activities become obsolete (e.g. manufacture of physical items, distribution of physical products) and certain value chain participants face disintermediation. Digital content value chains are also seeing the emergence of new “digital infomediaries” that provide support functions (e.g. digitisation, digital rights management, hosting of content), content aggregation and distribution (e.g. Internet portals, search engines, and online shops), and new value-adding functions.

Figure Digital broadband content value and distribution chain



In spite of some instances of more direct producer-to-consumer relations, digital entertainment is mostly characterised by re-intermediation. Direct relations between content creators and consumers – full disintermediation – are still rare. Internet service providers (ISPs), telecommunication operators (telcos), Internet businesses, content producers, offline retailers and even equipment and software manufacturers are increasingly engaged in digital content distribution in one way or the other. Some capitalise on existing consumer bases (e.g. retailers, telcos, hardware manufacturers) and possibilities to “bundle” different services into attractive offers or to “tie” them to devices or software (e.g. ISPs, telcos, hardware manufacturers). ISPs, telcos and IT firms are very large when compared to individual digital content sectors. Also, as the boundaries between the IT, telecommunications, media, and entertainment industries blur, cross-industry collaboration and new business partnerships are emerging.

Source: OECD Information Technology Outlook 2008, Chapter 5.

Changed news value chain

Due to the rise of new technologies and the Internet in particular, a novel news ecosystem has emerged which is significantly different from the traditional model. Changing consumption patterns mean new and modified business models for all media actors, including for example, the written press. Technological advances, particularly digitalisation and the Internet, are driving convergence and a form of news distribution which crosses traditional sectoral and geographic boundaries. A consequence of these changes is that information providers with very different histories (TV, newspapers, Internet companies, etc.) find themselves competing head-on in a new, very complex and multifaceted online news environment which is also inherently global in nature. New actors emerge which challenge the role of gatekeepers and shift power to new intermediaries. While cross-border sales of printed newspapers have always been rather marginal, online news consumption is becoming more and more international.

In this environment, news organisations have to focus on cross-media publishing across various platforms with changes to the content production and distribution process. The immediacy of the Internet means that many newspaper websites need to update news more often than their own editorial staff can

handle, as well as needing multimedia content such as photos, audio and video feeds. And in the Internet context business models often have to be rethought as charging for bundles of news content such as paying for a full physical newspaper is often not a functioning online business practice.

Figure 23 presents a stylised online news value chain which entails an increased role of users as contributors to news, a large number of online news actors and intermediaries (and connections between them) and finally a number of new distribution modes and technologies to consume news (*e.g.* a laptop). It also shows that measuring the direct and indirect revenues generated by the online ecosystem is very complex (see Annex 1 for a related discussion).

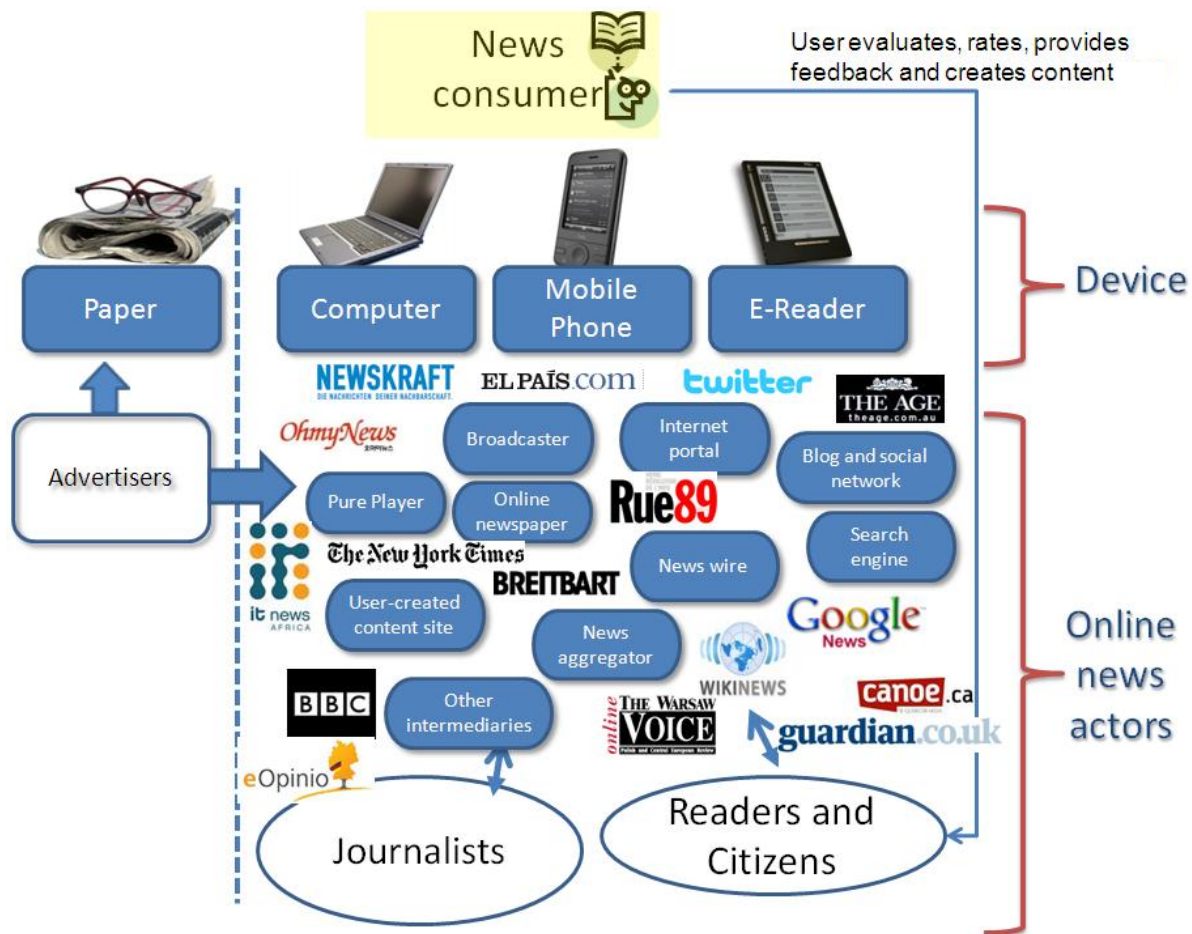
In this new context, the production and dissemination of news is a much more interactive and multi-directional, rather than linear process. Many more actors feed from one another for the creation and adaptation of news. News wire agencies, newspapers and news broadcasters stay an important source of news and information for other actors in the value chain (including bloggers, etc.) which feed from them to adapt and comment on the news. But traditional actors also share and feed from each (for instance, a newspaper picking up on a story floated by an online only newspaper or the Internet site of a broadcaster following up on a scandal raised by a blogger) also leading to new syndication models and content sharing agreements. A constant updating of news is taking place, with journalists and other news contributors monitoring, distilling and repacking an ever-increasing source of information. As such the production of news is now increasingly conducted as part of a networked activity and as a continual process.

Next to established actors which are identifying new roles and strategies online (newspaper organisations, wire agencies, broadcasters, photographers, advertisers), the new actors are *i)* online only news providers (so-called pure players) – *i.e.* news organisations which only provide news online, *ii)* search engines which often also are a form of news aggregation service, *iii)* Internet portals with news services, *iv)* social networks or communication services such as Twitter, *v)* other news aggregators, *vi)* providers focused on mobile news alone, *vii)* new online advertising groups, *viii)* hardware and services providers involved in providing news on physical devices such as Smartphones, e-readers, and others.

While before the Internet traditional news organisations were largely in charge of the content creation, their form, their diffusion and relevant pricing, for example, this situation is now radically changed. Similarly to other digital content value chains on the Internet, established actors have to rethink their position and way of generating revenues in a complex new ecosystem which entails these other Internet actors. Some of these online news actors such as certain search engines or Internet portals are very dominant when it comes to their share of overall Internet traffic and thus access to the news consumer.

Many of these other actors which in part disintermediate newspapers will not necessarily be interested in generating money by selling news content as newspapers do. Most actually hope to rely on online advertising alone to generate sufficient revenues. Others will sell other services. Some will actually just piggyback on information provided by newspaper organisations to attract traffic and advertising to their site and offer it to their users as one of many other useful and often free services. However, a new trend is also that these businesses increasingly hire journalists themselves. All of these new online actors have in common that they do not share the large fixed cost base which traditional news organisations do to provide in-depth and varied reporting and to operate physical manufacturing, distribution and administration (see Part 2).

Figure 23. A stylised online news value network



In this changed context, news wires, freelance journalists, photographers or camera-teams which – as suppliers - usually fed linearly and directly into newspapers and other news organisations, might opt to “cut out the middleman” and start supplying source content directly to those Internet actors or even users willing to pay for it.

Also, the device or network service providers which did not play any role in the traditional model (except maybe the paper manufacturers and firms running the printed press) suddenly also control the access to the end consumer and have a large degree of bargaining power with content providers. Similarly to other new digital content set-ups (*e.g.* Apple in the case of Music, Amazon in the case of e-books), news organisations have to enter into strategic relationships and revenue sharing models with a very new set of rather important actors; well-knowing that their source content is often available for free on line from many different original providers or from those copying content.

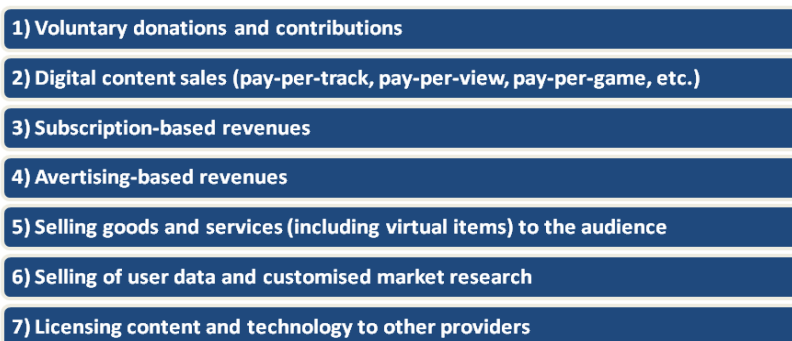
Similarly to other digital content industries, new types of intermediaries and standards are emerging which operate back office, digitisation, software and relationship management functions. Digital editing and publishing, the handling of digitised data and objects, their storage, the organisation of online interactions between actors in the value chain and users, and the diffusion of information over the Internet or 3G networks, for example, require a great number of new intermediaries and technology providers (see OECD, 2008a, illustrating that these activities are a source of growth and revenues).

In this online news ecosystem users also increasingly become diffusers, commentators and creators of news. In the more advanced cases, they comment on news over their prominent blog, they contribute news stories over relevant citizen journalism platforms, play large roles in diffusing certain news articles on rating services such as Digg or social networks or they might even be submitting photographs, a video shoot or a story concerning local news or a major event at which they have been present (a natural catastrophe, a military coup, an accident, etc.) or have particular access to.

Changed online news business models

On the Internet, digital content business models are emerging, some of which mirror offline models (pay-per-item sales, or subscriptions for example) and some of which are new. The seven main and existing generic categories are shown in Figure 24 but digital content industries are still mainly experimenting how to generate revenues on line.

Figure 24. Digital broadband content business models



Source: OECD Information Technology Outlook 2008, Chapter 5.

In the case of news, direct revenues generated on line from news consumers are still rather small. Most if not all revenues by all above-mentioned actors are generated via online advertising or online classified ads (Business model 4 in Figure 24) and potentially content licensing. The heavy reliance on online advertising as a source of revenue applies both to news organisations as well as to bloggers, profit or non-profit online only news sites, Internet portals, search engines, and others. More recently new initiatives were launched via Internet actors to increase the traffic to newspaper organisations' websites and thereby increase their advertising revenues (*e.g.* Google FastFlip). Personal data of users is used at times to be able to sell more lucrative targeted advertising. A number of other Internet actors (search engines, portals, etc) are using news to retain attention to their sites and to provide interesting content to their customer base. However, their revenues are also generated either via advertising or via selling unrelated services (professional mail accounts, Internet access, etc.).

Newspapers and in particular also news wires have also licensed their content to third-parties and started collecting revenues by this mean (*e.g.* the use of Associated Press headlines and full articles by Google or the use of headlines and full news items by Korean Internet portals, see Part 5). In this set-up many news-related organisations in the value chain have entered into content-sharing or licensing agreements (*e.g.* the *New York Times* showing TechCrunch articles, a tech blog, or *Le Monde.com* affording full access to *El País*). The financial rewards generated through these licensing deals are mostly undisclosed and it is difficult to obtain hard data on this.

As will be discussed in greater detail below, newspapers and other news organisations have experimented in trying to sell access to news on a pay per-item basis or via subscriptions (Business models 2 and 3) but – for the most part – revenues are still negligible (in particular those coming from a pay per-item basis). There are notable exceptions such as *The Wall Street Journal*, *The Financial Times*, *The New*

York Times and the like which generate some relevant share of their revenues on line and are able to block access to some or all of their content to persons not subscribing. In fact, the first wave of trials of paid news in the first half of this decade has mostly been a failure, with readers turning away from the respective site and accessing news for free elsewhere. Towards the end of 2009, newspapers were gearing up for a second trial to charge for online news content, hoping that Internet users' the willingness to pay has increased. Technical standards recently devised by the newspaper industry which would help control access to content (see Box 10) are supposed to help support new online business models.

A rather new trend for newspapers is also to own other Internet-related businesses and to leverage their customer base to sell these other services to them (*e.g.* online classifieds for apartment rentals and sales, online dating services, online sale of air tickets and other travel services) or to lead them to other content services which are financed yet again over online advertising.

In 2008 and 2009 there were also an increasing number of online news only sites which started to operate under profit or non-profit mode, while operating with large donations and trustees (offline) - sometimes complemented by the possibility to accept smaller donations from readers (Business model 1).

Online news actors: impacts, approaches and business models

Table 5 summarises the approaches and business models for the different online news actors.

Table 5. Online news actors, impacts and strategies

Journalists
<p>The development of digital content has had a major impact on journalists' working lives and on the way in which they work. The Internet greatly facilitates the access to and diffusion of information. Yet, journalists working within a traditional newspaper organisation now have to cater to both offline and online audiences at the same time (potentially also being responsible for video, blogs, etc.). This might lead to an increased workload, the need for new (multimedia) skills and greater openness to reader feedback or also citizen journalism.</p> <p>Journalists can however use the medium and aforementioned tools to build a personal reputation with editorialised content. In theory, journalists are also no longer restricted to writing and editing for a single employer and/or medium, but can write stories for a variety of media – including finding their own news publication or blog. Effectively most of the pure player online news offerings are also run by former journalists.</p> <p><i>Revenue sources</i></p> <p>Journalists will feel the increased pressure on budgets and may face potential layoffs (the same applies in particular to freelance journalists, photographers who now compete with free resources). Few journalists will be able to increase their revenues due to their increased recognition. Some journalists may – voluntarily or involuntarily – create online news ventures or start working outside the traditional news industry. Some of the online only news experiments and blogs are then often effectively funded by redundancy packages of journalists who were formerly employed by traditional news organisations.</p>

<p>Newspapers⁴⁵</p>
<p>Most newspapers have set up online presences which employ new technologies to push out and distribute information (RSS feeds, e-mail alerts, blogs, Facebook or Twitter presence). These allow users to interact with the paper and one another. As part of a multiplatform strategy, newspapers are developing into a 24-hour, local news-gathering media company which distributes news among our different platforms: print, on line and mobile. To support their online ventures, newspaper companies are acquiring online sites and Internet technology providers.</p>
<p><i>Revenue sources</i></p>
<p>Newspapers are experimenting with new models with some having trialled a pay-per read walled garden (<i>e.g. Times Select</i>) model which for the most part did not work. A few others have had more success (<i>Wall Street Journal</i>). 2009 and 2010 will mark the time where newspapers will try – one more time – to restrict access and raise money by selling content. From next year, the NYT will, for instance, follow the Financial Times in charging readers on a “metered” model. Readers will be permitted to read a set number of articles free each month but will have to pay a subscription for more. The search of newspapers for profitable business models and new relationships with other news and Internet actors is far from concluded.</p>
<p>News wire agencies</p>
<p>Some news agencies continue to be wholesalers of news to newspapers, broadcasters and websites and others who distribute the news to the end consumer. News agencies benefit from an increased number of online sites which rely on news but which do not have the resources to produce it.</p>
<p>But there is also a general trend for agencies to provide direct-to-consumer services (mostly on their advertising-financed sites but also increasingly on mobile platforms) and specialised, targeted premium information rather than supplying to other intermediaries (such as newspapers) and in fact disintermediating them. At the same time, other news actors are increasingly hesitant to pay large wire agency fees, sometimes cancelling their subscriptions and relying on cheaper or free news material. Broadcasters such as CNN are planning to set up their own news agencies.</p>
<p><i>Revenue sources</i></p>
<p>In the context of the above situation, wire agencies are also experimenting with various models and trying to redefine their role in the news value chain. They face decreasing revenues from traditional media establishments, which are partly compensated by fees from new online news actors or direct-to-consumer services.</p>
<p>Broadcasters (including public broadcasters and 24-hour TV news providers)</p>
<p>All major news broadcasters now have an online presence – ranging from small video teasers and text news to more sophisticated offerings with video podcasts; either special online videos or delayed reposting of news editions which were displayed "on the air" hours earlier, extensive news clips, and on-demand archived content.</p>
<p><i>Revenue sources</i></p>
<p>These are mostly financed by advertising and by – still to a minor degree - the sale of on-demand content. In large media conglomerates other forms of content (entertainment, etc.) are cross-subsidising the news department. Public sector broadcasters continue to be financed by taxpayer money (and sometimes advertising).</p>
<p>Pure online news players</p>
<p>The last years have also seen the emergence of pure online news entities which are intensive in their use of news distribution technologies such as video blogs. The sites often specialise in certain news niches and some sites are exclusively focussed on citizen journalism. Their role of gatekeepers to the end customer is growing.</p>
<p><i>Revenue sources</i></p>
<p>These are driven by new technologies, seed money, citizen journalism and journalists who have voluntarily or involuntarily left traditional news entities. Some of these are for profit whereas others are non-profit (supported by philanthropic funding, for example). Few for profit entities have yet to generate enough revenues to be self-sustaining.</p>
<p>Internet portals and search infomediaries</p>
<p>Increasingly new syndication models are emerging in which Internet portals or other infomediaries act as online news aggregator – sometimes in partnership and revenue sharing agreements with news creators and sometimes without. News aggregators mostly rely and depend on content produced by others, originating from wire agencies, photographers, newspapers <i>et al.</i> However, a new trend is also that these businesses increasingly hire journalists themselves.</p>

Revenue sources

The sites are mostly financed by advertising or selling services unrelated to news. News is used to further a "captive audience" and Internet traffic.

News platform providers (smartphones, e-readers, e-commerce merchants)

New technology platforms providers are emerging around e-readers or smartphones to distribute news or support different devices than PC or notebook screens. This is either driven by intermediaries which repurpose news services for certain new platforms (*e.g.* the iPhone), network providers or by the hardware producers themselves. In the latter cases, gatekeepers to the end-customer will ask for a cut of the revenues from news providers.

Revenue sources

Revenue and business models are also only developing in this field. Applications to access news over smartphones are still mostly free. But at some point news providers or platform providers will start charging for news provision (either pay per item or subscription models as already in place for Amazon's Kindle, for instance). Revenue sharing agreements have to be elaborated and fine-tuned to lead to sustainable business models.

PART 4: THE FUTURE OF NEWS CREATION AND DISTRIBUTION: OPPORTUNITIES AND CHALLENGES

The impacts of the changing media landscape on news are pulling in two opposite directions and analysis often weighs to one extreme or the other. One extreme is that online and other new forms of more decentralised news will finally liberate readers from partisan news monopolies which have tended to become more and more concentrated and to dominate the production and access to news. The other extreme is that the demise of the traditional news media is before us (partially caused by the rise of the Internet) and with it an important foundation for democratic societies is at risk.

The next sections summarise some of the most important arguments of the debate.⁴⁶

Opportunities in the changing news environment

Some observers note that news production and distribution have never been more dynamic and independent than today. In this view, the Internet enables a greater and more modern access to a more varied source of news. Eventually the nature and speed of the technology and increased participation help to uncover the truth in a much more efficient way than in previous environments. Innovative forms of journalism with novel bridges to readers and great potential are emerging which make obsolete old-fashioned paper-based supports. The end of newspapers would not mean the end of news gathering and diffusion. In fact, in this view, the current online news ecosystem ends a period in which news monopolies controlled the news.

- *The Internet as major source of information and diversity:* The Internet offers the ability to access information sources, including in countries with lesser media freedom or with lesser access to a well-funded, impartial press. Previously the selection and filtering of news was done by a small group of media institutions. Now users can identify and select their own information from a much richer base. Moreover, the barriers to publishing news, information and opinions have collapsed thanks to a more participative web. This offers unseen new opportunities for reporting and accessing the news. Global Voices, for instance, is a large community of bloggers around the world who produce translations and reports from blogs and citizen media everywhere, with emphasis on voices that are not ordinarily heard in international mainstream media.⁴⁷ In that light, public opinion will be shaped by many different voices, with different emphasis and points of view, rather than a small elite group of journalists.

Furthermore, the Internet and related technologies offer greater access to information for journalists and citizens making it more difficult to cover up corruption or other secrets.⁴⁸ Information and data are collected, analysed and published in a much easier fashion today. Technology and the participation of more people in the news gathering and distribution process make it much easier to investigate certain leads and to uncover the truth. While the Internet also leads to a deluge of information, false news and rumours, it is argued that Internet users self-organise with filtering and reliability mechanisms and acquire the necessary skills to identify correct information and discredit false rumours (*c.f.* OECD, 2007a).

The question is how the different actors in the eco-system contribute to citizen engagement and to democracy generally as each plays an important role in this regard. While there may not be many empirical studies of the impact of the Internet on the analytical skills of younger generations, including the consumption of news, this could be an interesting area for future research.

- *New sources of entrepreneurial and non-market news organisations:* Next to citizen journalists, the Internet has led to a rise of web publishers and entrepreneurial journalists with for profit and not for profit ventures which might more than compensate for the reduction of traditional news outlets. This might in fact lead to an increase rather than a decrease of coverage, given the sheer number of citizen journalists and bloggers involved. Political or local news reporting might also continue and expand as a number of traditional and non-traditional news providers provide hyper-local news. Moreover, today parliamentary debates or other sources of more local news are broadcast or transcribed on line, offering a rich source of information and possibility to comment by bloggers and news organisations. Finally, new non-profit ventures and corresponding foundations for a new type of (sometimes investigative) journalism are emerging.
- *The appeal of new multiple sources of information:* Proponents of this view argue that the credibility and quality of the traditional news media were actually at stake long before the rise of the Internet. The high concentration of media ownership (and government control of the media in some countries), the ever-increasing importance of advertisers, the proximity between journalists and the persons they cover, the increasing influence of public relations (PR) agencies, further cuts on the quality and diversity of editorial content, and other challenges raised below have reduced their credibility, further decreasing trust and interest of readers as demonstrated by survey data. Critics have observed that the press and journalists have – independently from the rise of the Internet – increasingly been too embedded into the circles they write about, lacking the necessary distance to maintain impartiality and often becoming a voice piece for vested interests (Schechter and Manning 2008; Davies, 2009).⁴⁹ Novel news sources are thus a good check and balance of the traditional media.

Challenges in the changing news environment

Some observers however deplore that the “golden age” of newspapers and journalism, when quality and reliability were arguably higher, is now sadly gone. Arguably, the growing financial pressures and the emergence of “free news” put this golden age increasingly at stake. According to this view, the “economic foundations of modern journalism are crumbling” and there are few alternative models in sight which would guarantee satisfactory news coverage. According to some analysts, there is no longer a functioning business model for journalism.⁵⁰ Its accuracy, the quality, and the diversity of news are at risk, and the economic downturn has intensified this trend.

It is argued that novel forms of news creation and distribution and especially Internet-based offerings do not (yet) constitute a viable alternative to more traditional ones. This is because no online business model has been elaborated which would sustain expensive news coverage. The Internet may be a good platform for a *cacophony of voices* but the latter leaves the reader in doubt about the accuracy and the interpretation of the information. The online news ecosystem offers a profusion of opinion, but there is little reporting, and little is subject to any rigorous fact-checking or editorial scrutiny.⁵¹ In this view, Internet intermediaries and most other online news players just relay information from traditional news organisations, *i.e.* online news contributors and citizen journalists often copy or comment on original news material without gathering independent news themselves or adding a lot of value. Arguments are also being made that small online news creators which do original reporting will never have the financial clout and the wherewithal to push back against large corporations or politicians in the case of investigative reporting.⁵² These smaller institutions will also never have the financial resources to spend large amounts of money on investigative reports or the coverage of war zones.

The list of challenges posed to the contemporary news system is long and often an amalgam of rather distinct items which are often not a direct consequence of novel forms of news distribution alone.

- *Growing resource and time pressure leading to sparser and lower-quality coverage (“churnalism”):* In practical terms, the growing lack of resources and the necessity to update news around the clock in a 24-hour newsroom have resulted in the reduction of bureaus, layoffs and a consequent reduction of in-house editorial content and potentially quality. Editors recognise the trade-offs between the speed, depth and interactivity of the web and what those benefits are costing in terms of accuracy and journalistic standards (World Editor’s Forum, 2009).

Fewer and potentially also more inexperienced journalists are responsible for an ever-increasing amount of work. In integrated newsrooms, the work includes new activities such as writing for the Internet webpage, video shooting and editing for which some of the journalists lack the critical skills and/or time. Often the number of copy-editors and fact-checkers responsible for verifying the accuracy of language and content has been reduced, although there are evident linkages between the accuracy of both content and language and the number of copy-editors at work (Meyer, 2004).

On the Internet, the accuracy and quality of news might be worse. While this also applies to traditional newspapers, Email, Twitter, social networks and the Internet in general can also have the detrimental effect of potentially speeding up the spread of rumours or wrong information.

- *Loss of local news:* Local and regional news providers are particularly at risk. In particular for the United States, studies point to a significantly reduced coverage of local politics: *i.e.* coverage of courthouse, coverage of local communities and politics (council meetings, school board meetings).⁵³ This coverage however is critical to the transparency and functioning of the political system. Also, in the case of layoffs or other opportunities, it is often the more experienced “veteran” journalists who leave first. This leads to a loss of local knowledge and relationships with trusted sources that those reporters had built up, which enabled them to break important stories.⁵⁴
- *Greater homogeneity of news:* It is argued that time and financial pressure have led to a greater reliance on outside news sources (mostly the wire services but also arguably partial press release material, news agency feeds from affiliated overseas newspapers, blogging and non-journalistic sources, including readers) rather than the publisher’s own editorial content.⁵⁵ Despite a greater number of channels to access news, a homogenisation of news might be the result. News publishers might increasingly simply take on the function of relaying unverified third party information without adding value (the danger of becoming ‘digital windsocks’, see RISJ, 2009a). Questions on whether the increased availability of news will also translate into increased news gathering or whether new intermediaries restrict their activities only to aggregation and reversioning are increasingly pertinent.
- *Excessive commenting?:* It is argued that to differentiate themselves today, offline and online news journalists have an increased tendency to comment and opionate rather than report the news. The rise of personalised blogs, columns with the photograph of a journalist and other such developments foster this trend of “star commentators” (RISJ, 2009a). Readers might expect more guidance and comments from journalists to make sense of the deluge of information they are exposed to. But there is a risk of diffusing opinions rather than facts which would allow the public to make up their mind. This concern is in slight contradiction with complaints about the fact that news organisations are increasingly just relaying unverified news without analysis or commentary.
- *Tendency towards cheaper and softer news with entertainment value and appeal to advertisers:* The search for greater profits and the dependence on high readership figures and consequent advertising revenues might not only change the quality of given news content but the nature of news itself. In this scenario of market-driven journalism (see Boczkowski, 2005 for this term), the success of a story as a product is judged by the advertising revenues and hence the views and clicks it generates. The question today is whether a story will end up being in the “most e-mailed section”, whether

people would blog about it or comment on it and in general how viral this news item will become. Algorithms and the logic of search engines are increasingly dictating which stories come out prominently and which stories are read. In fact, there have even been reports that journalists might increasingly be paid by performance (click streams, readership, etc.).

This form of prioritising news stories might lead to detrimental results. There is a general scepticism among editors-in-chief about the sustainability of investigative reporting, as long and expensive pieces become more and more difficult for newspapers to fund (World Editor's Forum, 2009). Long investigative articles on government corruption or the resurgence of malaria in Africa would be much less likely to produce attractive ad revenues (see for instance Carr, 2008). Even if it attracts a lot of readers, it might not cover a subject that advertisers want to be associated with. In general, articles on serious and complex subjects, from politics to wars to international affairs, will fail to generate attractive ad revenues.⁵⁶ Consequently, the online news ecosystem might be more prone to sensational news, infotainment/entertainment news, rather than reporting based on investigation. The end of hard and the rise of soft news are foreshadowed (World Editor's Forum, 2009). In this context some crucial news angles, like science news, may be hard to sustain.⁵⁷

Both offline and online, news organisations are more prone to being influenced by advertisers or to be tempted to do disguised advertising (product placement and advertiser sponsorship). There are an increasing number of complaints against newspapers, for instance, that praise certain commercial offers in the editorial part of stories. As news organisations also increasingly diversify into other business activities on line and off line (the sale of concert tickets, travel, online classifieds for rental or property, etc.) or enter into partnerships with other offline or online offerings, there reliance on non-news revenue sources might conflict with editorial standards. They might be tempted to promote these offers in editorial parts of the news (*e.g.* promoting travel to a particular destination, promoting the purchase of apartments in a particular city). In particular in the case of free dailies, it has become difficult to distinguish editorial content from promotions.

A parallel trend is the increase in public relations agencies or media consultants ('spin doctors') increasingly staffed by former journalists who try to control the media agenda and the content in a pro-active way. Access to sources such as business executives or politicians is becoming more difficult. Overworked journalists in search of finishing another story before the deadline might be tempted to work from a press release which has been diffused by professional media experts, often containing one-sided views (Davies, 2009; Fogel and Patino, 2005).

- *Increased fragmentation:* The Internet fragments audiences to an even greater extent than other media. Increasingly there is different news for different groups but less of a shared common element. Agenda setting and public dialogue arguably become more difficult. Moreover, there is a risk that citizens will not be informed any longer on a relevant breadth of issues. Online news consumers might only opt to consult a few articles per day on a given topic (motor sports), whereas through a physical newspaper the reader might have been more exposed to a bundle of daily news and topics (*c.f.* to Part 3 which explained that this might in fact not be true).
- *High-quality news increasingly restricted to an elite?:* In this general context of faltering quality of the news, a few news outlets might opt for the production of high-quality news which might however be restricted to a small number of persons that can afford to pay for it. Following existing trends of very expensive specialised news providers, there might be a risk that citizens will be split into groups of "information haves" and "information have nots" (referred to as "*information à deux vitesses*" in Poulet, 2009).

As usual the truth is likely to lie somewhere in the middle. In fact, given the very dynamic state of affairs with respect to new technologies, new business models, and new actors on the scene, the exact impacts and outcomes are hard to predict. In general, it is important not to infer that the Internet or novel online news actors are the cause of all challenges faced by the traditional news system.

The past has also shown that established media often resist much better to new technology platforms than one would expect, and that often very complementary relationships can emerge. Nonetheless, it will be of critical importance to monitor what is happening to newsgathering and content creation over the next months and years.

PART 5: BUSINESS AND POLICY ISSUES

Given the central role of impartial news for democratic societies, the evolutions, its creation and distribution are a matter of public interest. A number of topics are arising which are increasingly at the heart of government attention, related enquiries but also specific actions. Discussions on new business models for monetising content, the role of non-profit foundations to support independent newsgathering and dissemination are ongoing in all OECD countries.

In many of these fields, news organisations, civil society and governments will have to balance objectives to sustain a healthy news industry, on the one hand, and to preserve the independence of the press, on the other hand. Moreover, given the increased convergence of the news environment, the regulatory equality across technological platforms or the lack thereof is at stake. The question is whether advantages, rules and obligations applicable to newspapers or even broadcasters should also apply to online news providers, and whether the latter should have a special status.

The final part of this study will put forward and elaborate on challenges and issues in question. It will start by providing an overview of traditional news and newspaper policies. Then it will assess current policy actions and options by reviewing concerns and activities in OECD countries. This part also assesses some policy topics in greater detail.

Before starting, it is important to recall a broader set of policy issues which were elaborated in previous work of the OECD on digital content and the participative web.⁵⁸ In particular, the OECD Digital Content Policy Guidance (see Annex 2), adopted by Ministers at the OECD Ministerial on the Future of the Internet Economy in June 2008 stresses the importance of *i*) an enabling environment, *ii*) enhancing the infrastructure and *iii*) providing a sound business and regulatory climate – which are equally vital to the Internet news context and the issues treated here in greater detail.

Policy overview for the news industry

The distribution of news on line cannot be considered as an entirely separate policy issue by member countries. It is necessary to take a broader view and to distinguish between existing policy measures consisting of two main pillars (Figure 25), *i.e.*:

- **a body of Press policies and framework conditions (*e.g.* freedom of the press); and**
- **state support measures which are being reviewed in light of the current news context.**

More recently these are being complemented by a set of specific challenges or policy areas which are more generally linked to online news or the Internet or by establishing a certain degree of equivalence between offline and online news providers or by targeting online issues.

Press policies and framework conditions: Some policies are shared by all member countries, such as rules on freedom of the press, rules on media diversity (*e.g.* limitations on cross-media ownership) & competition (*e.g.* exceptions to antitrust laws,), rules concerning broadcasters or advertising regulations.

State support measures: In addition, mostly the Nordic and some of the Mediterranean European OECD countries more actively support newspapers, in the form of direct or indirect subsidies. These

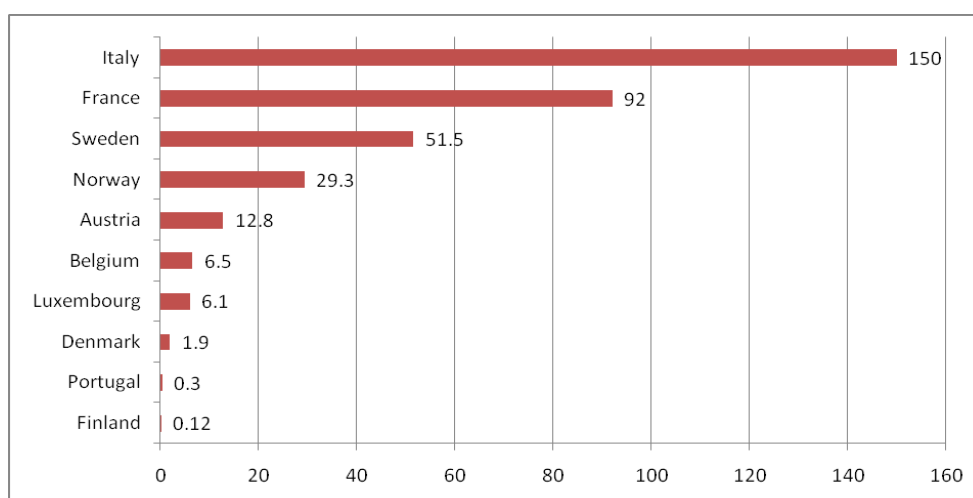
OECD countries spend several million EUR in direct subsidies, with Italy, France and Sweden being the most notable cases (see Figure 26). While comparable figures are not available, funds exist in Korea to aid regional newspapers as well as the newspaper industry (KRW 24.38 billion, around EUR 16 million).

Figure 25. Policy overview



Source: OECD.

Often these are linked to policy prerogatives such as preserving regional or other diversity, *e.g.* funds to promote media diversity such as in the Netherlands, or assistance to national dailies with weak advertising resources and circulation as in the case of Denmark. Sometimes they also support training for journalists, subsidies to cover costs of contractual foreign correspondents, and subsidies for reading newspapers at school, as well as press-related school research projects. In Korea, the funds also support public interest projects such as training for journalists and subscription subsidies for the underprivileged as well as digital infrastructure build-up for newspaper production and distribution systems.

Figure 26. Direct subsidies to newspaper in OECD countries, 2008, in EUR millions⁵⁹

Source: OECD based on figures supplied by WAN and national sources.

Some OECD countries subsidise a press agency. However, *Agence France-Presse* (AFP) receives EUR 110 million in subscription revenues from the state to support the international provision of French-language news. The Portuguese news agency – *Lusa* – is state-owned (54.14% of its capital).

OECD countries with no apparent direct subsidies for the press (excluding loans at low rates and favourable depreciation rules) are: Australia, Canada, Czech Republic, Germany, Greece, Hungary, Iceland, Spain, Turkey, the United Kingdom and the United States. Japan only has preferential exemptions from import duty on newsprint and a retail price maintenance system for newspapers. Few OECD countries offer neither direct nor indirect aid for newspapers (only Turkey and the United States).⁶⁰

Indirect subsidies such as subsidised postal rates and tax rebates are popular in most OECD countries. A majority of OECD countries give preferential tax treatment to newspapers (see Table 6). In general, the indirect government subsidies (in particular also for distribution) are less contentious than support for content. Governments of countries such as Belgium also have a policy of committing a large share or the total of their government advertising budgets to the printed press, as an indirect support measure. Many OECD member countries also have statutory requirements to publish certain information, legislative changes or other via printed newspapers – which also act as an indirect subsidy.

Table 6. Zero or reduced VAT rates for newspapers

Reduced VAT Rates	Austria, Czech Republic, France, Germany, Hungary, Iceland, Italy, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland and Turkey
VAT at zero	Belgium, Denmark, Finland (on subscription sales), Korea, Luxembourg, Mexico, Norway and United Kingdom

Source: WAN and national sources.

Figures which combine direct and indirect subsidies are not readily available for OECD countries, but estimates for France, for example, put these at EUR 1 to 1.5 billion per year for national press, including about EUR 700 million for reduced postal rates, a reduced VAT rate at 2.1% (EUR 200 million) and other tax reductions. This is on the higher end of OECD countries with state subsidies.

In some cases, these subsidies were meant to decline over the coming years (in particular in the case of Denmark and Italy) but the crisis of the printed press has led countries to maintain these.

Also, as in the online news context public broadcasters play an important role in many OECD countries, it is important to consider that these organisations also receive significant government funding (mostly in Europe, Korea, Japan, but also including in the United States for the Corporation for Public Broadcasting/National Endowment for the Humanities).⁶¹ In the EU 27, state aid to public broadcasting is estimated at about EUR 22 billion per year. Some of these subsidies now indirectly also foster the online content of public broadcasters who compete one-on-one with commercial news providers.

Internet issues: In addition, a number of new policy issues are emerging which are exclusively related to online news provision: *e.g.* How to treat online news providers with respect to the above traditional news policies? How to redefine the role of public broadcasters online? And how to ensure proper compensation of news providers online?

Recent policy discussions and actions

In many OECD countries the current situation of the press and existing policies are being discussed or rethought in the context of the difficulties of the press and rise of the Internet. Table 6 provides an overview of recent activities. But most governments are still in the process of reflecting on these changes and on the look-out for best practises and innovative approaches. Many of the current activities are however focussed on helping traditional newspaper organisations, potentially missing out on very dynamic online news developments.

Table 7. Recent domestic newspaper policy discussions and actions

Australia	Australia has engaged in consultations concerning news in the digital economy. The 2009 Australia's Digital Economy: Future Directions paper includes case studies of Australians who have successfully engaged with the digital economy including public broadcasters, content industries and citizen journalists.
Austria	The Federal Government plans to modernise press subsidy, especially by taking into account the digital media and expansion of 'Development of quality and securing the future' (especially training for journalists).
France	In December 2008 the government launched the « <i>Etats Généraux de la Presse</i> » - a series of expert group meetings to come up with recommendations to salvage the press industry. The government took a series of actions in February 2009 (see Box 6), e.g. EUR600 million in emergency aid for the newspaper industry.
Germany	The new German coalition government has pledged a legislative amendment to better protect the copyright and exploitation of newspaper publisher content. German publishers are calling for a weakening of merger and competition laws allowing for higher concentration ratios, the elimination of VAT on press products and special measures for the protection of their content online (Hamburg Declaration adopted on 8 June 2009 – see Box 10).
Italy	No government action. But Italian publishers are calling on the government to make emergency subsidies available similar to those in France.
Korea	As opposed to earlier plans, the National Assembly of the Republic of Korea Committee on Culture, Sports, Tourism, Broadcasting & Communications will continue to provide financial aid to regional and local newspapers (including Internet newspapers) (KRW 8.3 billion, EUR 3.3 million). Internet newspapers are eligible to receive funds as well. A debate on additional state support for newspapers took place at the National Assembly. But measures have not been pursued so far. The Korean government is actively helping to define an online news provider status and is involved in ensuring the protection of digital content of news providers. Legislative and regulatory initiatives are ongoing to increase the editorial responsibilities and obligations of Internet portals which diffuse news online.
Netherlands	The Dutch government put in place a special programme fostering the employment and training of young journalists. The Ministry for Education, Culture and Science is paying the salary of about 60 young journalists for 2 years who will be hired by the approximately 30 Dutch newspapers (cost EUR 4 million). Further measures are planned (EUR 8 million in total) under the header of a new Innovation Fund which will apply also to Internet initiatives. Reflections are ongoing whether the low VAT tariff (6%) applied to newspapers should also be extended to 'digital publishers products' – the debate has to be conducted at the level of the EU however. Publishers (including newspaper publishers) have criticized the fact that public broadcasters and public radio earn money with advertising which they regard as distorting competition. In this light, the Dutch government has pledged to investigate advertising-related income of the different media.
Spain	The Spanish government has been looking to provide direct aid to the country's press industry, mainly direct aid to the sector as well as expanded access to state credit. The government proposed EUR 60 million in low-interest loans for printing purposes, EUR 300 million in specific ICO actions (ICO = Spanish public bank), lower postal tariffs, training for journalists, creation of a centre for journalism excellence, and promotion of newspaper subscriptions of the public administration and embassies. Editors qualified these measures as not sufficient and the government then stopped their approval (August 2009). It appears that the Spanish government is trying to get a consensus to launch some new measures (including VAT reductions for advertisements launched in the printed press) but no decisions have been taken so far (December 2009).
Sweden	In reaction to the crisis, a proposed reduction in subsidies for a certain number of newspapers (<i>Svenska Dagbladet</i> , <i>Skånska Dagbladet</i>) has so far not been carried out.
United Kingdom	The interim and final <i>Digital Britain</i> report (January and June 2009) made proposals to secure a range of high-quality public service content, particularly in news, but also suggested a re-assessment of the need for specific market intervention and the particular role of the BBC. The Report also made a particular case for intervention to prevent a decline in the provision of news in the Nations, locally and in the regions for all media. It raised the concept of Independently Funded News consortia (IFNC) where consortia would finance and generate news content that would be used on regional television. The interim Digital Britain Report of January 2009 tasked the UK Office for Fair Trading (OFT) to review the operation of the newspaper media mergers regime with Ofcom, to assess whether rules should be relaxed in the view of new online news developments and the struggles of the local press which it completed.
United States	At the request of the United States Congress, its Congressional Research Service published a study on the state of the US newspaper industry in July 2009. The Senate Commerce Subcommittee on Communications, Technology and the Internet held a hearing on <i>The Future of Journalism</i> in May 2009, while the Senate Joint Economic Committee held a hearing titled <i>The Future of Newspapers: The Impact on the Economy and Democracy</i> in September 2009. A bill has been introduced in the Senate ("The Newspaper Revitalization Act") proposing to consider news organisations as charities/non-profit institutions for tax purposes (Box 5). The US Federal Trade Commission (FTC) is looking at business and non-profit models for news organisations, the role of targeted behavioural and other online advertising, whether additional, limited antitrust exemptions may be necessary, the implications of online news for both copyright protection and the availability of broadband access. It is conducting workshops and has issued a Federal Registry Notice for comments in the second half of 2009.
European Union	No particular action for the newspaper industry is undertaken at the level of the European Commission – except for a letter of EC President Barroso to the European Federation of Journalists stating that the economic problems overwhelming much of the European press required public intervention (May 2009). Other ongoing policies are however relevant, for instance, the EU's application of state aid rules with respect to subsidies to newspapers and to public broadcasters (including its consultation on state aid to the broadcasting sector – see the following section on "The role of public broadcasters in a digital news environment"). In this light, the European Commission also recently asked Sweden to gradually cut subsidies to large metro newspapers. Activities of the EU fostering the media and digital content might also be relevant. The European Parliament on its side has been very active in the field of fostering media diversity and avoiding excessive media concentration.

In the short-term, some OECD countries (*e.g.* France, Netherlands, Sweden) have put emergency measures in place to financially help the struggling newspaper industry. Calls for such assistance have been issued by the newspaper sectors in countries such as Italy and Spain. In Spain, for instance, the newspaper sector is demanding more newspaper subscriptions and advertising in newspapers from the public administration. More generally, the question of what potential roles government support might take in preserving a diverse and local press without putting the independence of the press at stake (“viewpoint neutral support measures”⁶²) is being debated. The question is also whether and how the production of high-quality and pluralistic news content can be left to the market alone. Interestingly this discussion is particularly acute in countries such as the United States which do not have a strong tradition of government support for the press, radio or public broadcasters.

In OECD countries which have support schemes to the printed press in place modifications are being discussed and proposed, sometimes in a very structured manner such as in France (see Box 6) whereas in others a more *ad hoc* reaction to the crisis is dominating. As part of these processes, new measures are being proposed, in particular also some which are targeted at the new multi-platform and in particular online news environment.

In OECD countries a few support measures and topics are being debated, the most important of which are the following: *i*) discussions on how to maintain high quality news in a changed context; *ii*) improvement or intensification of existing state support policies (direct or indirect subsidies, funds to support local journalism, etc.) and an extension to online news providers, *iii*) rules and funds enabling the modernisation of newspaper organisations – including the multimedia skills of journalists and better technology; *iv*) changing the finance of some of the press industry, *e.g.* to a non-profit status, *v*) relaxation of regulations which may improve the competitiveness and the financial health of the newspaper industries (tax reductions, relaxed competition and media diversity laws), *vi*) the new role of public broadcasters and their impact on commercial news providers, and finally, *vii*) more Internet-specific considerations about the status, role and code of conduct of online news providers and online policy challenges. There is also a significant interest in fostering the understanding of the creation and consumption of news through the creation of statistics, studies and observatories.

There has been an ongoing discussion and suggested legal amendments in some OECD countries (mainly in France and the United States) to consider affording newspapers the status of non-profit organisation or charity, for tax purposes. The idea is to secure financing from donations, foundations. This possibility had also been intensely discussed in France in the 1960s. Given the aggravated situation of the press, this debate has been most vigorous among academic and policy circles in the United States in recent months. It led to interesting thought experiments on what would happen if major newspapers such as the *New York Times* turned into a non-profit organisation.⁶³ It has led to a proposed Senate bill (Box 5) and various related discussions in academia and in government (particularly also at the State level).

In the context of its policy revamp (see Box 6), the French government has already announced a related decision, namely that foundations can be created with tax-exempt donations which would help finance newspapers investments.⁶⁴ In particular, French newspapers with a very loyal reader base (*Libération*, *Le Monde*, etc.) are expected to gain from this arrangement. In Australia, a non-profit Foundation for Public Interest Journalism was established in 2009.⁶⁵

Box 4. United States Proposed Newspaper Revitalization Act of 2009

In the US congress, the “Newspaper Revitalization Act of 2009” (H.R. 3602 and S. 673) was recently introduced which would help community and metropolitan papers by allowing them to become non-profit organisations with corresponding tax breaks. The bill also implies a charitable tax deduction for contributions to such newspaper organisations. The status conferred would be similar to the one currently enjoyed by public broadcasting. The condition is that the organisation has to publish a newspaper on a regular basis for general circulation; that its newspaper contains local, national, and international news stories of interest to the general public, that the distribution of such newspaper is necessary or valuable in achieving an educational purpose; and that the preparation of the material contained in such a newspaper follows a methodology generally accepted as educational. Under this arrangement, newspapers would still be free to report on all issues, including political campaigns. But they would be prohibited from making political endorsements. Suggestions that the federal tax code clearly recognise independent news organisations devoted to reporting on public affairs as non-profit entities, allowing them to receive tax-deductible donations, along with advertising revenue and other income had been made in various reports in the last months.⁶⁶

Critics contend that under this bill, newspapers may be indebted to the government or face regulation of content because of their non-profit status requirements. The Newspaper Association of America believes that this proposal has merit but does not see it as a comprehensive solution to the problems of the industry at this time.⁶⁷ While the bill has currently not received much attention from congressional legislators, the need for such policy action is central to the public debate in the United States and the US States have picked up on the discussion.

Source: “Newspaper Revitalization Act of 2009” (H.R. 3602 and S. 673) and related press statements.

Associations representing newspapers themselves have not taken uniform positions on the above issues. Depending on the country in question some newspaper publishers are more prone to ask for aid (*e.g.* France, Italy) while in other cases they are less inclined or even opposed (*e.g.* Germany, United States). Newspaper associations have however collectively pushed for a number of common issues, some of which are treated in greater detail in the following parts of the study.⁶⁸ Some of these points are:

- Calls for preventing restrictions on freedom of expression, independence from governmental intervention and increased access to information granted to journalists.
- Calls for further VAT tax breaks or zero VAT, or other forms of indirect subsidies such as lower postal rates or tax measures⁶⁹, and making sure that different news media outlets (paper, electronic/other) are not taxed in different ways.
- Calls for a relaxation of existing rules on competition policy, such as limited antitrust exemptions or increased possibilities for cross-media ownership (and at the EU level rejecting calls for a directive on media pluralism and concentration in Europe).
- Supporting fair competition in the online environment between newspaper publishers and other players, in particular public service broadcasters.
- Calls for a better protection of the intellectual property of news organisations coupled with increasing criticism of online intermediaries that “free ride on the investments that newspapers are making in the creation of content” and the quest for compensation facilitated through new legal measures or technical means of protection.
- Preventing advertising bans or restrictions, as advertising revenues are an essential source of financing for independent newspapers in print and online and fund quality editorial content.
- Supporting efforts to improve media literacy.

Federation of journalists at the international and European level have mainly been interested in:

- Seeking help for the ailing newspaper sector.
- Protecting editorial independence.
- Securing the necessary time, resources and training to conduct high quality journalism.
- Obtaining just remuneration for journalists working for an increasing number of media outlets at the same time (offline, online, etc.).
- defending the existence and funding of public sector broadcasting.⁷⁰

The OECD Business and Industry Advisory Committee (BIAC) has expressed strong support for a policy framework that promotes private sector investment in journalism and acknowledges competitive interaction between various media platforms in a converged news eco-system, which requires changes in the media merger review standards and a relaxation of the cross-media ownership rules.

Federations of journalists have also voiced concerns about relaxed ownership and antitrust rules and have called for the maintenance of press diversity.

Box 5. French *Etats Généraux de la Presse*

As of October 2008, the French government has set up working groups on the state of the newspaper industry to suggest policy actions. The process led to detailed proposals which were submitted to the French government in January 2009. Amongst numerous measures aimed at bolstering the newspaper industry, the proposals called for a renewed code of conduct (deontology) for the journalistic profession. One of the few recommendations relating to online news was the suggestion to create the status of an online news provider and with it a new framework environment for online news development.

In return, the French President has proposed an action plan for the next three years. In terms of emergency measures, the French President pledged EUR 600 million in aid to newspapers over the next three years – in addition to the existing allocations – continued reduced postal rates in 2009 and a doubling of the state advertising budget for newspapers. The aid for newspapers with very small advertising revenues would also double to EUR 14 million. The structural government measures are:

- Creation of an “online news editor” status (implemented in October 2009), increased monetary allocations for the development of online news, tax breaks for related modernisation investments and a review of moral rights of journalists facilitating the re-use of articles across different platforms.
- An improved newspaper distribution based on improved compensations and tax breaks for newspaper distributors.
- Acting as facilitator to achieve reduced printing costs (-30-40%) through reviews of the collective wage agreements.
- Development of journalistic skills. Training but also the elaboration of code of ethics of journalists (code déontologique), norms which apply across all the profession, also to differentiate credible sources of news (established in October 2009).
- Facilitating the development of non-profit, charitable support to news organisations (similar to the US);
- Free weekly newspaper subscription for 18 year olds as of November 2009 and bolstering measures to support readership through schools.
- A process to reflect on the efficacy and efficiency of the public aid system and potential further reforms.

In July 2009 the government presented a report on how these measures have been put into practice showing progress on many of the above items (see below sections). Some newspapers (*MédiaPart*, *Le Nouvel Observateur*, *Les Inrockuptibles*, *Marianne*, *Rue89* et *Charlie Hebdo*) had expressed their uneasiness about the process and the suggested measures fearing too much government interference with the media. Others have deplored that the measures are more focussed on reducing production costs and facilitating physical newspaper distribution rather than helping newspapers rethink business models. In particular, measures relating to the Internet were criticised as being minor. The European Federation of Journalists has criticized that some of the related statements, seemed to indicate that the French government would soon put in place relaxed antitrust rules further increasing media concentration.

Source: Details of the reform process are at www.etatsgenerauxdelapresseecrite.fr⁷². See also RISJ (2009b).

Selected policy issues

In the following, a few challenges and policy issue are treated in greater detail.

Fostering newspaper readership and multimedia skills

A majority of observers see the declining readership among young people as one of the biggest threats to the future of newspapers (World Editor's Forum, 2008). One of the government priorities in some countries has been to counter this trend and to foster newspaper readership – in particular in school and education projects. Visible announcements have recently been efforts to grant free newspapers to young readers, *e.g.* the German Land NRW considering a scheme to offer a number of 15 year-old high school students a newspaper for one year. In November 2009, the French government put in place the offer of handing one newspaper edition per week to young French between 18 and 24 years old. For a cost of EUR 15 million over three years, this age group can choose among 62 newspapers.⁷³ In the United States, campaigns have been launched to improve "news literacy" levels amongst America's citizens, including in particular in news literacy courses in high school. In Japan, the Newspapers in Education (NIE) programme provides selected schools nationwide with free copies of newspapers sold in their respective communities. Also, the Japanese Ministry of Education, Culture, Sports, Science and Technology announced a new Education Guidance Outline in 2008 concerning the use of newspapers in education.

These efforts complement measures by newspaper associations to increase readership among young generations and sometimes also news projects where students are invited to draft articles which are published, sometimes in the context of school activities (*e.g.* in France *Syndicat de la presse des jeunes* (SPJ) or in Germany the project "*Zeitung + Schule*"/"Schüler lesen Zeitung" or "*Nationale Initiative Printmedien*" which also encourage students to practise journalism research).

Furthermore, initiatives exist in various countries to increase the multimedia skills of online users (see also related recommendations in the OECD Policy Guidance on Digital Content, Annex 2).

Freedom of information, the press and expression

As mentioned earlier, newspapers play a vital role in upholding transparency, democracy and freedom of expression, mainly because of their editorial independence from governmental or other bodies. Any type of new governmental policy measure being envisaged will have to consider this important equilibrium.

The independence and freedom of the press is not guaranteed everywhere and at all times. In particular in non-OECD countries various measures impede press freedom. In countries which lack an independent press, access to independent news is being curtailed and sanctioned. Journalists who carry out independent reporting are at risk. The maintenance of the freedom of the press is however also a recurrent issue in OECD countries where measures can directly or indirectly imperil journalistic practices. Policies related to libel and defamation laws, the combating of crime and terrorism (*e.g.* wiretapping and other forms of surveillance) or the upholding of national security, the protection of data and informants, and other similar measures have to walk a fine line between achieving sound policy objectives and curtailing the freedom of the press.⁷⁴ Concerns over concentration of media ownership (including in some OECD countries) are seen as possible risks to press freedom.

The Internet plays an important role in increasing transparency, granting improved access to a greater variety of news, opinions, original data and documents, and as an outlet of free and open self-expression, in particular in countries which lack an independent press. In fact, Internet freedom indexes, for instance, find that new media outlets are often freer than traditional media and have the potential to open more repressive traditional media environments in non-OECD countries (*e.g.* in Egypt, Russia, and Malaysia according to

the Freedom House index).⁷⁵ According to Freedom House, citizens are making use of ICTs in inventive ways in order to create and disseminate news and information, add to the diversity of viewpoints and opinions, perform a watchdog role, and mobilise civic groups "offline" in order to address particular political, social, and economic issues. Furthermore, previous sections have shown that transparency and educational messages become even more powerful when advanced Internet tools can be put at the disposal of journalistic endeavors. Countries such as China, Cuba, Iran and Tunisia are however as restrictive on line as with traditional media.

The digital divide has to be overcome to make this tool available as currently about only 2 billion users worldwide have access to the Internet, out of six billion. Moreover, among those two billion many have restricted Internet access. Similarly to physical newspapers however, access to the Internet and online news is regularly curtailed in countries which do not allow for a free press and where sources of information are heavily controlled. The number of tools and practices to block Internet sites has evolved rapidly over the recent years with measures to control, regulate, and censor the content of blogs, websites, and text messages.⁷⁶ These can include filtering (see the OpenNet Initiative for a systematic stocktaking of filtering activities), manual removal of content as a result of government directives, intimidation, requests from private actors, or judicial decisions. The blocking of participative web applications – such as the social-networking sites, video-sharing sites, and the blog-hosting sites – are particularly recurrent.

There are however also cases in OECD countries where access to certain content and Internet sites are prohibited. Sometimes this is done for good reasons (*e.g.* fight against online child pornography). But any such policies have to be considered for their potential impacts on access to diverse and reliable news and information. For instance, increasingly participative web sites (in particular search engines) or other online intermediaries stand in the cross-fire for issues related to copyright infringement, privacy violations, defamation and other practices and are asked to play editorial roles or take-down particular material (OECD, participative web study and OECD online intermediaries project). In these cases a balance has to be struck between allowing access to information and being able to maintain unrestricted access to news and information. Some stakeholders consider that cutting Internet access such as proposed in certain new copyright regulations (three-strike rules) might also deny access to essential information sources.

Journalistic skills and working conditions

The demands on journalists keep on increasing as they are expected to prepare news for a variety of platforms under increased time pressure. The complaints concerning understaffed newsrooms and overworked journalist with sometimes increasingly precarious contracts are on the increase.⁷⁷ This is due to increasing job cuts, cuts in editorial resources and the elimination of certain types of professions from the news value chain (fact-checkers, pigistes, copy-editors but also increasingly photographers who compete directly with citizen journalists). Journalists' unions are creating networks and programmes to better protect employment rights and working conditions while launching a new debate about the need for ethical and quality content whatever the mode of dissemination of information. The European Federation of Journalists (EFJ) has expressed concerns about the lack of funds available for quality journalism, the deteriorating job conditions in journalism (and decreasing pay for some, although the work of journalists is increasingly used on multiple platforms) and called for more investment in education and training. More generally, in the face of more and more contributors to the generation of news (including citizen journalists) questions are raised about the status of journalist as a profession (Who is a journalist and who is not?).

Fostering the skills of journalists who increasingly have to be multimedia journalists is central to maintaining a high-quality news environment (World Editors' Forum, 2008). News organisations have to invest heavily in the creation of a versatile workforce. The role of the universities (and the teaching of journalism, namely entrepreneurial journalism) in the new media ecosystem is also large and growing.⁷⁸

Some governments have supported such training (for example, the Netherlands and France). The Dutch government just put in place a special programme fostering the employment and training of young journalists. The Ministry for Education, Culture and Science is paying the salary of about 60 young journalists for 2 years to be hired by the approximately 30 Dutch newspapers (cost about EUR 4 million). The selection of journalists is left to the newspapers. This measure is meant to redress the danger of unemployment of young journalists. Further measures are planned under the header of a new Innovation Fund totaling EUR 8 million. The Austrian Federal Government plans to increase the training for journalists in the digital context as part of its newspaper subsidy modernisation. In the United States, State funds have been incidentally used to help teach journalists multimedia skills.⁷⁹ In Australia, the Media, Entertainment and Arts Alliance has been working with academic researchers on considering the online future of journalism.⁸⁰ In the United Kingdom a commission made recommendations to improve science journalism.⁸¹

Quality, reliability and governance of online news

Today the number of entities, actors and individuals who participate in the news production, distribution and commenting process has grown significantly. Increasingly new actors are competing with the traditional news outlets such as newspapers and broadcasters. Given the multiplicity of news providers, and in particular on the Internet, the question arises which sites are reliable news providers and which sites are not? A broader discussion is ongoing concerning professional standards and ethics of journalism: Who deserves to be called “journalist”, and how to maintain the independence and quality of news?

This debate applies more generally and across platforms. The French policy debate calls on the elaboration of a code of ethics of journalists (*code déontologique*), norms which apply across all the profession, also to differentiate itself from other news sources. Associations of journalists such as the IFJ encourage the debate about ethics of journalism. It also promotes professional standards, such as the Declaration of the Principles of Conduct of Journalists.

This discussion is particularly acute in the online context; also to make sure that online news actors operate under the same kind of rights and obligations as offline providers. In this light, studies have concluded that the status of who is an “Online news provider/editor” has to be defined (CNRS 2009). Such a label may help online newspaper sites and others to differentiate themselves as trusted brands from other sources. Legal and policy implications arise from this status. On the side of rights, sites recognised as online news providers should be eligible for any form of protection and support (including direct or indirect subsidies) otherwise only afforded to physical newspapers; including the status of “journalist” for its writers and “news organisation” for the institution. On the side of obligations, online news providers would, however, also operate under a set of obligations common to official news sources.

This discussion is advanced in France via a law which created the status of online news provider (*La création d'un statut d'éditeur de presse en ligne*) which was validated in November 2009 and applies to the online site of newspapers but also to online-only news providers. By this act, which is meant to foster online news distribution, online-only news providers will be on the same terms as newspaper organisations, with the same rights (state aids) as well as editorial responsibilities. To obtain this status, news sites have to publish original and independent news content (mainly text, as the diffusion of videos alone is not sufficient). Blogging sites and user-created content sites are excluded from the scope of this status however. A special commission will be put in place which will decide which sites conform to these rules and are henceforth eligible for funds to finance online news site equipment and modernisation. In a next step these sites could see their VAT obligations fall to the preferential level of physical newspapers (from 19.6% to 2.1%), formally establishing tax neutrality between these different technological supports at the EU level. In Korea, the Newspaper Act states that paper and Internet newspapers are eligible to receive funds. The newspaper act in place since February 2009 extends funding to Internet news services

and magazines as well. Furthermore, in Korea other legislative and regulatory initiatives are ongoing to increase the editorial responsibilities and obligations of Internet portals which diffuse news online (Box 6).

Box 6. Korean regulations on online news providers

Amendments and acts were proposed to strengthen Korean regulations on Internet portals and Internet newspapers in Korea, most notably to increase their liability for producing false information. Some have been reflected in the current Korea media policies while others are still under debate.

One of the main reasons for the amendment of the Act on Press Arbitration and Remedies etc. for Damages Caused by Press Reports which came into force on 7 August, 2009 was to make 'Internet portals, Dot.com press, etc. who provide news services' subject to the same laws as other news providers, in particular in areas such as redress, *i.e.* when these sites diffuse information which has an impact but which may turn out to be wrong. The law defines 'Internet news service' as an electronic publication that continuously provides or mediates articles from the press (Internet newspapers, Internet multimedia broadcasting, and those excluded under a presidential decree have independent categories).

For background, the Act on Press Arbitration and Remedies for Damages caused by Press Reports provides the guidelines for the Press Arbitration Commission which was founded with the purpose of settling legal controversies (defamation, etc.) caused by media. The current Act on the Protection of Freedom and Function of the Press Including Newspapers was enacted for the publication of printed and online newspapers which make reports and comments as well as defining their social responsibility as the press. In Korea, users consume news services mainly through Internet portals which – according to the Korean government – led to the social need to stipulate the legal status and responsibility of Internet portals providing news. In a previous court libel and defamation case between the large online portal Naver and a member of the Korean National Assembly it had been determined that the Internet portal comes under the category of the press, because it is involved in distribution, editing, and posting news.

Moreover, the Act on Development of Newspaper which was amended on 31 July, 2009 (and comes into force on 1 February, 2010) also affects Internet News Services (*e.g.* Internet portals). One of the main amendments made specifically for Internet news portals again concerns regulations on the arrangement of articles, modification of article headlines, and the concrete division between the actual article and reader opinions. In case of modifying headlines and contents of any article which is not produced independently, the Internet News Service Provider shall obtain consent from the actual provider of the article. Internet News Services Provider shall indicate separately the article and the reader's opinion, to avoid confusion among them. In case of receiving retransmission of revised article headlines and contents, portals shall replace the former article with the retransmitted article on their site. Since 2007, Korean web portals have not been allowed to display news content for more than one week in accordance with an agreement among major domestic newspaper companies. That is, seven days after the news items were provided to Korean web portals, users cannot access the items on the portal sites. Instead, users need to directly visit newspaper companies' websites.

Sources: www.law.go.kr and information supplied by the Government of Korea to the OECD.

The role of public sector broadcasting

In some OECD countries, the role of public service broadcasters (PSBs) (or as some would call them: public service media organisations, PSMO, to reflect their increased role across platforms) and related state aid is an increasing topic of debate in the context of online news creation and distribution. As evidenced by part two of this study, public service media organisations can be prominent actors in the online news ecosystem. This topic is important and complex and can only be introduced here and requires more in-depth study.

On one side, PSBs are seen as reliable and pluralistic news providers – in particular when commercial news providers face difficulties. In difficult times for public service-oriented commercial journalism, the role of publicly-financed news provision could actually increase, provided, of course, that their

independence can be guaranteed. Governments and societies could decide that it is in their best interest to maintain and potentially increase the role of publicly-financed news and content provision across all platforms, including the Internet since restricting PSBs to the broadcast space alone would limit their reach and effectiveness. Related ideas are now being raised in particular in the context of the United States which traditionally devotes relatively modest financial support to PSBs.

On the other side, and in some OECD countries, the criticism is that as PSBs enter the online space they are directly competing with commercial news providers on the basis of tax payers' money and are potentially crowding out the latter, in particular when they also raise advertising revenues. The question is raised whether the online expansion of PSBs is desirable and how it is compatible with their public service mandate. Rules for fair competition between commercial and publicly-funded players in the media business are called for by commercial news providers. Newspaper associations such as the ENPA, for instance, assert that today's media and communication landscape, and the role of a state-funded "public service" within it, require major changes in order to redefine the remit of PSBs, in particular in the light of the challenges that commercial newspapers may face in the Internet environment with PSB activities. The strong cross-promotional advantages enjoyed by incumbent public broadcasters might otherwise be perceived as causing unfair competition to commercial news entities.

The debate is most pronounced in the United Kingdom, Germany, at the level of the EU legislation in general and in Australia. In the United Kingdom, the discussion about the impact of the BBC, its financing, its role and impact on commercial providers has been ongoing for some time and was one of the reasons for a Public Value Test being introduced into the BBC's Charter that came into force in 2007, which was designed to create increased transparency and assess the market impact against the public value delivered before the approval of new BBC services. Other regulatory regimes have been moving in a similar direction (see below). The OFT review of media merger regulations also notes the broad concern amongst stakeholders about the potential impact on commercial publishers of local authority publications.⁸² A proposal was also made at the start of 2009 to potentially use 3.5% of the BBC's revenue generated through the licence fee, about GBP 130 million, after digital switchover in 2012, to fund regional news broadcasts on TV channels, and possibly children's programmes. In other words, the idea is to potentially share some of the guaranteed BBC funding with other broadcasters. The BBC is currently rejecting such proposals as it fears this will lead to a loss of accountability and independence and will reduce its resources. The UK government is not currently pursuing this idea further (Box 8).

Furthermore, the British government, through Digital Britain, proposed the introduction of independently funded news consortia (IFNCs) and carried out a corresponding public consultation on sustainable independent and impartial news, inviting views on the importance of choice and plurality of news sources in the nation, locally and in the regions, on the need for public funding to sustain plurality, and on possible long-term public funding sources (Box 8). Its starting point is that rapid changes in the media industry, including new technology, falls in advertising and the shift in advertising from traditional public service broadcasters to other channels and the Internet are making the economics of providing regional news and news in the nation increasingly difficult. Unless action is taken, the UK government sees a high risk that high quality, professional regional news in England and news in Scotland, Wales and Northern Ireland will not be provided other than by the BBC. Plurality would be lost, or severely reduced.

Box 7. Independently funded news consortia

The Digital Britain White Paper published by the Government in June 2009 considered the issues and challenges affecting the provision of local and regional news in the UK. The Government set out a proposal to introduce independently funded news consortia (IFNCs) to bring together providers of news to produce news in the nation, locally and in the regions across a range of media platforms including the regional news service currently broadcast on Channel 3.

Following publication of the White Paper, the Government consulted on funding options for IFNCs which indicated strong support for securing plurality of high-quality impartial local and regional news and that top-up public funding was necessary.

Since then, the Government undertook a procurement exercise for three pilot IFNCs in Scotland, Wales and the Tyne Tees/Borders area of the UK and announced three preferred bidders in March 2010. These IFNC pilots are intended to test how a new and innovative form of local and regional news could be delivered using public funding to incentivise new commercial delivery models and provide greater syndication between news providers to secure plurality and enhance localness.

Following the General Election, the future of the IFNC proposal will now be a matter for the new Government.

Source: UK Department for Culture, Media and Sports and Department for Business, Innovation & Skills.

In France, public broadcasters have recently been asked to renounce advertising revenues – initially only in peak time and then from 2011 across all hours - in return for financial compensation from other sources. In Germany, newspaper associations and other private media organisations are also putting on pressure to limit the expansion of the Internet offers of public-funded radios and broadcasters, in particular relating to the two main German public broadcasters, ARD and ZDF. Concerns are raised about ideas of the latter to bring about a public-service electronic press. According to a new law and in compliance with EU regulations (see below), German PSBs will be required to undertake a three-step test with respect to their online offerings to check whether they are compatible with the PSBs' mandate and to what extent they (unnecessarily) damage the commercial offerings (*Drei-Stufen-Tests für Telemedien der öffentlichen Rundfunkanstalten*). In Germany the application of this *ex-ante* test is now being applied to PSBs' online offerings.

In this context, the European Commission has been reviewing state aid to broadcasters at the EU level (Articles 87 and 86(2) of the EC Treaty).⁸³ The related Amsterdam Protocol calls upon Member States to exercise a certain restraint in the use of public money for funding broadcasting services. The Protocol says that the State funding must not 'affect trading conditions and competition in the Community to an extent which would be contrary to the common interest' and the new guidelines advocate some form of the above-mentioned three-stage test. Newspaper publishers and their associations are engaged in individual cases regarding publicly funded broadcasters' activities before the EU Commission. They have also been asking for an independent control of the PSBs obligations concerning the extent of their online and mobile offerings and raise renewed concerns regarding the maintenance of a level playing field.

Recommendations of the Council of Europe concerning media pluralism and diversity of media content, and the remit of public service media in the information society call on member countries to "guarantee public service media (...) in a transparent and accountable manner" and to "enable public service media to respond fully and effectively to the challenges of information society, respecting the public/private dual structure of the European electronic media landscape and paying attention to market and competition questions". The European Parliament has voiced similar concerns and ideas.⁸⁴

A broad consultation of Member States and stakeholders took place at the beginning of 2008, to assess the EU Communication on the application of state aid rules to public service broadcasting. In July 2009 the revision of the 2001 Broadcasting Communication was adopted. It gives further guidance to Member States on how to ensure compliance with state aid rules to public broadcasters.⁸⁵ The goal of the revision was to allow public broadcasters to take advantage of the development of digital technology and Internet-based services to offer high quality services on all platforms, without unduly distorting competition at the expense of other media operators.

Accordingly, EU member states now have a major role to play in order to better define the remit of the publicly funded broadcasters in detail in national legislation to combine effective delivery of public service content while preventing unnecessary distortion of the media market. The main changes include an increased focus on accountability and effective control at the national level, including an *ex ante* control of significant new services launched by PSBs (balancing the market impact of such new services with their public value), clarifications concerning the inclusion of pay services in the public service remit, more effective control of over-compensation and supervision of the public service mission at the national level and increased financial flexibility for public service broadcasters. European citizens and stakeholders will be able to give their views in public consultations before any new services are put on the market by public service broadcasters.

The relationship of public service media organisations to the digital news environment has been the subject of some discussion in Australia. The ABC Managing Director has argued that the ABC will be the key provider of online news to Australians if other commercial providers, most notably News, go to a pay model.⁸⁶ In 2008, the Australian government undertook a review of the public service broadcasters.⁸⁷ Its recommendations were implemented as part of the May 2009-10 Federal Budget, essentially leading to increased funding of AUD 185 million over three years to the national broadcasters⁸⁸ to expand the range and quality of their Australian programming and online content. The importance of the ABC's information services was particularly prominent in submissions to the review, with over 1 600 respondents stating that public broadcasters should provide credible, independent news and current affairs programming.

In the light of the European best practices, commentators in the United States interested in high-quality news provision have looked at whether increasing resources for public service broadcasting or creating funds for local independent news gathering should be considered.⁸⁹ Suggestions include the creation of a national fund, using receipts collected by the Federal Communications Commission (FCC), to finance local news reporting. To further encourage local reporting, reports call for "urgent action by and reform of the Corporation for Public Broadcasting" to challenge public radio and TV to invest in a significant expansion of news coverage of their communities.⁹⁰ The non-profit model of the National Public Radio (NPR) is often mentioned in the US context, where a small core of highly involved users makes above-market-price donations to support the provision of a universally accessible good.

Other options are to increase public service criteria when attributing broadcast or other operating licences to commercial providers. For instance, when attributing mobile TV licences or conferring the status of online news providers to certain entities (see example of France in previous sections), this could be contingent on meeting a number of public-service criteria with reference to the production and diffusion of local and other news.⁹¹

Media diversity and competition

Media concentration in the context of the digital age is an important and complex topic which can only be introduced here and requires further in-depth analysis, potentially in conjunction with the OECD Competition Division.

Most OECD countries depart from the idea that having a greater number and more diverse media sources in place will guarantee greater freedom of the press and diversity. As a result, most, if not all, OECD governments have rules in place to foster media diversity, *e.g.* via rules that avoid a high concentration of ownership in any given (local) market, a prohibition of cross-media ownership in any given market (broadcast, radio or paper) and special antitrust rules aimed at media mergers.

These measures may have slowed down but did certainly not halt the increasingly high media concentration which is present today in most OECD markets (Le Floch and Sonnac, 2005). In the case of the news industry, the recent years and months have only seen an increase of concentration in the regional and other press, with some localities only served by one local newspaper for example.

Yet, in a converged context with multiple media platforms such as the Internet, arguments can be made that current rules to foster media diversity and avoid media concentration in geographic markets are outdated and fail to appreciate that local markets may not be able to sustain various independent media, in particular given the current economic crisis. Given the significant economies of scale in producing Internet-based news, larger news organisations may be better positioned to invest in news production and in fact to guarantee high quality journalism. The argument is that plurality in the local press is becoming an increasingly outdated concept owing to the impact of the Internet (see the UK's Digital Britain Interim Report). According to this argument, geographic and product markets may need to be assessed in terms of where and how consumers get their news and whether substitution between regional newspapers and other media, particularly Internet news provision, is greater than perhaps has been assumed so far.

In this context, newspaper associations have called for a relaxation of existing rules on competition policy, media diversity, allowing for easing of restrictions on mergers & acquisitions (need for additional limited antitrust exemptions) or allowing for cross-media ownership. Newspapers are interested in seeking flexibility to produce innovative content and come up with cost-saving arrangements which might conflict with competition rules. According to the European Newspaper Publishers' Association, the distinction must be made by policy makers between media pluralism, media concentration and changes in ownership structures of newspaper publishing companies. Governments should look more favourably on mergers, or joint operation, between newspapers and broadcasters, so long as they are willing to maintain certain levels of news coverage. According to this view, this should enable publishers to better develop their business to remain innovative and competitive.

In the United States, the newspaper industry has long called for an antitrust exemption. In the absence of such an exemption co-ordinated actions on the business model is considered illegal. This is particularly relevant with respect to meetings such as the one in May 2009, when newspaper industry executives met under the auspices of the Newspaper Association of America on the topic of "Models to Lawfully Monetize Content" to discuss the future of news and ways to charge for content on line. If newspapers want to set up partnership agreements or decide to unify their approaches to online pricing, archiving and access by third parties, this might well involve meetings and agreements which might be considered anti-competitive by current competition and anti-trust rules.

The German newspaper association has called for increased means to allow for possible co-operation between newspaper business (including in fields such as the sale of advertising) and for relaxed merger rules (*i.e.* to increase the threshold value of a merger for which the competition authorities have to be notified). In related discussions, it was suggested that newspapers should be able to more actively co-operate with local or regional TV or radio.

In the United Kingdom, regional and local press owners have expressed the urgent need to consolidate in order to make a successful transition to the digital environment. These organisations argue that they face a major obstacle in the form of a restrictive media merger control regime, which is not taking into account

the potential for competition between newspapers and the new media and hence blocking mergers which would actually improve regional and local news coverage and quality. The National Union of Journalists in the United Kingdom, in turn, raised concerns about a relaxed ownership system, warning that cost savings were unlikely to be re-invested in financing high-quality journalism.

In the Digital Britain interim report of January 2009, the UK government asked for such arguments to be tested against the evidence. It invited the Office of Fair Trading (OFT) to review the merger laws currently preventing consolidation in local media. The OFT was asked to look at the merger regime three years after the telecoms and media regulator Ofcom had concluded that no changes should be made. A relaxed media merger regime would give the regional press more freedom to consolidate, trade assets and rearrange the current ownership map. Large media groups argued that due to the changing media landscape and the rise of the Internet there is no longer a danger of newspaper monopolies.

In June 2009, the OFT decided against a major reform of the rules governing local media mergers (*i.e.* the existing merger regime under the Enterprise Act 2002), calling for only modest changes.⁹² The decision by the OFT is to give Ofcom a bigger role in deciding whether future mergers should go ahead. In media mergers involving newspaper publishing and/or commercial radio or television broadcasting, and raising competition issues, the OFT will ask Ofcom to provide views (by carrying out a “local media assessment”), arising from its understanding of media markets, on factors relevant to the OFT's decision. As a result, the OFT studied the matter, publishing its results in June 2009 and deciding against large-scale changes to the current media merger control regime and thus essentially stating that the request for modifications of news organisations were unnecessary.

Advertising and direct marketing rules

Given that these are important sources of revenue, newspapers are increasingly susceptible to regulations which relate to direct marketing, product placement or offline and online advertising (including behavioural advertising). Newspapers increasingly find themselves in a position to lobby against advertising regulations and to propose self-regulation schemes – together with associations representing other publishers, direct marketers or advertisers. The result is that efforts aimed at strengthening advertising regulations (*e.g.* the prohibition of advertisements for alcohol, the inclusion of mandatory information on energy consumption in advertisements for household appliances and other energy-related products) are met with opposition by newspaper associations.

Newspapers rely heavily on solicitation to win new subscribers (trial subscriptions, etc.) – on line and off line. They are particularly susceptible to any legal changes which affect these direct marketing practices (rules on unsolicited ads or marketing letters). In this context German newspaper associations have, for instance, complained about a suggested strengthening of data privacy provisions which would make such unsolicited letters difficult.⁹³

These debates are also extending to the online environment where possibilities for new generations of more targeted advertising are emerging. New technical means such as cookies allow for greater control of the activities and preferences of the user (mixing of data bases, study of behavioural pattern of users, etc.) (OECD, 2007b). Increasingly publishers use third-party advertising networks and technologies to build online advertising revenues on the basis of their loyal and increasing online audience. According to newspaper associations, online behavioural advertising shows much promise for newspapers seeking new ways to support local journalism and answer consumer calls for fewer irrelevant and distracting ads.

However, some of these technological means conflict with privacy and other rights and there is an ongoing debate about limiting these technical means or creating “opt-in” systems and making sure that

users are informed about the use of their data and can opt out. The interactions between online advertising and privacy are part of an ongoing debate in many OECD member countries.⁹⁴

Suggestions for new regulations (*e.g.* informing users when a cookie is placed or asking for consent as in the discussions about the EU Telecoms Reforms Package) are being opposed by European or US newspaper associations. In a filing to the Federal Trade Commission on “behavioural advertising”, for instance, the Newspaper Association of America has defended behavioural advertising as an important means to fund independent news. The United States Federal Trade Commission conducted a workshop on: ‘How Will Journalism Survive the Internet Age?’ in December 2009 which looked at the role of targeted behavioural online advertising.

Increased blending of editorial content and advertising

Off line and on line there is an increased concern that the line between editorial content and advertisements is being diluted. First, an increasing amount of advertisements look very similar to editorials ('advertorials'). Second, the increased pressure on newspapers to generate advertising revenues may also lead to a weakening of editorial standards with respect to praising products and the practice of product placements. On the Internet these problems are of concern as digital advertisements often interweave marketing images with editorial content and respected journalism brands.

Some European newspaper associations are concerned about the trend to possibly more product placement and a dilution of editorial standards. In Europe, under certain conditions the new Audiovisual Media Services Directive allows for product placement on TV and online audiovisual services if the particular EU member country does not choose to maintain related restrictions (Box 9). Newspaper associations such as the German BDVZ are concerned that such increased product placement will lead to pressures on newspaper publishers to allow for similar ads.

There have been various recent moves to extend certain regulations on bloggers as well. Most recently, the US Federal Trade Commission revised its rules about endorsements and testimonials in advertising that had been in place since 1980. Bloggers in the United States who review products must henceforth disclose any connection with advertisers, including, in most cases, the receipt of free products and whether or not they were paid in any way by advertisers, as occurs frequently.⁹⁵

Box 8. Audiovisual Media Services Directive and product placement

The new Audiovisual Media Services Directive of the EU covers all audiovisual media services (including on-demand services) in the digital age. While it does not cover electronic versions of newspapers, it may well apply to other forms of Internet sites carrying news (online only news providers, blogging sites, news aggregators, online video sites). The fear of the German newspaper association is that the presence of such advertisements in other media will increase the pressure to tolerate such product placements in news media.

Specifically, the Directive allows product placement under certain conditions, and thus opens up new revenue sources for Europe's audiovisual providers and producers. The new rules define the conditions under which product placement is permitted. Product placement shall be admissible unless a Member State decides otherwise in different forms of audiovisual services, but excluding in children's programmes and for certain products such as tobacco. Programmes that contain product placements shall meet at least all of the following requirements: *a)* their content and, in the case of television broadcasting, their scheduling shall in no circumstances be influenced in such a way as to affect the responsibility and editorial independence of the media service provider; *b)* the product placement shall not directly encourage the purchase or rental of goods or services, in particular by making special promotional references to those goods or services; *c)* it shall not give undue prominence to the product in question; *d)* viewers shall be clearly informed of the existence of product placement, meaning that programmes containing product placement shall be appropriately identified at the start and the end of the programme, and after advertising breaks.

Source: Audiovisual Media Services Directive, COM/2009/0185 final - COD 2009/0056, Article 3g.

New business models, intellectual property rights and technical standards

Newspapers are clearly pursuing a wide range of new business models to monetise their content and ensure returns on their investment, and experimentation with and adoption of new business models is likely to continue.

As part of these strategies, newspaper organisations and other Internet actors are interested in increasing revenues derived from online news, in part by protecting their content online from infringing / unlawful use by third parties, and encouraging new business models to emerge. In particular, they are concerned that headlines or content of their articles are used on third-party web pages without consent or compensation. According to newspaper associations, automated news sites aggravate the financial problems of the press by “skimming off some of their profits” or reducing the opportunity to generate profits in different ways (see examples of related policy actions in Box 10). The question is to what extent headlines, bylines facts and news and full articles are copyrighted and/or benefit from other legal protections and to what extent limitations and exceptions to copyright are applicable (*e.g.* ‘fair use’ and ‘fair dealing’ and related copyright exceptions and limitations for personal use).⁹⁶

Many concerns evolve around services such as Google News which offer free access to newspaper headlines, snippets of text, thumbnail pictures and direct links to newspaper articles.⁹⁷ Danish newspaper publishers have, for instance, renewed their effort to stop websites like Google News from linking to individual articles rather than a newspaper’s homepage. In 2005, *Agence France Press* (AFP) launched a law suit against Google for showing pictures and news alerts without consent or compensation to AFP. The Associated Press threatened to sue Google in 2009 (*Note:* in the meantime, AFP and the Associated Press have entered into related commercial agreements with Google). A similar dispute is ongoing in Belgium where in 2006 the Belgian publishers’ association went further by requesting Google not to include headlines and links to news articles in its services. Organisations such as News Corporation are also currently weighing whether to remove their content from Google and other organisations which aggregate and/or provide links to their content without authorisation or compensation. In some cases News Corporation subsidiaries have removed their content from certain aggregation services such as NewsNow and Meltwater. The tensions grew further when Google started to generate advertisement revenues through the US version of its news aggregator without sharing the benefits with news providers. Similar concerns have been raised in relation to the news services of other major search engines, such as Yahoo! and MSN (Microsoft). Since then, operators such as Google have developed partnerships with some news publishers and operationalised other news-related services such as FastFlip or LivingStories which are delivered in conjunction with newspaper publishers.

There are many other related legal disputes which involve the use of news organisations’ headlines, bylines in verbatim fashion on other websites and news services (*e.g.* Australian Fairfax Media against Reed Elsevier, claiming that the latter had breached copyright by reproducing *Australian Financial Review* headlines and bylines verbatim in its news service; Associated Press against AHN Media in the United States for infringement of the AP’s copyrights and trademarks by republishing its headlines with attribution but without remuneration). Links to particular news content may give rise to disputes. Increasingly online news providers, be it newspaper websites or online-only news providers, but also bloggers, use linking to other articles to use the powerful archiving and repository functionalities of the web and create structured, informed discussions. Although news providers have some ability to limit crawling and linking to their content (*e.g.* by only allowing registered users to view content, by attempting to detect automated access to their sites, requiring users who have viewed more than a specified number of articles in a time period to pay for continued access, or by only accepting certain “referrers”), implementation of these measures is technically challenging and non-compliant aggregators will frequently actively seek to circumvent such measures. News providers must weigh the challenge to their business models free availability of their content poses, against the costs of implementing technical measures and the benefits of exposure and traffic that certain crawling and linking provides. To reconcile these goals, some have asked whether the

practice of linking to a news story should trigger compensation to news providers (in particular when a direct link to the story and not to the home page of the news institutions is involved) or should otherwise be subject to terms and conditions in a similar way to the use of “analogue” content.⁹⁸

More complex business models are being developed, in which news organisations may only want to show more limited parts of their content in certain search engines and certain services or to limit the period for which full article content is available. Newspaper associations such as ENPA insist that individual publishers should be allowed “to fix the price or compensation” for inclusion on news aggregators as a matter of principle – in the same way as they do when their content is exploited or sold in other ways – involving the right holders’ prior consent and opt-in. As far as collective administration of copyrights and related rights is concerned, publishers would like to have the option to manage the rights pertaining to their own content. Based on an initial Declaration of German publishers (see Box 9), European newspaper and magazine publishers have presented the European Commission with a call for more copyright protection as a way to lay the groundwork for new ways to generate revenue on line. Essentially this potentially also involves limiting the access to newspaper content and putting a collecting society in place which would administer newspaper’s neighbouring rights and collect revenues when third parties link to or use news items.

Box 9. German “Hamburg Declaration” and *Leistungsschutzrecht*

On 8 June 2009 a large group of German publishing organisations publicised a document called the ‘Hamburg Declaration’ which is supported by very large German media groups such as Axel Springer. In this declaration, German news publishers made clear that they are not in need of state subsidies. Yet, they called on the German government to help protect their content from unlawful use. The Declaration posits that the Internet offers immense opportunities to professional journalism but only if the basis for profitability remains secure on the Internet as well. According to the Declaration this is currently not the case, as numerous Internet intermediaries are using the work of journalists, publishers and broadcasters without paying for it. This threatens the existence of independent journalism.

For this reason, the Declaration advocates “urgent improvements in the protection of intellectual property on the Internet” and stresses that “universal access to websites does not necessarily mean access at no cost”. It makes clear that publishers are not willing to give access to their content without consent or compensation and calls on governments to protect newspaper content. Since, the Declaration has received the support of an increasing number of European and global publishers (e.g. support from the World Association of Newspaper and News Publishers).

Separately, in Germany, publishers have called for the introduction of a new so-called neighbouring right *Leistungsschutzrecht* – i.e. a new, potential right of newspapers to exclusively control the use their content beyond the time of publication and to be remunerated for the content; possibly via the creation of a special collecting society to administer the use and payment of news content on third party web pages (similar to the music and film industry). The new German government made this proposal an integral part of its coalition pact in October 2009. While the exact consequences of this proposal are unclear, it is likely to mean that search engines, news aggregators and other commercial operators have to seek permission to access and re-use parts of newspaper content. Potentially it could also mean that articles can only be shown or re-used in full length, after consent and payment. In the past months, publishers have collaborated closely in creating another tool to enable any content provider to communicate their copyright terms and conditions on line in a machine-readable way via ACAP (see Box 10).

While private, non-commercial use of news articles is likely to remain unrestricted under the proposals, opponents of the plans say the distinction between commercial and private use would be difficult to define, making enforcement of the plan a challenge. This applies particularly to non-profit online news sites or the great number of bloggers who might make money out of advertising. In this light critics of this proposal suggest that this move would actually limit the access to a free press and speech while undermining the open architecture of the Internet which is based on a network of links which help to locate and make accessible information and a diversity of opinions.⁹⁹

Publishers are still negotiating with journalists’ unions on a plan to present to the government, and not all journalists are in favour of the idea.¹⁰⁰ Some have voiced the concern that copyright must not be misused as a lever to protect outdated distribution methods. The Declaration and this more specific proposal come at a time when new consultations are expected on the follow up to the Green Paper on Copyright in the Knowledge Economy and the post-i2010 strategy.

Source: Hamburg Declaration http://www.axelspringer.de/downloads/153453/Hamburg_Declaration.pdf and related press accounts.

To further this goal of greater control, compensation and new business models, news organisations and wire agencies have started to put in place technical tools and initiatives to better control access to and use of their members' content online (see Box 10). There is an ongoing argument between various parties whether the existing REP standard does not allow for sufficient control, whether it is sufficiently complied with by crawlers and search engines, and whether it is practical and useful to introduce new standards.

Box 10. Technical standards for indexing online content: REP and ACAP

Created in 1994, the REP (Robots Exclusion Protocol) is a web-wide standard by which publishers communicate with search engines and other web crawlers. REP is accepted by all major search engines and used by website owners to give instructions about their sites to "robots" that crawl and/or index them. The protocol allows publishers to create directives in either or both of two forms, firstly a file at the root level of the site (robots.txt) which indicates which parts of the site can be crawled or secondly metatags in individual pages which indicate how the content of that page should be indexed. These directives can be used to indicate whether and how these robots should crawl and index their sites or parts of their sites. For example, by using REP directives, publishers may indicate to crawlers that they cannot index their site altogether or include specific pages or file types, or certain defined limits as to how that content is displayed, such as using additional, widely recognised, directives to instruct search engines to show headlines only or no images.

ACAP is a non-proprietary protocol¹⁰⁵, developed by a cross-sectoral group including publishers and certain search engines, designed to ensure that any automated process, including but not limited to the web "robots" used by search engines and other online aggregators, can read and understand the terms and conditions of access and re-use of that particular content. For example: *i*) it is ok to show headlines, but not full text; *ii*) it is ok to show full text for a fixed period of time but afterwards payment is required; *iii*) it is ok to include the content in your general search product but not your news search product or *iv*) it is ok to include the content on your own search site but not on search services you provide to other sites, and so on. In other words, it is a technical standard CONVEYING RIGHTS MANAGEMENT INFORMATION which, although voluntary, allows publishers to decide which parts of their content are accessible and which content can be used in which way by third parties (including the wide range of services offered by search engines and extending to other uses of content online). ACAP provides for a broader set of permissions than REP and extends to uses beyond the scope of just crawling and search engines. It has a formally governed ongoing process of development and extended implementation and ACAP 2.0 is currently under development to address new content types, delivery mechanisms and commercial models. ACAP, like REP, is open and free to use. It has been deployed by over 1 900 websites, mainly produced by publishers of high value content. ACAP is not a replacement for REP and they are not mutually exclusive so site owners can decide which protocol is the most appropriate for their site and business model.

There is extensive and heated debate over how to apply technical standards in such a way that they increase access while protecting original news content. The two sides of these arguments from the point of view of Internet companies and of news publishers are presented extensively in the endnotes to this report.¹⁰¹

The OECD Civil Society Information Advisory Council (CISAC) has also argued that mandated compliance with specific technical standards would require Internet search engines to redesign their technical protocols at the request of one set of information society stakeholders. Amongst other concerns, CISAC argues that technical standards could potentially be used to set conditions for accessing copyrighted content that are more restrictive than national copyright laws. This would harm students and researchers who currently have lawful access to information on the Internet via national copyright law exceptions and limitations.

A new trend which has emerged in other business sectors is that website properties no longer allow for linking directly to content on the webpage but only to the home page (thereby reducing the possibility for Internet users, bloggers or others to link and discuss particular subsites).

In the Asian context, the role of portals and their re-use of newspaper content is the particular target of discussions and new policies. The Korean Ministry of Culture, Sports and Tourism has been actively co-developing a so-called ‘Standardized Agreement on Digital Content’ since 2008.¹⁰² The standardized agreement specifies that the receiver of digital content is obliged to pay a fee to the provider of the content; either an agreed fixed amount or a fee which depends on the revenues derived from the digital content. Other conditions include the necessity of prior agreement before the content of third party providers is altered (see Box 7) and an agreement specifying the duration for which the third-party content can be used. Subsequently, the Korea Online Newspaper Association (KONA)¹⁰³ finalised ‘Rules of Use for Content’ which it started to enforce with Internet portals in 2008. The guidelines which are only a model template *i*) limit news search and storage of portals to seven days, *ii*) prohibit the modification of the original news content by portals and aggregators, and *iii*) prohibit the unauthorized distribution and reproduction of news content by Internet users or bloggers. Portals such as Naver reacted sceptically to the rules claiming that the issue had to be solved with each separate company (and not the KONA which merely represents rights holders). The member companies of KONA have a preference for allowing Internet portals the use of their headlines only while the full content of articles should be provided via a direct link to their respective website (and not on the Internet portal itself).

In Korea, news content providers have formed a copyright holders association in order to protect their IPR against portal sites. The Korea Press Foundation also took over the copyright management of online news content and launched www.newskorea.or.kr, an all-in-one news content distribution site.

In general, publishers are increasingly availing themselves of new third-party enforcement services such as Attributor, which scour the Internet for such unauthorised content, and negotiate commercial agreements with the unauthorised re-posters on behalf of publisher copyright owners in situations where authorisation is necessary. To the extent infringing copies are available on third-party websites, existing mechanisms like the US safe harbour regime are meant to enable rightsholders to notify those who link to infringing material.

Authors’ moral rights in a multi-platform context

In the context of ever-increasing numbers of news outlets, journalists are more and more producing for a variety of media and creating new forms of content (*e.g.* blogs) without necessarily receiving additional remuneration. As opposed to other creative professions where creators are remunerated separately for different “releases” over different media, journalists are expected to let go of control of their works and variable remuneration which could depend on the distribution channel. In this context, an increasing topic of debate is how to remunerate journalists for their intellectual property (authors’ rights). This is particularly prevalent in continental Europe where journalists have moral rights over their content and where the use of journalistic content over various platforms has been a source of conflict. Journalists ask to be recognised as authors of the work they create, have control on further use of their work (including the right to be named as the author and the right to protect their content from being used in a detrimental way) and receive an equitable remuneration for it. The situation is particularly precarious for photographers or other producers of images or videos as they increasingly compete against free content, but also see their content used without remuneration or attribution.

As part of its wider policy revamp (see Box 6), France has recently adopted a law (*Loi Création et Internet*) which grants news organisations the right to exploit journalistic content throughout various news outlets for a set period of time, meaning that journalists waive their rights and do not receive extra remuneration during that time period (*le « premier cercle d’exploitation » de l’information*). Beyond this period, journalists will receive additional remuneration, depending on collective agreements or contracts.

ANNEX 1

Annex 1: Newspaper and online news measurement issues

Measuring the size and development of the newspaper industry is complicated by the unavailability of official statistics on newspaper sales and reach (circulation or readership) and revenues (including advertising revenues). Only a few countries such as France offer figures on revenues, reach and advertising which are collected and published by official sources. Most other figures come from national newspaper associations or consultancies and are often based on different definitions and methodologies, although the World Association of Newspapers (WAN), for example, tries to harmonise and publish the data of national associations in a comparative way.

While having an interest in shedding light on a possibly grave downturn of newspaper readership (also to attract government policy attention), the newspaper industry and relevant associations are also eager to cast the newspaper market development in very positive and resilient light to avoid a further disinterest by advertisers. In that light the industry has tried to adapt its methodology to reflect readership rather than newspaper circulation. However, readership figures depend on readership surveys which vary greatly between and within countries and often lead to inconsistent results. Frequently readership calculations from one survey are different from those of another survey.

Newspapers are also increasingly eager to measure their combined offline and online readership and audience. As shown below properly capturing online audiences and revenues is also a very difficult task. A commonly accepted good practice of readership or reach combining offline and online has not yet emerged but newspaper associations and advertisers are working on this in conjunction with Internet traffic measurement firms and others.

Measuring the newspaper publishing industry

Revenue and other industry or firm-level performance measures

Newspaper publishing is clearly defined in international and national industrial activity classifications such as NACE 22.12, ISIC 2212 and NAICS 511101). When this is the case it is possible to produce figures on turnover, operating margins (profits) and employment on the basis of data from national statistical offices (NSOs). As raised in Part 1 however, some OECD countries do not publish disaggregated data for Newspaper publishing alone but an aggregate called “Publishing of newspapers, journals, periodicals” which includes scientific journals and magazines, for instance, and is thus not directly comparable to Newspaper publishing alone and hence to other countries. Part 1 shows the available statistics on turnover and profits from NSOs.

While some national newspaper associations publish aggregate revenue figures (*e.g.* in Japan), all in all, it is difficult to arrive at a complete country coverage. On the firm-level, revenues are also not readily available as many newspaper organisations are either not listed on the stock market (and hence many do not produce annual reports with data) or because newspapers are only one sub-activity of large media conglomerates, making it difficult to break out newspaper revenues alone.

To produce figures on the global and OECD newspaper publishing market, we resort to using the figures provided by Price Waterhouse Coopers in the Global Media and Entertainment Outlook (PwC, 2009a). It has to be reiterated though that these are estimates, in particular for values beyond 2008. The values produced by PwC for 2009 were published the same year when the economic outlook was still

significantly worse than today. Hence these estimates can be subject to very significant corrections and actual 2009 revenue figures might end up to be rather different.

An important part of newspaper revenues comes from advertising. Again, no official or no comprehensive firm-level data is available on newspaper advertising revenues. Some national newspaper associations provide these figures (Germany, the United States, etc.) which are then aggregated by WAN, for instance. To have a more complete coverage however, private data sources have to be used such as those provided by PwC in conjunction with other private sources.

Newspaper audience measurement

The classic means to measure the newspaper industry's performance are based more on measuring the newspaper volume and audience via the following indicators:

- **Number of Titles:** showing the number of different newspaper brands on the market.
- **Circulation:** Circulation is still one of the principal factors used to set advertising rates. Circulation figures show the number of copies newspapers distribute on an average day. Circulation is not always the same as copies sold, often called paid circulation, since newspapers are also distributed without cost to the reader or at heavily discounted rates. The number of unsold newspapers can be as high as one quarter of total print of circulation in countries such as France in which case mere circulation figures are not a good indicator of readership reach. Average paid circulation is obtained by dividing the total of all the paid copies during the period by the total number of issues.

In many countries, circulations are audited by independent bodies such as the Audit Bureau of Circulations to assure advertisers that a given newspaper does indeed reach the number of people claimed by the publisher. This is not true everywhere and the measurement of circulation and how audits are conducted differs between countries. Also the measurement of circulation might change through time making it impossible to construct comparable time series (in Australia in 2006, for instance). In the past, there were also several cases in OECD countries where newspapers were suspected of being involved in manipulations of their circulation figures to increase their advertisement revenues (United States, Korea, etc.). Countries with limited press freedom might also control and dictate published title and circulation figures.

The WAN provides international data on newspaper titles and circulation which it obtains from its members, *i.e.* national newspaper associations. Without its work, no readily available international data on newspaper audiences would exist. The quality of the data heavily depends on two elements: *i)* the quality of figures provided by national newspaper associations, and *ii)* which countries and newspapers are covered by the WAN data, as not all newspaper associations are members and not all newspapers are covered by national newspaper associations. In other words, non-members are not being covered. In certain countries such as Russia official circulation data is hence only available for a dozen leading titles. When new national associations join (in particular in non-OECD countries which happens regularly) or when new newspapers join a national association, this inflates national/global circulation figures.

- **Readership:** Readership is defined as the number of people who actually read a newspaper and is arrived at by asking people whether they have read a newspaper over the last days or another time period. Usually this is done via interviews or questionnaires conducted by market research firms (such as Scarborough in the United States and Canada) among a representative sample of the adult population by personal in-home interviews, using a combination of face-to-face and

self-completion questionnaires. Survey respondents are offered a list of titles and asked to identify the ones they have read in the last year. They are asked how often they read a title in a recent period, and whether they read it “yesterday” or longer-ago period.

Given the issues with circulation figures, after a certain point readership figures were found to be more reliable by advertisers. Also, they are now the preferred indicator of newspaper publishers as readership figures decline at a lesser rate than circulation figures. However, the survey-based nature of these figures means that figures depend heavily on sample size and methodology which differ greatly between and within countries. Also, this type of readership data does not tell advertisers a lot about whether their advertisement has been read and on which day and by whom. As a result, advertisers are not completely satisfied by figures provided by newspapers. However, for print newspapers few better metrics have been elaborated so far. One example is the Readership Institute at Northwestern University which goes beyond a simple number count, looking at the time a reader spends with the paper, how thoroughly the different sections are read and how many days a week.

The measurement of online news

The discussion concerning the measurement of online news can be split into two main issues.

Internet revenues and audience of online newspaper sites

To start with the easier one, it is of interest to find out the online revenues and online audience of newspaper Internet sites.

When it comes to online newspaper revenues, national statistical offices generally do not offer this type of data, as these do not break out by which medium revenues of the industry sector in question were raised. During our research for this study online revenue figures from an NSO could only be identified for one country, the United States as covered by the United States Census. A few newspaper organisations such as the *New York Times* publish these figures in their annual reports but this remains an exception. As a consequence, online revenues would have to be estimated by private sources. In reality, private sources mostly provide only figures on online advertisement as an approximation. These are still the bulk of their online revenues and hence acceptable. However, these usually never cover the online revenues (be they advertising or other forms of revenues) of online only publications (online only news providers, bloggers, etc.).

When it comes to measuring the audience of online newspapers (*i.e.* the audience of the Internet pages of newspaper organisations), usually metrics such as (unique) visitors to one webpage, page views and time spent online are used (see *OECD Information Technology Outlook 2004* and Box 11).

Revenues and audience of online news ecosystem

When it comes to the measurement of revenues or reach of online news altogether (*i.e.* direct and indirect revenues generated by online news by all different actors in the online news ecosystem, including online only news providers, Internet search engines, etc.) this raises many more conceptual and statistical problems which are impossible to solve. Similarly to other digital content sectors analysed by the OECD, it is however important to recognise that news generates more direct and indirect revenues than just the revenues of newspaper publishing organisations. This includes situations in which an Internet portal generates advertising revenues by attracting readers to its web pages via news or in which a smartphone and software provider generate revenue out of the sale of a Smartphone application for news.

Box 11. Newspaper Internet audience data

There are a number of Internet traffic measurement firms that have established themselves over the years (OECD, 2004 *Information Technology Outlook*) – ComScore, Nielsen Netratings and Experian Hitwise to name the most well-known ones. The newspaper associations themselves either partner with these firms or put up their own survey. The key metrics are visitors or unique visitors to a page and page views based on logfiles. There is a difference between visits and unique users – the former takes into account customer loyalty and return visits rather than just the number of people that have used the site at least once in a month. It is important not to compare these figures. The other major difference is methodology. Some figures are based on a survey/panel of users and then extrapolated to reach with the final figure (methodology 1), whereas other data is based on monitoring data collected directly from ISPs (visitors and page views) (methodology 2). A third way is through aggregation of data from individual newspaper organisations who monitor their own site (e.g. *The Guardian* reporting on its own web traffic) (methodology 3).

Online Internet usage data enables us to assess where users come from (over a portal, other news site, search engine, etc.) and where they leave to. It can be based on traffic monitored through data from ISPs (as in the case of most Internet traffic measurement firms).

The drawback of Internet usage data obtained via methodologies 1 and 2 is that business Internet users (most daytime use of the Internet by professionals) and traffic from public computers such as Internet cafés are often excluded. Often the data also excludes access from mobile phones or PDAs. Moreover, when available, demographic data is usually associated with the person in the household subscribing to the ISP, *i.e.* when a child surfs in a household this is accredited to the head of the household who is usually the actual subscriber.

Experian Hitwise

For the purpose of this study we rely on data provided by Experian Hitwise and in previous OECD studies (ITO, 2004). The Experian Hitwise data sample provides a good indication of the relative popularity of web usage in each country measured. It collects data from two sources. One is anonymous usage data collected from multiple Internet Service Providers (ISPs) in each market. The ISPs include some of the main ISPs as well as a geographically diverse range of middle-tier and small ISPs, representing both home and work usage. Sample sizes are very large, with around 10 million Internet users included in the United States and over 8.4 million in the United Kingdom, for example. The second source of data in the United States, Australia, United Kingdom and New Zealand is a supplementary sample of the usage of opt-in panelists. This supplementary data is used to provide demographic data.

Number of visits is the key metric used to calculate the percentages provided by Experian Hitwise. A “visit” is defined as a series of page requests by a visitor without 30 consecutive minutes of inactivity, identified by a collection of page requests from an IP address or a specific unique identifier grouped to form a visit. Most IP addresses analysed by Experian Hitwise are unique to an individual and do not serve more than one visitor.

Annex 2: OECD Policy Guidance on Digital Content

Box 12. OECD Digital Content Policy Guidance

Promoting an enabling environment

- Policies that encourage a creative environment that stimulates market and non-market digital content creation, dissemination, and preservation of all kinds.
- Policies that facilitate R&D and innovation in digital content creation, dissemination, and preservation, and digital content-related networks, software and hardware, open standards, and interoperability.
- Policies that help ensure that capital markets (e.g. venture and risk capital) work competitively in funding innovation and digital content ventures.
- Initiatives aimed at addressing shortages in skills, training, education and human resource development for the creation, distribution and use of innovative digital content.
- Policies that stimulate enhanced knowledge creation, dissemination, lawful use and preservation of different forms of digital content, (including access to information, research, data and publications), encourage investments in such creation, dissemination and preservation, and encourage global access to content regardless of language and origin.
- Policies that enhance access and more effective use of public sector information.
- Creating and ensuring an environment that promotes freedom of expression and access to information and ideas.

Enhancing the infrastructure

- Policies that encourage investment in new network infrastructure, software, content and applications.
- Policies that work to improve regulatory parity and consistent policy treatment across different, and in some cases converging, content delivery platforms (including next-generation networks), technological environments and value chains.
- Policies that encourage technology neutral approaches, interoperability and open standards development to address technological issues related to digital content creation, dissemination, use and preservation.
- Policies that improve applications for the delivery and use of digital content, including promoting effective management, preservation and dissemination tools that enhance access and use of different types of digital content.
- Policies that promote and enhance accessibility to digital content of all people regardless of location in order to realise the full benefits of the Internet economy and the global digital environment.

Fostering the business and regulatory climate

- Policies that encourage the development of innovative business models, the spread of best practices and the adaptation of value chains in the digital environment.
- Policies supporting non-discriminatory business and policy frameworks that reinforce competition.
- Policies that recognise the rights and interests of creators and users, in areas such as the protection of intellectual property rights, while encouraging innovative e-business models.
- Policies that provide incentives for the creation, dissemination, and preservation of digital content (e.g. through open innovation strategies, university-business collaboration, providing incentives for long-term research, and through intellectual property rights).
- Policies to improve information and content quality and accuracy; for example, policies that facilitate the use of tools to help creators identify and disseminate their works and users to identify and access specific information and works.
- Policies that improve online commercial transactions including mechanisms for payment and micro-payments, electronic signatures and authentication, and international interoperability of these mechanisms.
- Clarifying taxation issues as they relate to digital content products.

Source: *OECD Policy Guidance for Digital Content*, adopted at the Seoul Ministerial on the Future of the Internet Economy, June 2008.

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NOTES

¹ Statement by Paul Starr, Woodrow Wilson School, Princeton University, Hearing before the Joint Economic Committee “The Future of Newspapers: The Impact on the Economy and Democracy”, September 24, 2009.

² Given that individuals on their own might not take into account the long term benefits of consuming a classic merit good, governments may opt to shift the balance from under-consumption and/or underproduction. Economists recommend that government might have a role to prevent under-consumption of merit goods.

³ Statement by Tom Rosenstiel, Director, Pew Research Center’s Project for Excellence in Journalism, Hearing before the Joint Economic Committee, “The Future of Newspapers: The Impact on the Economy and Democracy” September 24, 2009, http://jec.senate.gov/index.cfm?FuseAction=Files.View&FileStore_id=8b7f354d-df55-462b-bdcc-e742e1c5ec5b.

⁴ In France, for instance, 73% are hired by the printed press, significantly more than by TV or any other media (CNRS, 2009).

⁵ Brunettia and Wederb (2003) and Schulhofer-Wohl and Miguel Garrido (2009). Alicia Adsera, Carles Boix, and Mark Payne (2003) in *The Journal of Law, Economics, and Organization* examine the relationship between corruption and free circulation of daily newspapers per person. Another analysis published in 2006, by Matthew Gentzkow, Edward L. Glaeser, and Claudia Goldin, suggests that the growth of a more information-oriented press may have been a factor in reducing government corruption in the United States between the Gilded Age and the Progressive Era. Other studies confirm the association between corruption and “free circulation of daily newspapers per person” (a measure of both news circulation and freedom of the press), both on the local and international level, in particular on government corruption.

⁶ Adserà, Boix, and Payne (2003), op. cit.

⁷ Schulhofer-Wohl and Garrido (2009).

⁸ Barber, Phil. “A Brief History of Newspapers”, *Historic Newspapers and Early Imprints*. 2002. www.historicpages.com/. Bethelsen, John. “Internet Hacks: Web News Cashes In”. *Asia Times Online*, April 2003. www.atimes.com/; “Newspapers: The Continent” *Columbia Encyclopaedia*, 6 Ed., 2003. Lindoo, Edward C. “The Future of Newspapers: A study of the World Wide Web and its relationship to the electronic publishing of newspapers.” May, 1998. www.localfreepress.com and Pfeffer, Robert J. “The History of News Media”. www.personal.psu.edu/users/rj/trjp2.

⁹ There is evidence for forms of recorded newspapers dating back to around 59 B.C. under Julius Caesar (The Roman *Acta Diurna*, informing the public about important social and political happenings).

¹⁰ CNRS (2009) and Mark Hunter (INSEAD) at the OECD meeting on the Future of News, June 2009.

¹¹ Although some national sources show somewhat different data, the data shown in Figure 1 are designed to be as comparable as possible.

¹² The industry’s value of sales in a particular year, adjusted for stock changes is measured by turnover. It measures the volume of operations, but overestimates an industry’s contribution to national income because it includes the value of inputs produced by other industries.

¹³ Not considering Australia for lack of data.

¹⁴ Taken from the Australian Press Council: “In 2008, weekday circulation in broadsheets was generally holding steady, while there has been decline in tabloid circulation; the decline being more apparent in Sunday newspapers. All of the metropolitan, and some regional and rural Sunday newspapers generally are suffering worryingly large circulation declines close to 6% for the higher circulation papers and around 4% for the others. Circulation for Australia’s major metropolitan dailies, when considered in total, has dropped in the last two years. However, the total drop in circulation between June 2006 and June 2008 was only 0.7%. The circulation for many publications is relatively stable, and some newspapers have actually enjoyed an increase in circulation in the same period. The factor that seems to have had the most profound impact on the decline in total circulation is the significant drops suffered by tabloid newspapers. Brisbane’s *The Courier-Mail*, Melbourne’s *Herald Sun*, Sydney’s *The Daily Telegraph*, Adelaide’s *The Advertiser* and *The West Australian* have all suffered marked reductions in sales in recent years.”

¹⁵ This is a conservative estimate as – given missing data - in the case of China we using the 2007 value for 2008 as well which is likely to be an underestimate.

¹⁶ See also Larry Kilman, Director of Communications, World Association of Newspapers in “Print Screen – Newspapers are holding their own”, in: *OECD Observer*, No 268, July 2008.

- 17 *Médiamétrie - Observatoire des dépenses médias et multimédias – Vague Mai-Juin 2008.*
- 18 In Poland publishers of national dailies reduced the circulation by only 5.2%, whereas publishers of regional dailies by
19 9%.
- 19 PwC (2009c).
- 20 “Local newspapers in peril - What happens when a newspaper disappears”, in: *The Economist* (23 July 2009).
- 21 *Bundesverband Deutscher Zeitungsverleger* (German newspaper publishing association).
- 22 Media Statistics Information System, [http://mediasis.kpf.or.kr/mediaStatistics/
sub_02_03.asp?strTypeCode1=101040](http://mediasis.kpf.or.kr/mediaStatistics/sub_02_03.asp?strTypeCode1=101040).
- 23 In the case of the United States we update with data from Scarborough Research available at [www.naa.org/docs/TrendsandNumbers/Why per cent20Newspapers per cent202008 per cent20FINAL.pdf](http://www.naa.org/docs/TrendsandNumbers/Why%20per%20cent20Newspapers%20per%20cent2008%20FINAL.pdf).
- 24 Care must be taken when comparing current figures with 2006 and earlier as there were significant changes in 2007 in the methods used by the Australian Audit Bureau of Circulation in assessing the number of newspapers sold, in the interest of greater accuracy. Consequently, caution should be exercised in making any conclusions about the trends between circulation up to 2006 and from 2007 on.
- 25 www.mediatoday.co.kr/news/articleView.html?idxno=80181.
- 26 One of the classic articles on the economics of newspapers is Reddaway (1963). See also Picard (2007).
- 27 In Canada television recently overtook newspapers as the prime advertising medium.
- 28 Annual survey by The Japan Newspaper Publishers & Editors Association (NSK)'s Managerial Analysis Section.
- 29 NAA: www.naa.org/TrendsandNumbers/Advertising-Expenditures.aspx.
- 30 Ibid.
- 31 PwC (2009c).
- 32 Figures from the Austrian Newspaper Association.
- 33 www.statcan.gc.ca/pub/56f0004m/56f0004m2008016-eng.pdf "How Canadians' Use of the Internet Affects Social Life and Civic Participation", Statcan 2008.
- 34 The annual reports of the World Editor's Forum (2008 and 2009) deal with e-readers in some detail.
- 35 "Bloggers. A portrait of the internet's new storytellers". PEW Internet & American Life Project 2006 Amanda Lenhart, Susannah Fox. The report is based on surveys of 4 573 Internet users and 233 bloggers, conducted between July 2005 and April 2006.
- 36 <http://people-press.org/report/479/internet-overtakes-newspapers-as-news-source>. This survey found that Americans are increasingly turning to online sources, as well as radio for their news, while going less to daily newspapers and television.
- 37 PWC / WAN - Consumers are willing to pay for online content. Two-thirds of respondents in a global survey said they were willing to pay for general news content online - and all are willing to pay for it in print, despite the advent of the free daily newspaper.
- 38 Younger, "Heavy Online News Consumers are Not Newspaper Readers", According to comScore Plan Metrix, Study Highlights the Importance of Extending Traditional News Brands to Online, Reston, VA, March 13, 2008.
- 39 www.nytimes.com/2009/05/04/business/media/04askthetimes.html?_r=1&pagewanted=all.
- 40 Australian Communications and Media Authority (ACMA), Telecommunications Today – Report 6: Internet Activity and Content, 2008, p. 18, <www.acma.gov.au/WEB/STANDARD/pc=PC_9058>.
- 41 <http://prorev.com/2009/08/study-only-3-of-newspaper-reading-is.html>.
- 42 www.digitalcenter.org/WIP2009/WorldInternetProject-FinalRelease.pdf and <http://annenbergl.usc.edu/AboutUs/News/090429CDF.aspx> Internet users report a large increase in time spent reading online newspapers, according to the eighth annual "Surveying the Digital Future" project conducted by USC Annenberg's Center for the Digital Future. In questions about reading online and print, newspapers found that Internet users read online newspapers for 53 minutes per week, the highest level thus far in the Digital Future studies. In contrast, Internet users in 2007 reported 41 minutes per

week reading online newspapers. The project also found that 22% of users said they stopped their subscription to a printed newspaper or magazine because they could access the same content while online.

⁴³ www.awa-online.de/ AWA Allensbacher Markt- und Werbeträgeranalyse Präsentation 2006.

⁴⁴ http://archives.lesechos.fr/archives/2008/LesEchos/20257-118-ECH.htm?texte=la_per_cent20presse_per_cent20quotidienne_per_cent20gagne_per_cent20des_per_cent20lecteurs_per_cent20malgre.

⁴⁵ There are many relevant academic publications on newspapers going online: van der Wurff and Lauf (2005), Walravens (2006), and other publications listed in the reference list of this study.

⁴⁶ There are many publications, blogs and other contributions on the topic of online news and the impact on journalism and the public at large. Some comprehensive publications are Salwen *et al.* (2005) and Allan (2006), for instance (see also extensive reference list in this study). The following paragraphs are however based on a broader reading of the literature and more recent contributions.

⁴⁷ <http://globalvoicesonline.org/about/>.

⁴⁸ See “Press freedom and the Internet”, in: *The Economist* (17 October 2009) showing how the Internet and bloggers in particular make censored material available when traditional media are bound by law to refrain from publishing or reporting information.

⁴⁹ Schechter and Manning (2008).

⁵⁰ “There is no new revenue model for journalism”, Robert Niles (12 January 2010), www.ojr.org/ojr/people/robert/201001/1812/. Others believe that there is only a future for “specialised publications”, “Rosenstiel, A Journalism Optimist — But It May Be a Long Wait”, <http://sustainablejournalism.org/weblog/post/1762/>.

⁵¹ www.hks.harvard.edu/presspol/publications/papers/discussion_papers/d47_davis.pdf.

⁵² “Rosenstiel, A Journalism Optimist — But It May Be a Long Wait”, <http://sustainablejournalism.org/weblog/post/1762/>.

⁵³ In a new Pew study in 2008, based on a large survey of news executives, two-thirds said their papers had reduced space for foreign coverage in the previous three years. See also Starr (2009).

⁵⁴ Starr (2009).

⁵⁵ www.presscouncil.org.au/pcsite/activities/guides/gpr284.html.

⁵⁶ Carr (2008).

⁵⁷ “Science and the Media – Securing the Future”, Science and the Media Expert Group to the UK government, January 2010, <http://interactive.bis.gov.uk/scienceandsociety/site/wp-content/uploads/2010/01/Science-and-the-Media-Securing-the-Future.pdf>.

⁵⁸ Many of the policy issues raised in the OECD participative web study (OECD, 2007a) are also relevant in this context, in particular matters related to information and content quality, copyrights and fair use.

⁵⁹ Text in French : « La plus grosse part est constituée d'une aide postale pour un total de 700 millions d'euros. Viennent ensuite les avantages fiscaux consentis sous la forme d'un taux de TVA réduit à 2,1% (200 millions) et de l'exonération de taxe professionnelle (200 millions). Les aides directes se montent à 280 millions d'euros, dont 110 millions d'abonnements de l'Etat à l'Agence France-Presse, 10 millions d'aide aux journaux à faibles ressources publicitaires tels que L'Humanité, La Croix et Libération, 44 millions d'aides à la modernisation de la presse d'information politique et générale. »

⁶⁰ In the 18th and 19th Century, federal US government supported newspapers by cheap postal rates, but this indirect aid was later dropped. See the statement of Paul Starr, Woodrow Wilson School, Princeton University, Hearing before the Joint Economic Committee “The Future of Newspapers: The Impact on the Economy and Democracy” September 24, 2009.

⁶¹ Statement by Steve Coll, US Senate Committee on Commerce, Science and Transportation, 6 May 2009. http://commerce.senate.gov/public/_files/SteveCollTestimonyFutureofJournalism.pdf.

⁶² Starr as in Notes. 1 and 57.

⁶³ “A non-profit model for the New York Times”, Penelope Muse Abernathy, at the Duke Conference on Nonprofit Media, May 2009.

⁶⁴ Donations of this type would be sent to a French state bank and would be earmarked by donors for distribution to a newspaper organisation of their choice.

⁶⁵ <http://blogs.crikey.com.au/contentmakers/2009/08/17/the-foundation-for-public-interest-journalism-board-announced/>.

⁶⁶ "The Reconstruction of American Journalism", A report by Leonard Downie, Jr., Michael Schudson, October 20, 2009.

⁶⁷ John F. Sturm, Newspaper Association of America, Hearing before the Joint Economic Committee, “The Future of Newspapers: The Impact on the Economy and Democracy” September 24, 2009, http://jec.senate.gov/index.cfm?FuseAction=Files.View&FileStore_id=451e8a45-ffb1-4e2d-8e3e-7e00cba1487b.

⁶⁸ Policy declarations and statements of the Newspaper Association of America, www.naa.org/Public-Policy.aspx, the European Newspaper Publishers’ Association (ENPA) and in particular its resolution at the Autumn General Assembly meeting in Seville, Spain (6 November 2009) http://enpa.webfabriek.be/uploads/Press_per_cent20Release_per_cent20Attachments/enpa_seville_declaration_6_nov_2009.pdf, the World Association of Newspapers and national newspaper associations.

⁶⁹ According to the NAA, in his Fiscal Year 2010 Budget, President Obama proposed allowing businesses to carry back net operating losses for 5 years instead of 2 years under existing law. This would allow businesses to apply current losses to prior year taxable income, providing a much needed infusion of cash at a critical time. While Congress included this provision in the economic stimulus package, it was significantly scaled back in conference and applied only to very small businesses. Most businesses, like many newspapers, do not qualify for this assistance. Legislation has been introduced in the House and Senate which would correct this problem and expand the net operating loss provision for the benefit of all businesses.

⁷⁰ <http://europe.ifj.org/assets/docs/221/190/e960add-177d2be.pdf>.

⁷¹ www.etatsgenerauxdelapresseecrite.fr/download/?lang=fr&mode=actualites&actualites_id=53.

⁷² Ibid.

⁷³ www.monjournaloffert.fr/.

⁷⁴ www.wan-press.org/pfreedom/rubriques.php?id=304.

⁷⁵ www.freedomhouse.org.

⁷⁶ www.freedomhouse.org/template.cfm?page=383&report=79&group=19.

⁷⁷ Federations of Journalists.

⁷⁸ The Reconstruction of American Journalism, Op. cit., p.59.

⁷⁹ Two newspapers in Minnesota are concerned. Allocations are paid out of a fund which helps workers deal with industrial transitions. Papers work with the University of Minnesota’s School of Journalism and Mass Communication to help staff adapt to an increasingly Internet-based industry.

⁸⁰ www.thefutureofjournalism.org.au/life-in-the-clickstream.

⁸¹ “Science and the Media – Securing the Future”, Science and the Media Expert Group to the UK government, January 2010, <http://interactive.bis.gov.uk/scienceandsociety/site/wp-content/uploads/2010/01/Science-and-the-Media-Securing-the-Future.pdf>.

⁸² www.ofc.gov.uk/shared_ofc/mergers_ea02/ofc1091.pdf.

⁸³

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/671&format=HTML&aged=0&language=EN&guiLanguage=en>.

⁸⁴ Recommendation CM/Rec(2007)3 of the Committee of Ministers to Member States on the remit of public service media in the information society, adopted on 31 January 2007 at the 985th meeting of the Ministers’ Deputies. In its Resolution on concentration and pluralism in the media in the European Union, the European Parliament has recommended that “regulations governing state aid are devised and implemented in a way which allow the public service and community media to fulfill their function in a dynamic environment, while ensuring that public service media carry out the function entrusted to them by Member States in a transparent and accountable manner, avoiding the abuse of public funding for reasons of political or economic expediency”.

⁸⁵ <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1072>, Communication from the Commission on the application of State aid rules to public service broadcasting as adopted by the Commission on 2 July 2009, for full text see http://ec.europa.eu/competition/state_aid/legislation/specific_rules.html#broadcasting.

⁸⁶ "The fall of Rome: Media after empire", A.N. Smith Memorial Lecture in Journalism 2009, Mark Scott, Managing Director, Australian Broadcasting Corporation, 14 October 2009, <http://blogs.crikey.com.au/contentmakers/2009/10/14/1300/>. See also www.abc.net.au/corp/pubs/documents/mark_scott_npc_address_10.09.08.pdf.

⁸⁷ Background paper at www.dbcde.gov.au/consultation_and_submissions/abc_sbs_review.

⁸⁸ www.minister.dbcde.gov.au/media/media_releases/2009/035. And "Strengthening Our National Broadcasters", www.dbcde.gov.au/data/assets/pdf_file/0016/112192/Strengthening_our_National_Broadcasters_web.pdf. The Government's national broadcasting review has affirmed the strong level of support for our two national broadcasters. The Australian public sees an important role for the national broadcasters over the coming decade – and the Rudd Government shares this commitment. In this environment, the national broadcasters should – as they have done for decades – provide content and programming that engages, connects and inspires all Australians. The value and relevance of their services is based on the quality and diversity of their content. Importantly, the national broadcasters should be able to deliver this programming and content across various technology platforms in response to audience expectations. (refer page 19, in the section Conclusion).

⁸⁹ See Note. 81.

⁹⁰ Ibid.

⁹¹ www.prospect-magazine.co.uk/article_details.php?id=10769.

⁹² OFT, Review of the local and regional media merger regime, Final report, June 2009 www.offt.gov.uk/shared_offt/mergers_ea02/oft1091.pdf and www.guardian.co.uk/technology/2009/jun/16/digital-britain-offt-rules.

⁹³ BDVZ.

⁹⁴ Several countries are taking measures. For instance, in the US two House Energy & Commerce subcommittees, the Subcommittee on Communications, Technology and the Internet and the Subcommittee on Commerce, Trade and Consumer Protection, held a joint hearing on online behavioral advertising and privacy.

⁹⁵ www.nytimes.com/2009/10/06/business/media/06adco.html?_r=1&ref=global-home Ethic.

⁹⁶ In many OECD countries' national copyright laws, copyrighted works may be lawfully discussed, excerpted, quoted, or parodied without the prior permission of the copyright holder (see a relevant discussion of copyright exceptions and limitations in OECD, 2007a).

⁹⁷ Newspaper organisations have a history in trying to prevent third parties from diffusing information services and preventing them to engage in electronic publishing (Boczkowski, 2005). In the 1990s, for instance, US newspapers lobbied against AT&T's efforts to diffuse news.

⁹⁸ The UK Newspaper Licensing Agency which has the mandate to authorise and gather licences from "paper and digital copying of press cuttings" has also emitted proposals to charge public relations agencies for links to newspaper sites. This suggestion has come under criticism.

⁹⁹ www.internet-manifest.de/.

¹⁰⁰ "Germany Looks at Ways to Protect Online Journalism", in: *International Herald Tribune* (Eric Pfanner), October 28, 2009.

¹⁰¹ Some Internet companies (such as Google), argue that newspapers can use existing technical measures and long recognised industry standards such as REP (See Box 10) to provide sufficient control over the way their content is crawled and indexed by search engines. They argue that newspapers can use technical measures such as REP to indicate to search engines and other web robots that they should not crawl a specific page and/or list it. They also argue

that it would fundamentally change the way the web works and that technical standards must be designed for the whole web (big publishers and small), not just for one subset or field. Furthermore, they argue that ACAP could have various unintended, adverse effects. For example, ACAP's extensions that allow web publishers to determine what appears as a snippet could be misused to undermine users' ability to find relevant information online and to facilitate distribution of spam and malware. By putting innocuous information in the snippet (*e.g.*, a travel destination), someone could attempt to attract users to a website that includes unrelated, unwanted, or harmful content. They also are concerned that ACAP could not be as easily applied across various types of content providers as REP. Major search engines including Google have thus refused to redesign their systems to implement the more extensive ACAP protocols to index content online. Google is however working with publishers to design more granular ways of control of how search engines display content on the basis of REP.

Publishers, on the other hand, do not see REP as a sufficient solution as they believe that it does not provide for sufficient granularity, is overly ambiguous, leaves interpretations of the permissions to crawlers, does not apply to crawlers or processes other than search engines and is ignored by a considerable number of "rogue" crawlers which do not comply with any standards. Therefore, in their view, the broader set of permissions in ACAP provide for greater opportunities to specify how their content can be used by all crawlers and processes, including those not yet invented, and that it is more suited to developing automated machine-to-machine transactions which will lead to innovation in content licensing business models and capabilities – and in turn creativity and investment. Some publishers assert that many crawlers do not respect REP, or identify themselves properly to websites, as compliance with it is voluntary. These publishers also point out that the issue of websites "cloaking" their true purpose as described above is already a problem on the Internet. Rogue websites will try to detect a search engine crawler and serve an innocent page which will create a misleading listing in search engines. When a human visitor visits a site, the site will serve them different content frequently containing spam or malware. Search engines such as Google already deploy measures to detect and prevent this type of "cloaking", including the use of special crawlers which masquerade as human visitors to check that the content is the same. In other words, publishers believe that this is not a new problem or a problem that is compounded by ACAP. Some publishers also argue that it is not a problem inherent to the capability within ACAP for publishers to specify the way in which they want their content to be treated. Publishers also argue that this problem should be addressed by joint initiatives to establish a framework to establish and manage trusted relationships between crawlers and websites. While ACAP is also voluntary, some publishers are working with some search engines to continue the ongoing development and implementation of ACAP and believe that if ACAP permissions clearly acquire the legal status of licences that compliance, innovation and investment in content will markedly increase. Finally, publishers disagree with the assertion that ACAP will fundamentally change the way the web works. Indeed, compliance with ACAP's permissions functions in a manner similar to compliance with REP; the real difference being that there is a broader set of permissions. Publishers assume that the assertion refers to the fact that search engines will have to adjust how they crawl content, which publishers do not equate with the world wide web generally and argue that such adjustments are consistent with publishers' exclusive rights granted by copyright.

¹⁰² www.mcst.go.kr/web/dataCourt/ordinance/instruction/instructionView.jsp?pSeq=167 .

¹⁰³ KONA has 12 member companies which include Chosun ilbo, JoongAng Ibo, Dong-A Ilbo, Kyunghyang Shinmun, Maeil Business Newspaper, Korea Economic Daily, The Hankyoreh, Seoul Shinmun, Kukmin Ilbo, Hankook Ilbo, Segye Ilbo, and ETnews.