

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of:)	
)	
Examination of the Future of Media)	GN Docket No. 10-25
and the Information Needs of Communities)	
In a Digital Age)	

COMMENTS OF THE FREE COMMUNITY PAPER INDUSTRY

Mid-Atlantic Community Papers Association and Association of Free Community Papers, on behalf of Midwest Free Community Papers, Community Papers of Michigan, Free Community Papers of New York, Community Papers of Florida, Community Papers of Ohio and West Virginia, Southeastern Advertising Publishers Association, Texas Community Newspaper Association, and Wisconsin Community Papers (collectively “Free Community Paper Industry”), appreciate the opportunity to bring our truly local, market-based perspective to the FCC’s Future of Media Proceeding. While some hold the opinion that merely studying the state of the interrelated spectrum of media may produce a “chilling effect”¹, we, instead find promise in an open debate of competing ideas, separating facts from clouds of common wisdom. We are most reassured by the Commission’s pledge in its Public Notice seeking Comment: “Moreover, the Future of Media project starts with the assumption that many of the challenges encountered in today’s media environment will be addressed by the private for-profit and non-profit sectors, without government intervention. We will remain mindful of the Hippocratic Oath of physicians, ‘First, do no harm.’”²

¹ Comments of The Progress and Freedom Foundation, GN Docket No. 10-25, May 5, 2010, at 10.

² FCC Public Notice, FCC LAUNCHES EXAMINATION OF THE FUTURE OF MEDIA AND INFORMATION NEEDS OF COMMUNITIES IN A DIGITAL AGE, January 21, 2010, at 2.

Community papers are also cautiously optimistic at the prospect of a robust report, with corresponding policy recommendations, not only informing matters before the Commission, but also being shared across agencies as well as with Congress and other jurisdictional parties. All too often, critical information is sequestered in competing silos and bad sausage is ground in a vacuum. We believe that the inclusive and transparent start of this proceeding has so far delivered a constructive roadmap for informed outcomes. The seemingly infinite debate on this topic should benefit from formal structure, Senior Advisor Steven Waldman's tongue in cheek comments duly noted: "I've now attended many, many conferences on the future of journalism. And I'm late to the game. There were, it seems, hundreds of conferences before I got into this field. This makes me think there's an obvious solution to the problems of journalism: Just charge a lot for participation in conferences about the future of journalism. That'll raise more than enough money."³

To that we'd add that collecting a penny from every blogger who has posted on topic might just pay down the Federal Deficit. Which brings us back to fundamentals of studying a vast, interconnected social and economic tapestry at the very intersecting moment of both the climax of an historic, world-wide cyclical economic collapse and evolutionary structural shifts advanced by digital technology. Surprising nobody who studies, advocates or actually makes a living daily in the vast business of media, the contemporary record holds conflicting Dickensian pronouncements of "best of times, worst of times," depending as much on ideology as on contested and otherwise incomplete data, and vantage of position in the media food chain. Correspondingly, there are calls from some for more government funding and intervention to combat the so-called collapse of media. From others the utter rejection of both the notion of state-of-collapse and new policies, along with the counter proposal of gutting regulatory regimes now on the books.⁴

That basic interplay flows through many of the arguments, studies and statistics found in the Commissions "suggested reading list" for this proceeding.⁵ Seemingly robust, diverse and inclusive, the bulky collection of one hundred thirty-two (132) different titles had not one recommended reading

³ Prepared Remarks by Steven Waldman, Senior Advisor to the Chairman, Federal Communications Commission, before the Free State Institute at the National Press Club, April 16, 2010. <http://reboot.fcc.gov/futureofmedia/blog?entryId=377886&sblog=y>.

⁴ PFF Comments at 70.

⁵ Christopher Clark, Special Assistant to the Future of Media project, A Collection of Studies on the Future of Media, January 16th, 2010, <http://reboot.fcc.gov/futureofmedia/blog?entryId=107343&sblog=y>.

substantially dedicated to the longstanding role and function of free community papers in their local media ecosystem. More accurately, no study gives even a hint of the mere existence of our \$4 billion industry and the over one hundred million (100,000,000+) copies we collectively share with communities across our country each week. Worse yet, those that touch on policy central to our unique business interests including issues of postal rates⁶ and legal advertising⁷ not only leave our industry out, but get the story more than partially wrong.

The most troubling instance in this narrative of omission comes from within perhaps the most influential study in the bunch, at least in terms of sheer ubiquity, and that is the perpetually cited *How News Happens: A Study of the News Ecosystem of One American City*, also referred to as “The Baltimore Study.”⁸ This worthwhile enterprise and compelling approach were fatally undermined by the failure to find two thirds (2/3) of the newspapers reporting and circulating in the study’s self-designated “media universe,” geographically, the Baltimore, MD, metropolitan area. Had they added the contributions from the at least eleven (11) papers they missed, to that of the six (6) they did track down, they would have found another interesting facet of the “best of times, worst of times” argument, where both positions are simultaneously bolstered.⁹ Our focus here, however, is the staggering undercount of community weeklies serving their neighborhoods in print for decades and often longer, overlooking also the websites of the same, while successfully tracking down ten (10) “New Media/Blogs.”

⁶ Cowan, Geoffrey, & Westphal, David (2010, January). *Public Policy and Funding the News: Report* (Center on Communication Leadership & Policy Research Series, USC Annenberg School for Communication & Journalism). Available at http://www.fundingthenews.org/pdf/public_policy_report.pdf, pages 8-9. See Also: Nilikantan, Rahul (2010). *Postal Subsidies. Public Policy & Funding the News: Working Paper* (Center on Communication Leadership & Policy, USC Annenberg School for Communications & Journalism). Available at <http://www.fundingthenews.org/pdf/CarnegiePostalSubsidy.pdf>. According to the Postal Regulatory Commission, in their March 29 report, Periodicals are currently charged 76% of cost, reflecting a discount of 24%. One could argue true costs are lower, but that is a separate matter. It should also be noted that the total dollars of shrinking subsidies has as much if not more to do with the diminishing volumes being mailed in that category. Simply put: You can’t get a 24 cents back on a dollar you don’t spend. Further, it should be made clear that while ECR flats, which includes Saturation and High Density, does have one of the highest mark ups in the system, the Free Community Paper Industry is a major rate payer of that 239.6% of cost, and paid daily newspapers are using High Density for their free advertising supplements, and not their pay-to-read news products.

⁷ *Ibid*, pages 9-10. Also see: Weber, Matthew (2010). *Insult to Injury: The Disappearance of Public Notices in U.S. Newspapers. Public Policy & Funding the News: Working Paper* (Center on Communication Leadership & Policy, USC Annenberg School for Communications & Journalism). Available at <http://www.fundingthenews.org/pdf/CarnegiePublicNotice.pdf>. As we detail at 11, efforts are being made to Reform Legal Advertising Laws that will keep them in print -- but those efforts are both opposed, and generally not reported on by the current beneficiaries of massive sums that can, and have been tabulated across local government entities statewide in Pennsylvania.

⁸ Pew Project for Excellence in Journalism. (2010, Jan. 11). *How News Happens: A Study of the News Ecosystem of One American City*. Available at http://www.journalism.org/analysis_report/how_news_happens.

⁹ Of the eleven papers operating in the Baltimore, MD, metropolitan area that were not included in the study, seven are under the common ownership of Tribune Co., and four are independent. The latter group is serving up original reporting and news of interest to their hyper-local communities, the former largely repurposing across shared titles.

Our concern here is not trivial, and we are not diminishing the importance of the expanding enterprise of mapping online news ventures. Work in that area at the Donald W. Reynolds Journalism Institute by Michelle McLellan on her project, “Promising Local News Sites,” led to the listing of one Texas free community paper publishers’ website “Community Impact” under her sixth category, “Local News Systems.”¹⁰ In turn, that same publisher’s print and online success was celebrated by The Nieman Journalism Lab in a piece duly noting that “Print Ain’t Dead.”¹¹ While we applaud what may be a growing recognition of select members of our industry, we must also note that they are not exactly rare bird exhibits in the larger media zoo.

Our papers play an integral role in nearly every community’s local media ecosystem,¹² and an ever-growing number offer an evolutionary model counterpart to the ongoing experiment at the Christian Science Monitor.¹³ While that print daily shifted to online daily and print weekly, community weeklies are increasingly taking the next steps in organic growth, offering more content twenty-four-seven.

Any investigation into the “Future of Media” must start with an accurate accounting of enterprise operating on the current landscape. A thorough census of each media segment and its representative outlets should be taken, striving toward the most localized levels achievable. That data will be critical if the Commission is to be true to its pledge to: “First, do no harm.” Moreover, that informed understanding of local media ecosystems may well reinforce the prognosis and prescriptions offered by the Free Community Paper Industry.

Based on our daily engagement with the small businesses on Main Street, USA, the decline in local print advertising volume and revenue is primarily cyclical, a self-reinforcing consequence of the broader economic meltdown. Classified advertising has been impacted to varying degrees by digital offerings, much more so at paid dailies, but that phenomenon is often as over-simplified as the de-

¹⁰ Michele McLellan, More sites: Aggregators, news systems, minis, Updated April 7, 2010, <http://www.rjionline.org/projects/mcellan/stories/community-news-sites/best-of-the-rest.php>.

¹¹ Laura McGann, Print ain’t dead: How an ad-man-turned publisher is building a local news empire profitably in Texas, April 7, <http://www.niemanlab.org/2010/04/print-aint-dead-how-an-ad-man-turned-publisher-is-building-a-local-news-empire-profitably-in-texas/#more-14540%23more-14540>.

¹² The best starting point for anybody seeking information about the Free Community Paper Industry is here: <http://www.paperchain.com/> Of the estimated one hundred million plus weekly circulation, 65,187,292 is independently audited, searchable, and affiliated with one or more of the sixteen state, regional and national trade associations of our industry.

¹³ Jim Barnett, What advocacy nonprofits can learn from The Christian Science Monitor, April 27, <http://www.niemanlab.org/2010/04/what-advocacy-nonprofits-can-learn-from-the-christian-science-monitor/>.

clines in so-called paid circulation and the perpetual tarring of all print publications with the brush of the handful of media corporations that failed for very specific reasons. The printed newspaper is not dead, nor are most dying. Those that launched as, or have subsequently embraced the free distribution model, continue to grow both in print and online.¹⁴

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Standing on the Corner of Gutenberg and Main Streets

Free Community Papers offer a locally based perspective like modern Town Criers, and we carry that torch into the digital age. For generations our publications,¹⁵ alongside our peers in radio and television, have provided news and information free to citizens in virtually every community in the land. Together, we have competed in the local media ecosystem for audience and advertisers with another

¹⁴ Community Papers' Circulation Audits Give Reason to Cheer -- Latest Numbers: Wide, Deep & Stable, October 23, 2009, <http://www.fcpny.com/component/content/article/1-latest/115-community-papers-circulation-audits-give-reason-to-cheer-latest-numbers-wide-deep-a-stable>.

¹⁵ Victor Jose, *The Free Paper In America: Struggle for Survival*, 2000. The emergence of free community papers became increasingly common with the establishment of Third Class Mails in 1928, but free paper publishing pioneer Victor Jose notes in his treatise on the industry that the explosive growth and real birth of an industry came with the wave of returning veterans of World War Two who came home to plant publishing flags in their own hometowns, in service to the obvious local communications needs.

legacy model that has historically been able to monetize both sides of the transaction.

From our truly local and entrepreneurial perspective, there is no doubt that public and commercial adoption of high speed internet, and the emerging functions it enables, revolutionize communications by the day. The inherent threats did not arrive overnight, nor have burgeoning opportunities begun to be harnessed to their fullest. Doubtless, too, is the probability that the business model reliant on both selling information and reselling those who purchased that information, will be disproportionately disrupted near term in an open access digital world.¹⁶ Assessing collateral damage, cause and effect from inside the broadest, deepest economic downturn in generations is precarious and problematic. The distortions natural to this vantage will inevitably diminish certain historical trends and exaggerate the role of the immediate.

The current state of affairs, as expressed in the common wisdom narrative of “crisis in media,” sometimes whispers brief mention of the current economy and over-leveraged media companies albeit in the same sentence. From our firsthand view from Main Street, these conditions are much more than bonus context, and in reality they are paramount.¹⁷ Only from a full appreciation of the magnitude of global economic implosion and decades of unbridled consolidation¹⁸ can we begin to rationally assess the true

¹⁶ Paid newspapers are one of the very few business models that have been able historically to monetize on both ends, collecting coin from the reader and the advertiser -- selling business the readers they actively solicited to pay. They burned the candle on both ends through emergence of free radio, free television, free newspapers and even the early moments of free internet. Often missing in the tales of paid circulation decline is the fact that the bulk of “paid circulation” had always been aggressively sold to -- and not actively sought and bought by -- their “paid readership.” From inception with competing downtown hawkers, through the golden days of paper boys aggressively canvassing neighborhoods for subscriptions, then impersonalized with even cheaper and less effective telemarketing done in-house, followed by outsourcing that task to places where the product name, not to mention a prospective “paid” reader’s own name, would not roll easily off the native tongue. When Do-Not-Call became law, the enterprise of monetizing circulation took another hit. While some companies shifted to Direct Mail solicitation marketing with premiums, discounts and feature the savings in Sunday coupons, many are failing even that investment. The point is this: So-called “paid circulation,” even that at a fraction of cover price -- and one penny can now be certified by Audit Bureau of Circulations as paid -- circulation at any price has been falling decades before, and quite independently of the internet.

¹⁷ Staggering debt has been reported on in terms of profitability, lack thereof and the rash of bankruptcies. But what role does it play and what ratios exist between funding journalism and paying down debt? Moody’s Investor Service issued this alarm, June 04, 2009: “Currently, a structural disconnect exists in the newspaper industry’s cost structure. Just 14% of cash operating costs, on average, are devoted to content creation -- the primary value creation activity -- while about 70% of costs support the print distribution model and corporate functions....The overall imbalance limits the industry’s flexibility to overcome competitive threats.” “Last year, we did almost \$40 million EBITDA, but our debt service is \$40 million also, so we’re in kind of a covenant default,” Brian Tierney said in January, 2009. Although Tierney had assembled \$150 million in cash from Philadelphia investors to buy the Inquirer, Daily News, online holdings and numerous free community papers, under the umbrella of Philadelphia Media Holdings -- the new company still borrowed some \$350 million to outbid its competitors. “1978 Called. It Wants Its Newspaper Back,” By Steve Volk, January, 2009, Philadelphia Magazine.

¹⁸ The State of The American Newspaper: The Selling of Small-town America, Mary Walton, May 1999, American Journalism Review, <http://www.ajr.org/Article.asp?id=3245>

impact of the internet on current market realities, and build hope for a vibrant tomorrow.

Everyone agrees that advertising dollars are being spent in the expanding digital universe. However, the overwhelming percentage of real dollars remain in traditional places even as advertisers test numerous and diverse platforms. Regardless of medium, legacy or emerging, those advertising will seek and reward solutions that offer the best return on investment. The role the internet plays here is not so much in generating an endless “supply of advertising locations” which by immutable laws of supply and demand automatically drive down all revenue everywhere. Without traffic, the billionth website is irrelevant to pricing the aggregate. But what the internet has done has been to provide better tools to test comparative ROI on the digital landscape by professionals as well as allow for blunt testing of old and new media advertising by the average citizen. Ground zero here has been classified advertising, a category hit disproportionately hard at many paid daily newspapers. We dispute the common wisdom’s causality of “a much larger, nationwide network of potential purchasers and sellers online,” because most classifieds are actually placed for local goods and services. And believe it or not, classifieds remain a robust staple in free community papers nationwide.

What we are actually witnessing today in realtime is the miracle bubble of consolidated media bursting in the eye of the perfect economic storm. The condition of classified advertising serves as a profound illustration of the complex intersection of enabling technology and monopoly position as both a strategy and a crutch. It’s worth the travel back a decade or so, and look at the happy forecasting based on classifieds at enterprise websites version 1.0. Those sites opened the door to free content, generally repurposed from the paid print edition, and the cash support was pouring in from classifieds. Many were giddy at the prospects of expanded audience from a cheap platform, taking for granted that those who were still paying to read wouldn’t catch on, and neglecting the fundamentals beneath the first wave of digital dollars.

In reality, the early, happy internet revenues were almost all based on forced-combination ad packages and online listing upsells from existing customers of their print classifieds. These were largely not new dollars from new clients or proactive internet adopters, but merely more milk from the same cows in force of habit and trust in an expanding economy. Exuberant projections on future online revenues came nonetheless, market capitalization was at high tide, and the frenzy of consolidation accelerated. The de facto local print monopoly became the regional print juggernaut, dictating terms to those still

doing well and not prone to protest or change.

From the beginning many were charging far more than the value they delivered online, and the most savvy of commercial advertisers started to figure that out. The same value proposition had been true in print for quite some time, and the internet had a significant role in exposing that fact as well. What the “blame it all on Craigslist” excuse misses is the testing and adoption process of their former private-party clients. Those selling cars or planning yard sales were often in the habit of placing that same ad in both the dominant daily and the hometown community weekly. Most consumers never bothered to track their response rate, but when they began to add the new “what the heck, it’s free -- let’s try it” option, the internet provided them both a new tool and basis for comparison.

For many, it also triggered a curiosity to finally see what they were really getting for their money. As you’d expect in a household experiment, they tested against the most expensive option, the one priced five to ten times higher than the next. What we’ve seen these last few years is that the combination of the free and the ten to fifteen dollar classifieds continue to provide ample value as measured in retention, while same-market dailies’ seventy-five dollar and higher classified ads steadily dropped from the average household’s value equation.

Back on the commercial advertising front, when the broader economy went off its rails, and the three biggest boxcars of automotive, real estate and recruitment crashed onto the barren landscape, the very foundation of professionally placed classified advertising imploded. The devastation across these high margin categories is primarily a cyclical event caused by broader economic forces, however as broader recovery gains momentum, budgets may never reach once exuberant levels. Moreover, expectations on future advertising investments will be even greater. Those expectations will be matched by keener appreciation of ROI, and better tools to track it, even on the local level.

Our Future Depends on an Open, Nondiscriminatory Internet

As we previously expressed for the record in Comments¹⁹ and Reply Comments,²⁰ we firmly believe

¹⁹ Comments of the Free Community Paper Industry, In the Matter of: Preserving the Open Internet and Broadband Industry Practices, January 14, 2010.

²⁰ Reply Comments of the Free Community Paper Industry, In the Matter of: Preserving the Open Internet and Broadband Industry Practices, April 8, 2010.

that an open and nondiscriminatory Internet is critical to fair competition and the survival of the local media ecosystem. However, the history of traffic tampering among major ISPs on record before the Commission, along with their formal assignment of the euphemism “line-of-business” for such discriminatory practices, remains disturbingly compounded by that industry’s widespread adoption of Deep Packet Inspection technology (DPI). As we shared before, the breathtaking investment in and deployment of DPI, which has the robust capacity to turbocharge these “lines-of-business,” is the clearest possible signal of intent to meddle from within otherwise opaque operations.

The recent possession of these powerful new tools and the demonstrable intent to leverage their full capabilities now greets an already deficient status quo operating within a concentrated market. The majority of communities our publications serve are dominated by ISP monopolies and duopolies, where consumers must settle for the “best effort” internet experience which delivers the qualified vagaries of “speeds up to....” Formal obligations on speed are generally discharged in their collective terms of service, which simultaneously preserve sweeping rights to deny service, deny content access and also tamper with the end to end transport of legal data.

Under current law and real world conditions, a reader who paid their internet service provider in full, goes to the website of a publisher current on their bills, too, clicks on an ad or a news video and getting deliberately degraded speeds, or even a broken link, would still be getting what they paid for under most terms of service. And unlike the brazen Comcast throttling deemed legal by the Federal Courts, under the sublimity of the mundane, neither publisher nor audience would have a clue what is beneath the phenomenon. Meanwhile, any wait for relatively common content that evokes the theme from Jeopardy risks being ultimately abandoned, with the visceral assignment of deficient quality of service landing on the publisher. Needless to say, that is a catastrophic scenario from our business standpoint.

While nobody we’ve surveyed has seen a published rate sheet associated with the “line of business” of collecting new payments to forestall intentional degradation of traffic speeds, or new privileges of having content load faster than that of designated competitors, we can only assume pricing for this planned profit center would favor outcomes for the best capitalized players. The future of our industry’s collective enterprise depends on our readership having uncompromised access to our digital offerings. No shortage of major players, from legacy media to data aggregators, are just now “discovering” the

promise of serving our neighborhoods' news and advertising needs. We welcome that competition in the realm of tangible factors including quality of content, superiority of customer service and compelling design, utility and innovation.

Safeguards Against Anticompetitive Newspaper-Broadcast Cross-Ownership

Our Industry continues to actively oppose the gutting of safeguards that ensure a modicum of healthy competition in local media markets characterized by a single monopoly daily newspaper and broadcast outlets consolidated under the ownership of a few major players. Our member publishers delivered compelling, first-hand accounts of their David vs. Goliath battles on Main Street, imploring the Commission to deny nuclear superpower status to their already outsized rivals, in panel testimony at FCC Hearings in Nashville, TN, Harrisburg, PA, Tampa, FL, Chicago, IL, and a Commissioner attended forum in Philadelphia, PA.²¹

We also filed extensive Comments in the last Media Ownership Rulemaking, detailing the anticompetitive ambitions and historically predictable consequences of cross-media consolidation²² while redefining the local media ecosystem in terms of real, inhabited communities, as opposed to proponents' renderings of statistical abstractions.²³ We also debunked the hyperbole and filleted the red herrings tossed at technological transformation.²⁴ For all the hype then and now, internet-only news consumption is a habit shared by a mere two-percent of the total population.²⁵ Drilling down to local use by local folks, of local sites, the advocates for cross-media monopolies continue to share dominance of that platform as well.

²¹ Gary Cunningham, Publisher, GCA Publishing, Nashville Community Newspapers, FCC Hearing Panel Testimony, Nashville, TN, December 11, 2006; Jim Haigh, Mid-Atlantic Community Papers Association, FCC Hearing Panel Testimony, Harrisburg, PA, February 23, 2007; Steve Erlanger, Publisher and Chief Operating Officer, Hometown News, FCC Hearing Panel Testimony, Tampa, FL, April 30, 2007; Patrick Manteiga, Publisher, La Gaceta, FCC Hearing Panel Testimony, Tampa, FL, April 30, 2007; Victor Jose, retired Publisher and Author, The Free Paper in America, FCC Hearing Testimony, Chicago, IL, September 20, 2007.

²² Reply Comments of the Mid-Atlantic Community Papers Association, January 16, 2007, to the FCC, 2006 Quadrennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996; MB Docket No. 06-121, at 4.

²³ Id at 7.

²⁴ Id at 11.

²⁵ Laura McGann, Loving mobile and print: Five key findings from Pew's new news study, March 1, Nieman Journalism Lab, <http://www.niemanlab.org/2010/03/loving-mobile-and-print-five-key-findings-from-pews-new-news-study/>.

In the last decades, the largest players eliminated their competition in a continuous series of acquisitions, adding link after link to daily chains and then forming wholesale regional clusters buttressed by paid and free weeklies. Our members compete with these regional print powerhouses, and from our hands-on perspective in these highly concentrated local markets, our communities cannot withstand the blunt force trauma of bold, new cross-media monopolies. Such unrivaled market force, and the corresponding tools for leverage, will obliterate all remaining prospects for fair competition.

These critical safeguards are the last plug in the dam holding back the final flood of local mergers and acquisitions, which would ultimately force what remains of independent local media to merge for their survival or starve to extinction. The entire local business community will suffer higher rates and fewer effective advertising options, while the community at large will lose another prominent, tangible voice.

Open the Legal Advertising Market to Competition

We estimate that legal advertising in all forms, across all levels of government and private sector mandates, easily exceeds \$1 Billion annually in the U.S. Virtually all of those dollars, funded by taxes as well as direct compulsory payment by businesses and private citizens, legally pour into one specific business model: Pay-to-read print newspapers. The legalized monopoly on legal advertising would seem to be a case on point for the Progress and Freedom Foundations' concerns that "the State will subsidize failure and encourage industrial protectionism."²⁶ Meanwhile, the call for reform and modernization of legal advertising markets has been actively supported by national groups on the progressive side of the political spectrum.²⁷

This extensive category of classified advertising carries explicit mandates for not only what, but also where governments, businesses and private citizens must advertise their estate notice, articles of incorporation, house foreclosure and sheriff sale, school budget, municipal meeting among a mind-numbing list of must-purchase advertising that varies from federal, to state to community. Currently the majority of states have laws, often written a generation or more ago, that require all such legal advertising and public notice be placed only in pay-to-read newspapers. This effectively grants one subset of media,

²⁶ PFF at 19.

²⁷ Free Press Letter to Pennsylvania House Judiciary Committee Chairmen, April 20, 2009, in Support of Legal Advertising Reform, HB 677.

and a particular business model, an exclusive monopoly on this content, and correspondingly a guaranteed revenue stream exceeding one billion dollars annually.

Matthew Weber accurately notes that numerous proposals have been made across the country to modernize the current process,²⁸ but his thumbnail sketch suggests that online posting has been the only option introduced or debated, and that cost is the sole concern of those mandated to advertise. Neither case is actually true: Free Community Papers have been working diligently with local governments, small businesses and state legislators for years on end to amend dusty old laws to finally include audited free circulation and thus address the primary concern of ever-dwindling audience reached now.²⁹ The secondary concern, reducing the inflated, and ever-increasing costs associated with monopoly market pricing³⁰ would also be remedied by robust competition from an open marketplace of bona fide advertising providers.

Back in 1940, James E. Pollard, Ph.D. authored the most comprehensive study to date on topic and lamented: “Even casual examination will show the great variety and utter lack of uniformity in these statutory definitions of what constitutes a newspaper for legal purposes.”³¹ Today, that cobbled hodge-podge of statutory inconsistency remains excepting one common theme: The disproven presumption that citizens only read what they pay for. Access to this massive, but currently exclusive revenue stream, would allow free papers to further enhance and expand on our committed service to our communities.

Taxing Advertising Would be Catastrophic

Any form of policy recommendation from the Commission to set about taxing advertising would oblit-

²⁸ Weber, Matthew (2010). *Insult to Injury: The Disappearance of Public Notices in U.S. Newspapers*. Public Policy & Funding the News: Working Paper (Center on Communication Leadership & Policy, USC Annenberg School for Communications & Journalism). Available at <http://www.fundingthenews.org/pdf/CarnegiePublicNotice.pdf>.

²⁹ An illuminating case study can be found here, with comparisons of the staggering disparities in audited circulations as well as cost savings. <http://freepaperpolicy.wordpress.com/legal-advertising-reform/>.

³⁰ Id - See footnote #4 for a shocking display of monopoly price gouging at work: Same paper billing two different communities, one with the option to shop around, the other held hostage. Guess which pays more, and by what multiples!

³¹ James E. Pollard, Ph.D., *The Newspaper as Defined by Law*, Ohio State University Press, 1940.

erate its primary pledge: “First, do no harm.” Among all of the ideas put forth so far in this proceeding, this from our perspective is the worst. While some of our member publishers have been forming fruitful relationships with their local peers in non-profit community media³², many greet the prospect of new torrents of public funding for new outlets that will compete directly with them in-market for both audience and advertising as a cause for concern.³³ However, funding the same by taxing advertising revenues is unanimously and unequivocally opposed by the Free Community Paper Industry.

Whether by sales tax, or gross receipts tax, or by more byzantine machinations in IRS Code to siphon away from deductible business expenses from our advertisers, such schemes would cause immediate and irreparable harms before the cascading perils of unintended consequences could even be counted. The Mid-Atlantic Community Paper Association, along with our competitor-peers across the spectrum of media and numerous, diverse stakeholders in the small business community are currently battling a proposed tax on advertising in Pennsylvania. Our industry is galvanized to oppose similar emerging threats in other budgetarily-challenged States.

Regardless of geography, advertising has a demonstrable multiplier effect in the economy. Each dollar spent on advertising compounds activity across multiple direct and indirect tiers of the economy, in some cases ten-fold and more.³⁴ The flip side of that complex equation is the chain reaction that follows decreased spending on Advertising: Lost Sales and Lost Jobs. And as we’ve learned from our Community Paper Publishers here in Pennsylvania, an Ad Tax will lead to steep reductions in Advertising from the Mom & Pop merchants already struggling on Main Street.³⁵

Further analysis of the proposed ad-tax-scheme in Pennsylvania offers a case study in both unintended and counter-intended consequences.³⁶

³² see page 14.

³³ any content produced with tax dollars must be available under Creative Commons or similar sharing agreements, the Pro Publica model is a perfect example where a consensus might be reached.

³⁴ Global Insight, Inc., The Comprehensive Economic Impact of Advertising Expenditures in the United States, Report Prepared for The Advertising Tax Coalition, October 28, 2004.

³⁵ Jim Haigh, Proposed Pennsylvania Ad Tax Would Be a Dubious First in Nation, February 23, 2010, <http://freepaperpolicy.wordpress.com/2010/02/23/proposed-pennsylvania-ad-tax-would-be-a-dubious-first-in-nation/>.

³⁶ Jim Haigh, Ad Tax Could Result in Net Loss to PA, March 2, 2010, <http://freepaperpolicy.wordpress.com/2010/03/02/ad-tax-could-result-in-net-loss-to-pa/>.

Community Engagement

Our publishers continue their evolution into multi-platform media companies, where the traditional weekly print publication is bolstered by increasingly robust and timely online content. We, like all industries, are experimenting with revenue models at the individual business level, in the formation of various networks and investigating third-party partnerships both on and offline. Online, publishers are boosting community engagement with social media, tweeting breaking news, local events and the arrival of the latest edition. Publishers are getting story leads and even new advertiser requests, while readers are having more input through the mutual interaction with fans on facebook. Those hosting blogs are finding fresh ways to engage and foster community dialogue.

One interesting and potentially promising area of community engagement is happening through partnerships with our peers in local, nonprofit community media including Low Power FM and Public Access Television.³⁷ In Philadelphia, University City Review has teamed up with LPFM Community Radio Station 88.1 WPEB FM to produce the UC Review Community News Hour. The program is hosted by Editor and Publisher, Bob Christian and Staff Reporter, Nicole Contosta. Each week they provide neighborhood news, a calendar of events, as well as newsmaker interviews with many of the interesting people in their West Philadelphia community.

In our Nation's Capitol, Washington Informer Publisher, Denise Rolark Barnes hosts area leaders and newsmakers for in-depth discussions of the most pressing issues in her community on her program, Washington Informer News. Each week, viewpoint and perspective on politics, social issues, public and community affairs can be seen on DCTV, Comcast Channels 95 and 96, RCN 10 and 11, and Verizon

³⁷ While no coordinated effort has been made to catalogue these partnerships between our industry and our community media peers, anecdotes across communities attest to mutually beneficial relationships in other cities. Promising areas include the Twin Cities area where Community Papers have partnered with both PEG, the Saint Paul Neighborhood Network (SPNN) to produce public affairs television content for Twin Cities audiences, and the Daily Planet: "At the Twin Cities Daily Planet, which is an online community news and participatory journalism website, we have over 50 media partners, which includes community papers in the Twin Cities, community radio station KFAI who use our headlines, and two cable access partners, MTN in Minneapolis and SPNN in Saint Paul. And we have a blogging function as well, so anyone can set up an account (it's free!) in our website and start blogging away - and that content can be re-purposed for our media partners as well. We even have a few elected officials who post blogs on our website!" shares Ann Alquist, Community Engagement Coordinator, Twin Cities Media Alliance

10. No formal census has been taken within our industry on for-profit/nonprofit media partnerships like these case studies with LPFM and PEG, but their success merits additional exploration. More so, considering that the Local Community Radio Act appears closer to passage than ever.

Again, the Free Community Paper Industry appreciates the opportunity to bring our truly local, market-based perspective to the FCC's Future of Media Proceeding. Much has been said, and will continue to be said about this most important topic. Meantime, we're doing it day by day in nearly every community in our great land. We hope the Commission gains insight from our perspective, and shares both our policy hopes and concerns with appropriate entities of jurisdiction. In conclusion, we remind the Commission of its pledge for this proceeding: "We will remain mindful of the Hippocratic Oath of physicians, 'First, do no harm.'"

Respectfully submitted,

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