Resolution #79A-23-04

Fighting for the News Our Communities and Members Deserve

Local news is facing a crisis. Since 2004, over 2,800 newspapers have closed their doors in the United States, and overall newspaper employment has fallen by over 57%. Consequently, hundreds of areas now lack access to credible news that is necessary for a democracy to thrive. These "news deserts" have developed in poorer and frequently rural regions, creating a divide between those who have access to local news and those who do not.

This decline of local news leads to identifiable losses for communities. The actions of government officials are not covered. Budgets and contracts are approved with little outside scrutiny. Political corruption, corporate greed and private wrongdoing increase in the absence of local news.

As news outlets close or cut jobs, residents rely more on cable television and the internet for their political coverage, and both sources focus on national issues. As a news source, social media is self-selective and reinforces ideological silos and partisanship.

With less news coverage comes less civic engagement. Voter turnout declines. Fewer residents attend public meetings or volunteer for local charities.

Two culprits share responsibility for this news industry crisis: the stranglehold that giant tech platforms have on advertising and the Wall Street driven consolidation of news ownership.

Meta (Facebook) and Alphabet (Google) have grabbed the lion's share of digital advertising over the last two decades, depriving news companies of an important revenue stream. News industry advertising revenues have declined 80% since 2004. The reasons behind this migration are evident: due to the size and reach of the platforms, they can garner more attention at substantially lower costs. The comparative pricing is due not to better business practices but instead to scale, monopolization, and predatory business practices. Facebook and Google together capture about half of all digital advertising revenue.

Meanwhile, the financialization of news has aggravated the local news crisis. Private equity (PE) now controls four of the five largest news chains and half of all daily news circulation. PE loads companies with debt while selling off assets and reducing costs (primarily staffing) to increase its cash extraction. PE has led the way in industry consolidation, hollowing out local news rooms while filling local news outlets with regional and national content using labor-saving regional hubs. These financial players have largely strip-mined their news business by selling off real estate, drastically slashing staff levels, and often raising advertising rates and subscription pricing. PE-owned news outlets have the highest profit margins in the industry but spend their outsize returns paying out dividends or bankrolling investments in other sectors. These PE-owned news outlets have a pernicious effect on competitors whose management might be inclined to be more socially responsible or give consideration to the long-term health of their business; their shareholders may demand the returns of PE-fund dominated peers.

Fighting against private equity and hedge funds is hard, but when we fight, we win. Recently, our efforts to halt the consolidation of ownership of local news under private equity achieved a major victory. The hedge fund Standard General attempted to buy the broadcast media company TEGNA with debt financing provided by Apollo Global Management. The NewsGuild-CWA and NABET-CWA were concerned that the purchase would result in cost-cutting regional hubs and the destruction of local television news. The Federal Communications Commission (FCC), under the leadership of Chair Jessica Rosenworcel, referred the acquisition to an Administrative Law Judge for further review. In making the decision, the FCC cited planned job cuts of local journalist jobs as negatively impacting localism and therefore counter to the public interest. This is a major precedent which CWA has sought for decades - a recognition by the FCC that job losses in media and/or telecom is detrimental to the public interest. The deal is now dead.

CWA supports efforts to level the playing field of digital advertising to ensure revenues are shared fairly.

Resolved: CWA recognizes that the decimation and consolidation of local journalism has had a negative impact on our democracy and must be reversed.

Resolved: CWA supports the Journalism Competition and Preservation Act as a way for the news companies to negotiate with online content distribution platforms but only if the legislation mandates: 1) that any revenue received by the news companies is disclosed to workers and the public and 2) that 70% of the revenue received by the companies is dedicated to employment.

Resolved: CWA supports the California Journalism Preservation Act, which forces the internet platforms to pay news companies a “usage fee” – a percentage of its digital advertising – for the news that appears on its services and directs the news companies to use the revenues to support newsroom employment. CWA supports similar legislation in other states.

Resolved: CWA supports legislation – such as the Local Journalism Sustainability Act, introduced in Congress in 2021 – that provides tax credits for companies that hire and retain local news journalists.

Resolved: CWA supports efforts, such as the Stop Wall Street Looting Act, to limit the power and unfair advantages of private equity. The legislation would ban dividends to private equity companies for two years after they acquire a portfolio company. It would force private equity companies and their investors to share responsibilities for the liabilities of the portfolio companies. It would close the carried interest loophole by which private equity executives pay lower tax on the cash extracted from their companies.

Resolved: CWA supports efforts by the Securities and Exchange Commission to strengthen the regulation of private equity, including its proposed rule to require transparency of expenses, return assumptions, and existence of side letters. CWA further recommends the Commission require private equity companies to be transparent about their foreign subsidiaries, many of which are based in tax-haven countries.