Newspapers' Annual Reports Show Chains Profitable

by Marc Edge

The death of newspapers was widely predicted at the height of the 2008-09 economic crisis. An examination of financial data for publicly traded newspaper companies in the United States and Canada, however, shows that their business model is highly adaptable, as all remain profitable.

Predictions that newspapers as a medium would soon go extinct grew in 2009 after a number of newspaper companies declared bankruptcy and several dailies closed.[1] Such predictions had been made before, dating to the advent of radio in the 1920s, but they increased in frequency and certainty after the Internet emerged in the 1990s.[2] Circulation declines, which began in the mid-1990s at many dailies and began to accelerate in 2005, gave increased credence to such predictions. More ominously for newspapers, their advertising revenues also started to decline precipitously. From 2006 through 2013, according to figures compiled by the Newspaper Association of America, U.S. print advertising revenues fell by 62.9 percent. The growth of online advertising revenue, which was rapid until 2007, slowed with the recession and has plateaued ever since, coming nowhere near to making up for the shortfall in print ads.[3]

The closure of several long-publishing U.S. dailies in 2009 brought the "death of newspapers" mantra into the mainstream and led many to believe that the medium had only a few more years left. Yet despite the predictions of impending doom, no major U.S. daily newspaper has closed since 2009. Some may have suffered a brief period of financial loss, but despite widespread perceptions of fiscal distress, all experienced continued, albeit reduced, annual profits. This study examines the financial reports of publicly traded U.S. and Canadian newspaper companies in an attempt to diagnose their economic

Edge is the Roger Tatarian Endowed Faculty Scholar in Journalism in the Department of Mass Communication and Journalism at California State-Fresno.

health. It concludes that the business model for newspapers is robust and should permit the venerable daily to survive in print form for the foreseeable future.

Literature Review

The death of newspapers has long been foretold. The first book-length dirge for the daily newspaper, Oscar Garrison Villard's *The Disappearing Daily*, was published in 1944 and pointed to the fact that 104 U.S. dailies had ceased publishing during a recent 18-month period.[4] Carl E. Lindstrom chronicled the technological and economic forces that threatened the existence of daily newspapers in his 1960 book *The Fading American Newspaper.*[5] Where once several dailies had published in most large North American cities, by the late 1960s increasingly few cities had competing newspapers. Dailies often went into business together to improve their economic prospects, entering into Joint Operating Agreements under which they combined non-editorial operations and shared presses, with one publishing in the morning and the other in the afternoon. The Natural Monopoly Theory, which economists usually applied to utilities with high start-up costs and large economies of scale, such as railroads and telecommunications networks, was used to explain the shrinking number of competing dailies.[6] Some Scandinavian countries, such as Sweden, began to subsidize trailing dailies in order to preserve newspaper competition.[7] In the United States, where Joint Operating Agreements were found by the courts to be in violation of anti-trust laws in the mid-1960s, the Newspaper Preservation Act legalized such arrangements in 1970. Some scholars, however, questioned whether this measure preserved competition or prevented it.[8]

Television news led to the demise of one genre of newspaper—the afternoon daily—as people began to watch the news on TV after work instead of reading about it in a newspaper. The phenomenon of afternoon newspapers closing or moving to morning publication took its name from a bullfighting novel by Ernest Hemingway—*Death in the Afternoon*—and became a 1984 book of the same name.[9] That same year, Ben Bagdikian raised a clarion cry in his landmark book *The Media Monopoly*, predicting that if economic forces continued to concentrate media ownership unchecked, the majority of American media would have only one owner by the millennium.[10]

As the Internet grew in usage throughout the late 1990s, many again saw the advent of a new medium as spelling the death of newspapers.[11] The merger between Time Warner and America Online just as the millennium dawned signaled for some that time was growing short for print on paper.[12] As sources of online news and information grew, many urged newspapers to "adapt or die" and to transition their operations onto the Internet in order to beat their new competition at its own game.[13] Sales of newspapers began a long slide in the mid-1990s, as chronicled semi-annually by the Audit Bureau of Circulations. The World Association of Newspapers calculated that from 1995 to 2003, newspaper circulation fell by 5 percent in the United States, 3 percent in Europe and

2 percent in Japan.[14] In his 2004 book *The Vanishing Newspaper*, Philip Meyer predicted that, due to declining interest, the last newspaper reader would be lost some time in March of 2043.[15]

Financial Crisis

Few realized at the time that the middle years of the 21st century's first decade would soon seem like a golden age for newspapers. After a housing bubble burst in the United States and a credit crunch hit in 2007, a worldwide recession ensued the following year and advertising sales dropped sharply. From $46.6 billion in 2006, United States print newspaper advertising revenues fell by 46.7 percent to $24.4 billion by 2009. In a halting recovery, they continued to drop, by 8.2 percent in 2010, by 9.2 percent in 2011, by 8.4 percent in 2012, and by 8.6 percent in 2013, for a cumulative decline of 62.9 percent over the eight-year period. Online advertising revenue, which had increased by more than 30 percent in both 2005 and 2006, came nowhere near to making up for the loss in print advertising. It declined with the faltering economy in 2008 and 2009, as the growing supply of advertising on the Internet caused online advertising rates to plummet. As a result, newspaper online advertising revenues stalled at just over $3 billion a year from 2011 to 2013.[16] The added revenues from online advertising, however, moderated the decline in total advertising revenues at U.S. newspapers from 2006-2013 to 58 percent during the period. [See Table 1]

> *Canadian newspaper companies, to address RQ2, fared much better financially than their United States counterparts, suffering a much smaller reduction in earnings across the period. That is because Canada's economy did not decline as steeply nor for as long as the U.S. economy.*

The recession soon saw the closure in 2008 of several long-publishing U.S. dailies, including the *Cincinnati Post*, the *Albuquerque Tribune* and the Madison (Wis.) *Capital Times*, but they were all struggling, second-place, low-circulation newspapers. The national daily *Christian Science Monitor*, which had been publishing for 100 years, announced in 2008 that it would cut back publication to weekly because of losses that had reached $18.9 million a year. A website titled Newspaper Death Watch began to catalogue each new casualty. Its list of deceased dailies grew under the heading R.I.P., as did a second list of endangered newspapers under the heading W.I.P.—works in progress.

Then world stock markets crashed in October 2008. Some of the largest newspaper companies in the United States entered Chapter 11 bankruptcy protection, including the Journal Register Co., the MediaNews Group, Star Tribune Holdings Corp., Freedom Communications and Chicago's multimedia giant Tribune Company. After two major dailies—the *Rocky Mountain News* and the *Seattle Post-Intelligencer*—ceased publication in early 2009, predictions of the demise of newspapers as a medium began to accelerate. *Time* magazine published on its website a list of "The 10 Most Endangered Newspapers in America," which bruited the imminent demise of numerous major dailies. "It's possible that eight of the nation's 50 largest daily newspapers could cease publication in the next 18 months,"[17] it warned, citing an analysis of financial and market data. *The New York Times* quoted an industry analyst who predicted that

> *in 2009 and 2010, all the two-newspaper markets will become one-newspaper markets, and you will start to see one-newspaper markets become no-newspaper markets.*[18]

USA Today came up with a short list of cities that might see their only daily newspaper close.

> *At least one city – possibly San Francisco, Miami, Minneapolis or Cleveland – likely will soon lose its last daily newspaper, analysts say.*[19]

The Atlantic pointed to earnings reports that suggested even the leading U.S. daily, in the estimation of many, was in danger of defaulting on $400 million in debt in 2009. "What if *The New York Times* goes out of business—like, this May? It's certainly plausible."[20] *Vanity Fair* media columnist Michael Wolff predicted that "about 18 months from now, 80 percent of newspapers will be gone."[21]

But the pundits were wrong. Since March 2009, no major U.S. daily has gone out of business. The *Tucson Citizen* folded in May of that year, but it was a dying second-place afternoon daily with a circulation of only 17,000. Some newspapers have consolidated operations or pooled resources with nearby newspapers. The joint-publishing *Detroit News* and *Free Press* cut back home delivery to thrice weekly in May 2009 in a cost-cutting move due to the hard-hit economy there, although both papers continued printing editions daily. The *Honolulu Star-Bulletin*, a tabloid with a circulation of 37,000, merged in 2010 with its JOA partner, the *Honolulu Advertiser*. Advance Publications cut back publication of its *New Orleans Times-Picayune* to thrice weekly in October 2012. That brought a backlash from readers and advertisers, however, along with increased competition from the nearby *Baton Rouge Advocate*, which began circulating a daily edition in New Orleans. As a result, the *Times-Picayune* began publishing a tabloid called *TP Street* three days a week starting in mid-2013.[22]

At the same time, Advance also announced extensive layoffs at its Cleveland *Plain Dealer* and Portland *Oregonian* and cut back their home delivery to four days a week, although both newspapers continued to be available for purchase in print seven days a week on newsstands.[23]

Most, if not all, newspapers have made layoffs and taken other cost-cutting measures to bring their expenses into line with their plunging revenues. Some newspaper companies have reported large losses on paper that reflected an accounting "writedown" of the diminished value of their businesses or the cost of severing staff, but all remained profitable on an annual operating basis. Despite the tough economic times, the average profit level of U.S. daily newspapers in 2008 and 2009 was still almost 16 percent, according to industry data.[24] That was more than three times the historical average 4.7 percent profitability of a Fortune 500 company.[25] It was modest, however, compared to newspaper profit margins in previous years, which had exceeded 20 percent on average every year from 1993 until 2007, peaking at more than 28 percent in 1999 and 2000. Even in the depths of a recession in 2002, U.S. newspaper profits averaged 27.7 percent.[26]

Most of the newspaper companies forced to seek bankruptcy protection from their creditors did so as a result of their high debt levels, which they had taken on in making acquisitions and had become unable to service with lower revenues. The newspapers the chains owned were still profitable, however, some very much so.[27] The bankruptcy contagion was also largely confined to the United States, as newspaper companies in other countries did not suffer nearly as badly during the recession, and in many cases thrived.[28] Even in the United States, it was mostly debt-ridden chains that owned large daily newspapers in major metropolitan areas that suffered. Newspapers in markets outside the major metropolitan areas, which did not face as much online competition for advertising, largely held their own or even prospered despite the economy.[29] The major metropolitan dailies that were hardest hit by the recession cut expenses deeply and rearranged their business model, cutting back on distribution, charging more for circulation sales, and erecting paywalls to charge for digital access in order to help make up for their advertising revenue shortfall.[30] As the recession slowly eased, some who had foretold the death of newspapers had to admit they had at least been premature.[31]

Research Questions

The following research questions frame this analysis:

RQ1:

How were revenues, earnings, and profit levels of publicly traded North American newspapers affected by the recession of 2008-09?

RQ2:

How have Canadian newspapers fared financially compared with their

United States counterparts?

RQ3:

What is the likelihood of North American newspapers going out of business in the near future?

Method

This study used primary sources to investigate the finances of newspapers in the United States and Canada. [See Table 1] Annual reports, which all publicly traded companies are required to file regularly by regulators of the stock markets on which their shares trade, were analyzed. Eleven major publicly traded newspaper companies were identified in the United States and five in Canada.[32] Annual reports for all 16 companies were examined for the eight-year period 2006 through 2013. No accounting has been made in this study for differences

Table 1
U.S. and Canadian Newspapers Circulations

United States	*Dailies*	*Circulation*	*% of total*
Gannett	80	4,859,360	10.9
News Corp.	2	2,618,850	5.9
McClatchy	30	2,100,590	4.7
Lee Enterprises	52	1,343,650	3.0
New York Times	4	1,312,560	2.9
GateHouse	90	865,615	1.9
E.W. Scripps	17	716,669	1.6
A.H. Belo	4	651,400	1.4
Washington Post	2	553,811	1.2
Journal Communications	1	188,818	0.4
Media General	1	138,172	0.3
			34.2*
Canada			
Postmedia Network	10	1,141,616	29.5
Quebecor Media	36	880,352	22.7
Torstar Corp.	4	427,993	11.0
FP Newspapers	2	130,296	3.4
Glacier Media	7	84,509	2.2
			68.8**

**Project for Excellence in Journalism, "Who Owns the News Media." Accessed March 15, 2013 from http://stateofthemedia.org/media-ownership/; Newspaper Association of America, "Newspaper Circulation Volume." Accessed March 15, 2013 from http://www.naa.org/Trends-and-Numbers/Circulation/Newspaper-Circulation-Volume.aspx.*
***Newspapers Canada, "2011 Circulation by Ownership Group - Paid Daily Newspapers." Accessed March 15, 2013 from http://www.newspaperscanada.ca/sites/default/files/2011-Daily-Newspapers_Circulation-by-Ownership-Group-PAID-MAY2012.pdf.*

Table 2
U.S. Newspaper Advertising Revenue (Billions)

	Print	Change	Online	Change	Total	Change
2006	46.6	-1.7%	2.66	+31.4%	49.3	-0.3%
2007	42.2	-9.4%	3.16	+18.8&	45.4	-7.9%
2008	34.7	-17.7%	3.1	-1.8%	37.8	-16.6%
2009	24.8	-28.6%	2.7	-11.8%	27.5	-27.2%
2010	22.8	-8.2%	3.0	+10.9%	25.8	-6.3%
2011	20.7	-9.2%	3.2	+6.8%	23.9	-7.3%
2012	18.9	-8.4%	3.4	+3.7%	22.3	-6.8%
2013	17.3	-8.6%	3.4	+1.5%	20.7	-7.2%

Source: Newspaper Association of America

in the United States and Canadian dollars, which were within a few cents of each other throughout 2011 and 2012, although the U.S. dollar was worth as much as Cdn$1.29 in early 2009.

Accounting Methods

Revenues and earnings for each company were gleaned from their annual reports filed over the eight-year period. Differences between companies in methods of financial reporting, however, meant that considerable calculation was sometimes required. [See Table 2] Most newspaper companies also have other businesses, usually television stations. Some are engaged in businesses as diverse as romance novel publishing (Torstar) and education (*Washington Post*). Newspaper revenues and earnings thus had to first be separated from those of other divisions of the company. Differences in accounting methods also had to be standardized. For example, most companies report their earnings before interest payments, taxes, depreciation charges on plant and equipment, and amortization charges on capital expenditures. This is a standard accounting measure known as EBITDA or "operating earnings" that is commonly used to show the financial health of a company and is the measure used by this study. Some companies report their earnings after depreciation or amortization charges, however, which meant that those amounts had to be added back onto reported earnings to determine EBITDA.

Some companies report their "net" earnings after extraordinary charges for restructuring expenses, losses on the sale of assets, or changes in the valuation of their operations, which are known as "impairment" charges. These amounts also had to be added back onto revenues in order to determine operating earnings. Profit margins were calculated as the ratio of a company's EBITDA over its revenues, a standard measure known as "return on revenue" that shows how much a company keeps in profit of each dollar it takes in.[33]

Findings

The results of this research are listed alphabetically, first for U.S. companies, then for Canadian companies. The results are then analyzed with reference to the Research Questions and some differences between newspaper companies in the two countries are discussed.

Revenues fell sharply across the period at most publicly traded U.S. newspaper companies. [See Table 3] At some—Media General (49 percent over six years through 2011, as it sold its newspapers in 2012), Journal Publications (53 percent over eight years)—they fell by half. The only increases in newspaper company revenues across the period can be attributed to acquisitions, such as at Gatehouse Media, which made significant purchases in 2007 that increased its revenue sharply for that year and 2008. Earnings were reduced even more

Table 3
U.S. Newspaper Revenues/Earnings (Millions)/Profit Margin

	2006	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
A.H. Belo*	817/104/ 12.7%	738/79/ 10.7%	637/10/ 1.5%	518/33/ 6.4%	487/36/ 7.3%	461/39/ 8.6%	440/34/ 7.8%	366/29/ 7.9%
Gannett	6,940/1,800/ 29.7%	6,580/1,690/ 25.7%	5,714/1,121/ 19.6%	4,396/780/ 17.7%	4,051/818/ 20.2%	3,831/626/ 16.3%	3,728/516/ 13.8%	3,577/467/ 13%
Gatehouse	306/61/ 19.9%	575/111/ 19.3%	679/110/ 16.2%	585/84/ 14.4%	558/94/ 16.8%	526/86/ 16.3%	517/85/ 16.4%	-sold-
Journal	328/61/ 18.8%	266/38/ 14.3%	242/27/ 11.1%	194/26/ 13.4%	183/29/ 15.8%	171/27/ 15.9%	165/22/ 13.3%	154/14/ 8.9%
Lee Ent.**	1,121/278/ 24.8%	1,120/267/ 23.8%	1,029/207/ 20.1%	842/167/ 19.8%	780/171/ 21.9%	756/162/ 21.5%	710/163/ 22.9%	675/160/ 23.7%
McClatchy	1,675/446/ 26.6%	2,260/575/ 25.4%	1,900/364/ 19.1%	1,471/341/ 23.2%	1,375/372/ 27.0%	1,269/323/ 25.4%	1,230/311/ 25.3%	1,242/ 21.2%
Media Gen.	588/144/ 24.9%	531/115/ 21.6%	443/61/ 13.7%	357/65/ 18.2%	328/49/ 14.9%	299/28/ 9.3%	-sold-	---
NY Times	3,289/455/ 13.8%	3,195/456/ 14.3%	2,939/301/ 10.2%	2,440/266/ 10.9%	2,393/377/ 15.7%	2,323/346/ 14.9%	1,990/257/ 12.9%	1,577/244/ 15.5%
News Corp***	4,095/780/ 19%	4,486/937/ 20.9%	6,248/1200/ 19.2%	5,858/785/ 13.4%	6,087/888/ 14.6%	8,826/1,253/ 14.2%	8,248/1,027/ 12.5%	6,731/795/ 11.8%
E.W.Scripps****	716/189/ 26.4%	658/136/ 20.6%	569/71/ 15.1%	455/49/ 10.7%	435/52/ 11.9%	414/21/ 5.1%	399/27/ 6.9%	385/28/ 7.3%
Wash. Post	962/214/ 22.3%	890/162/ 18.2%	801/55/ 6.8%	679/5/ 0.7%	680/74/ 10.9%	648/46/ 7.1%	582/22/ 3.8%	-sold-

Source: Company annual reports
**Sold the Riverside Press-Enterprise in 2013, which had revenues of $65m in 2012.*
***For the year ended Sept. 30.*
****For the year ended June 30.*
*****Excludes newspaper partnerships and Joint Operating Agreements.*

sharply than revenues at most publicly traded U.S. newspaper companies across the period. The decline in earnings was sharpest at E.W. Scripps (85 percent), the Washington Post Company (89 percent) and Gannett (74 percent). The newspaper divisions of all of the U.S. companies studied, however, remained profitable on an annual basis throughout the period. The lowest annual profit level during the period was recorded by *The Washington Post* Company in 2009 at 0.7 percent. Its calculated (as opposed to reported) profitability improved to 10.9 percent in 2010, but eroded to 7.1 percent in 2011 and 3.8 percent in 2012.[34] The company's newspapers were sold off in 2013. These levels of profit represented a considerable decline from the pre-recession profits the company's newspaper division reported in 2006 (22.3 percent) and 2007 (18.2 percent). The Washington Post Company also owned profitable cable TV and educational divisions, which in effect subsidized its declining newspaper fortunes (and those of *Newsweek* magazine until its 2010 sale) and perhaps delayed cost-cutting measures that had been enacted more urgently at other newspaper companies. Its Kaplan educational division also began to suffer steep revenue declines in 2011, however, which made cost-cutting a priority.[35] The *Washington Post* was the only newspaper publisher to report a newspaper profit margin during the period studied that was lower than the Fortune 500 historical average of 4.7 percent, however. By 2012, only four of the ten U.S. companies studied (Media General had sold its newspapers) reported profit margins below 10 percent, including Gannett, whose profit margin stood at 9.9 percent. Two companies—Lee Enterprises (22.9 percent) and McClatchy (25.3 percent)—enjoyed 2013 newspaper profit margins above 20 percent, and during the eight-year period under examination never dropped below 19 percent.

Canadian Economy

Canada was not as hard-hit by the recession as the United States, in part because its banking system was subject to tighter regulation. The country's fiscal prudence resulted by 2012 in the lowest debt-GDP ratio of any G7 country.[36] Canada did not enter the worldwide recession until the fourth quarter of 2008 and saw negative growth for only three quarters.[37] By the first quarter of 2011, its economy was back to health, expanding at an annual rate of 3.9 percent.[38] Gross domestic product slowed in the fourth quarter of 2011, however, resulting in a 2.5 percent increase for the year, compared to 3.2 percent in 2010.[39] Newspaper print advertising sales thus did not decline as precipitously or as early in Canada as they did in the United States, dropping only 2.5 percent in 2007 and 3.1 percent in 2008 before plunging 18.4 percent in 2009.[40] They rebounded with an increase of 3.5 percent in 2010, fell by 6.2 percent in 2011 and increased 2.5 percent in 2012. Online ad sales at Canadian newspapers rose by 15 percent in both 2010 and 2011 after growing only 2.3 percent in 2009. They declined by 1.3 percent in 2012, however.[41] Canadian newspaper print advertising revenues declined by 23.3 percent over the seven-year period 2006-2012, compared with

Table 4
Canadian Newspaper Advertising Revenues (Millions)

	Print	*Change*	*Online*	*Change*	*Total*	*Change*
2006	2,634	-0.9%	110	N/A	2,744	N/A
2007	2,568	-2.5%	150	+35.9%	2,718	-0.9%
2008	2,489	-3.1%	182	+21.1%	2,671	-1.7%
2009	2,030	-18.4%	186	+2.3%	2,214	-17.1%
2010	2,102	+3.5%	214	+15.0%	2,316	+4.6%
2011	1,970	-6.2%	246	+15.0%	2,216	-4.3%
2012*	2,019	+2.5%	242	-1.3%	2,261	+2.0%

Source: Newspapers Canada
**2012 totals include revenue from free newspapers*

59.4 percent over the same period in the United States The decline in total Canadian advertising revenues from 2006-2012 was cushioned to 17.6 percent by increases in online advertising revenues. [See Table 4]

Canadian Newspapers

Ownership of Canada's newspaper industry is among the most highly concentrated in the world, much more so than in the United States[42] In 2011, the top five owners controlled 83.1 percent of the circulation, and the top three groups controlled 63.2 percent.[43] Three of the four largest groups are owned by public companies, so their newspaper revenues can be compared with each other and with their United States counterparts. The largest publisher by circulation, Postmedia Network Inc., began life in the 19th Century as Southam Newspapers. It was bought in 2000 by Canwest Global Communications, Canada's third national television network and was known until 2010 as Canwest Publications. Its parent company was forced to file for bankruptcy protection in 2009, but Canwest Publications remained profitable throughout, although not as profitable as in previous years and not profitable enough to meet its loan payments. Postmedia was a consortium formed in 2010 by creditors of Canwest that took possession of its newspapers.[44] The largest newspaper company in Canada by number of titles, Quebecor Media, is a multimedia conglomerate based in the largely French-speaking province of Quebec, where it owns a television network and cable company in addition to newspapers. Quebecor also owns the national newspaper chain Sun Media of mostly tabloids.[45] The Torstar Corporation is publisher of the country's largest circulation newspaper, the *Toronto Star*. It also owns a chain of smaller newspaper in the largest Canadian province of Ontario and the Harlequin book publishing company, which specializes in romance novels. [See Table 5]

Postmedia's newspapers saw their earnings drop by 41 percent in 2009 and

Table 5
Canadian Newspaper Revenues/Earnings(Millions)/Profit Margin

	2006	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
FP	122/25 20.8%	125/28 22.6%	121/23 19.3%	114/24 21.3%	110/24 22.3%	111/23 21.0%	111/21 19.5%	106/20 18.9%
Glacier	NA	216/47 21.9%	249/52 20.8%	229/36 15.6%	242/44 18.1%	267/49 18.4%	330/50 15.3%	295/33 11/1%
Postmedia*	1.26b/248 19.7%	1.28b/269 20.9%	1.3b/293 22.5%	1.1b/172 15.6%	1.05b/191 18.1%	1.02b/201 19.7%	831m/144 17.3%	751/130 17.3%
Quebecor	928/207 22.3%	1.03b/226 22.0%	1.18b/227 19.2%	1.05b/199 18.9%	1.03b/200 19.3%	1.02b/150 14.7%	960/115 12.0%	784/98 12.5%
Torstar	1.05b/157 4.9%	11.08/179 16.5%	1.06b/157 14.9%	957/118 12.4%	1.01b/176 17.3%	1.09b/161 14.8%	1.06/145 13.7%	984/131 13.3%

Source: Company annual reports
**For the year ending Aug. 31; Newspaper division of Canwest Global Communications prior to July 13, 2010.*

their profit margin fall from 22.5 percent to 15.6 percent. These declines proved fatal to their ownership by Canwest Global Communications. Their profitability improved to 18.1 percent in 2010, and to 19.8 percent in 2011 before falling back to 17.3 percent in 2012 and 2013. A decline in revenues in 2012 can be attributed mostly to the sale in late 2011 of newspapers whose revenues had been $120 million. Similar to Lee and McClatchy in the United States, Quebecor's newspaper division proved highly profitable even during the recession, with profit margins falling from about 22 percent in 2006 and 2007 to about 19 percent between 2008 and 2010 before dropping to 12 percent in 2012 and 12.5 percent in 2013. Its revenues were boosted considerably in 2007 by the purchase of the Osprey newspaper chain of 54 newspapers, including 20 dailies, for $414 million. From 2008 to 2013, however, Quebecor's newspaper revenues declined by 52.6 percent. Torstar's newspaper revenues oscillated from 2006 to 2013, although its profit margin remains healthy, ranking in the teens every year except for 2009.

In answer to RQ1, while revenues, earnings and profit levels of publicly traded North American newspapers were widely lowered during the recent recession, none of the fourteen companies studied recorded an annual loss in operating earnings for its newspaper division. Only one company, the Washington Post Co., came close to doing so at 0.7 percent profit in 2009. It was the only company studied to post profits lower than the Fortune 500 historical average of 4.7 percent, also doing so in 2012 at 3.8 percent. Several companies seemed to hardly notice the recession. While all newspaper companies studied remained profitable throughout the period, some were not profitable enough because their reduced earnings left them unable to cover the interest payments on their debt. That debt was typically taken on in making acquisitions. Those companies were being restructured or sold, but not because their newspapers were unprofitable. It was instead because the companies were imprudent in taking on so much debt to finance their expansion.

Canadian newspaper companies, to address RQ2, fared much better financially than their United States counterparts, suffering a much smaller reduction in earnings across the period. That is because Canada's economy did not decline as steeply nor for as long as the U.S. economy. Even so, the country's largest newspaper publisher was forced into bankruptcy as a result of its failure to reduce the debt taken on in the pursuit of multimedia expansion. Any prognosis for North American newspapers would have to rely on history and economics for guidance. To do so in addressing RQ3 would lead to the conclusion that, with the Canadian economy having already improved and the U.S. economy doing so more slowly, there is little likelihood of many newspapers going out of business in the near future.

Discussion

The profitability of newspapers has been called "the best kept secret" in the media. A 1998 study of 15 publicly traded U.S. newspaper companies found that all but one earned average profit margins in excess of 9 percent from 1984-94.

> *Newspaper companies . . . earned excess profits throughout most of the study period despite the effects of what one analyst called the biggest advertising recession since World War II. Critics who accuse newspapers of protesting too much about their financial situation may have a point.*[46]

A 2010 Canadian study examined financial statements of the eight largest media companies there from 1995-2009 and found that all were consistently profitable despite their recent appeals for regulatory relief. Any financial problems experienced by media companies there, the study concluded, have been transitory and related to economic downturns.[47] A 2012 analysis of coverage by several major U.S. dailies of the financial problems affecting newspapers showed that it focused on short-term declines over long-term trends. It also found that the coverage lacked historical context, shifted blame away from newspapers, invoked "death" imagery and struggled to capture an accurate portrayal of the financial situation of newspapers.[48]

It is thus not surprising that the North American news media failed to convey an accurate picture of their own industry's financial situation. The boom-bust nature of the newspaper business is well known, however, and has been the subject of considerable academic research. For example, a 2001 study of advertising expenditures in nine developed nations showed that they declined 5 percent on average for every 1 percent decline in GDP, and that print media are more affected by recessions than are broadcast media.[49] Some newspaper owners attempted to ameliorate the boom-bust cycle by diversifying, typically into television. Ironically, however, this "convergence" strategy left them more prone than ever to downturns in the economy because of the increased debt they took on, which often could not be serviced with lower revenues.

Caution must be exercised in extrapolating findings for publicly traded newspaper companies to newspaper companies as a whole, but the two compete in largely identical markets with largely identical products. The three major publicly traded Canadian newspaper companies account for almost two thirds of national circulation, providing an excellent sample size. The 2001 book *Taking Stock* examined publicly traded U.S. newspaper companies, which then made up about half of the industry, and found some significant influences on their management of public trading in shares of their ownership. These included weaker journalism as a result of their bottom-line orientation, which tended to cut costs in order to boost quarterly earnings.[50] This has led some analysts to express concern that reduced product quality would accelerate audience alienation and thus hasten advertiser flight and revenue decline.[51]

From the above data, however, it appears that the newspaper business model is hardly broken. In fact, it may be more robust than anyone suspected because in computer terms it seems to be "scalable" or easily re-sized. A downturn in revenues can be countered quickly with a paring of expenses, albeit at the loss of jobs and journalism. One factor that led U.S. newspapers to be greatly affected by the recent recession is the fact they were heavily reliant on advertising revenues. According to a 2010 OECD report, newspapers around the world derived about 57 percent of their revenues from advertising on average, with the other 43 percent coming from circulation sales. In the United States, however, newspapers took in 87 percent of their revenue from advertising in 2008, which was 10 percentage points higher than any other country (Canada was next at 77 percent) and more than twice what it was in Japan, where newspapers received only 35 percent of their total revenues from advertising.[52] Newspapers in the United States have been increasing circulation rates and charging for online access in an attempt to make up for the shortfall in advertising revenues and to reduce their reliance on advertising revenue. These measures seem to have succeeded, at least in the short term.

Financial reports provide a wealth of data that allow an inside perspective on the workings of companies, including newspaper publishers. In a time of great upheaval in their industry, the fact that newspapers have adapted so quickly and so successfully to an unprecedented downturn in their revenues warrants further research. As annual reports might obscure shorter periods of actual loss, quarterly results could be examined to more accurately determine any period of actual operating losses experienced by North American newspaper publishers. In addition, data on labor and restructuring costs might be gleaned from annual reports to determine the costs and benefits of downsizing newspaper staffs.

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33. Changes in reporting methods during the six-year period resulted in some information not being contained in the annual reports of one company. Media General, which also owned television stations, moved in 2009 to reporting its results geographically for both media, rather than segmenting them by medium. Management of the company was contacted to ascertain the missing information, which was available in press releases posted on its website. Media General sold its newspapers in 2012 to Warren Buffet's holding company Berkshire Hathaway.

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