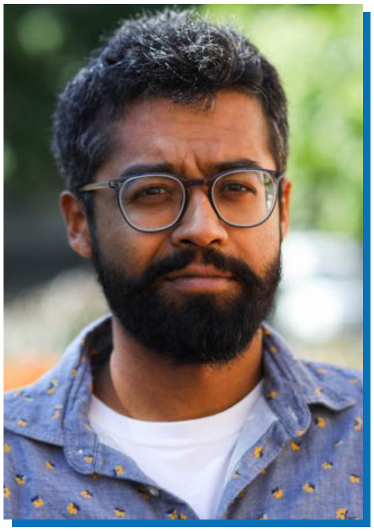
Gannett and the News:
Death by a Thousand Paper Cuts

Arijit Paladhi | **Fall 2023**

MIC Media Inequality & Change

Annenberg School for Communication, University *of* Pennsylvania

Rutgers School of Communication and Information



Arijit Paladhi

About The Author

Arijit Paladhi is a doctoral candidate at Indiana University, Bloomington. His research explores the adversarial impact of losing local journalism, the evolving revenue models of journalism, and studying misinformation & misinformation pathways. He has a B.E from Visvesvaraya Technological University, India, a PGDM from Indian Institute of Mass Communication, India, and an MPP from the University of Texas at Austin. In his free time, he loves watching/playing/reading all things football, supports Manchester United FC and is an avid consumer of movies, stand-up comedy, music, and stories.

About the Report

This report examines Gannett, the largest newspaper chain in the United States, and its significant influence on local journalism, democracy, and its workforce. It critically dissects Gannett's mergers and labor policies, showing how profit-driven motives lead to news standardization and jeopardizes the press's role as well as its democratic duties. The analysis explores the erosion of local news, the consequences of Gannett's financial tactics on journalistic integrity, and the company's internal inequities. The paper concludes with a call for action to safeguard local journalism's vital role in democracy.

About the MIC Center

The Center is a collaboration between the University of Pennsylvania's Annenberg School and Rutgers University's School of Communication and Information. MIC produces engaged research and analysis while collaborating with community leaders to help support activist initiatives and policy interventions. The Center's objective is to develop a local-to-national strategy that focuses on communication issues important to local communities and social movements in the region, while also addressing how these local issues intersect with national and international policy challenges.

Source: Seongjin, Adobe Stock

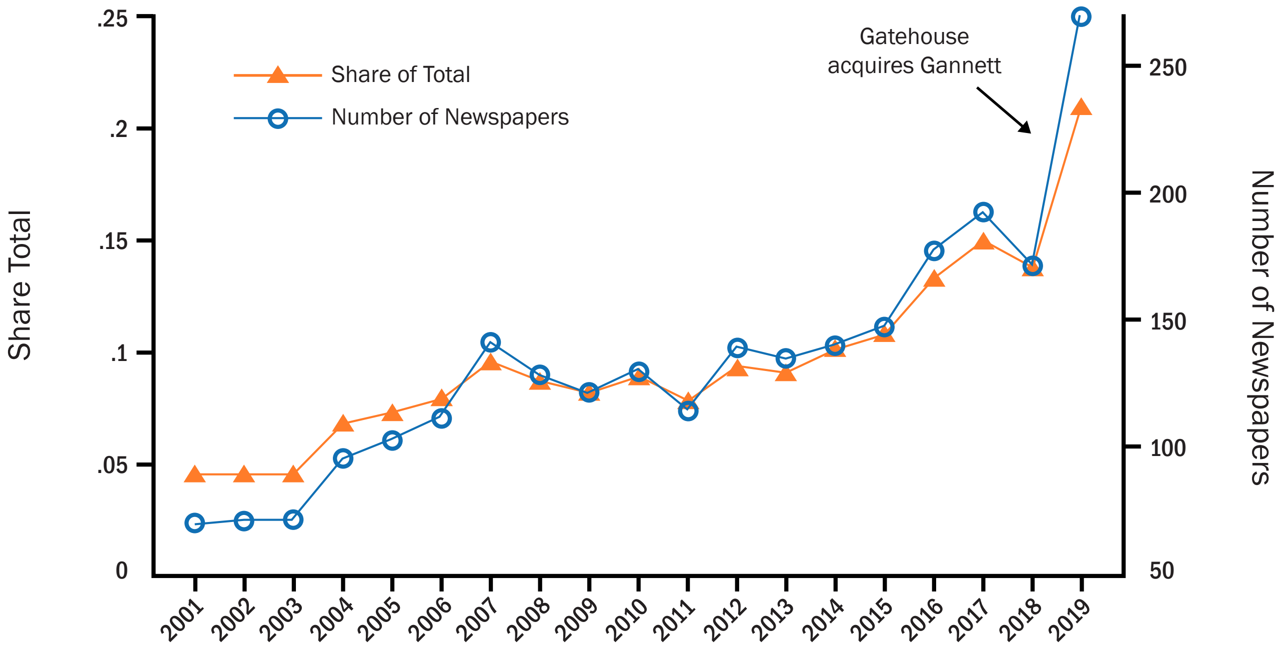
Executive Summary

Gannett, as the largest newspaper chain in the United States, is a dominant force in local journalism. Its business practices have consequential effects on the journalism industry, its employees, and the very foundation of American democracy. Through a critical examination of Gannett's acquisition strategies, workforce policies, and the resultant impact on local news quality and availability, this paper reveals a pattern of cost-cutting and consolidation that prioritizes profits over the pivotal civic role of journalism.

The analysis unfolds in three parts: the first part details the systematic dismantling of local news infrastructures leading to news homogenization; the second looks at Gannett's debt-laden leveraged buyouts and corporate cost-cutting that has jeopardized news quality, journalists' job security, and the role of the press as a democratic watchdog; the third highlights the stark internal inequalities at Gannett, with astronomical executive pay contrasting sharply against diminishing staff compensation and job stability, Gannett's resistance to unionization, and its shortfall in embodying the diversity and equity it professes.

This paper is a clarion call to action for policymakers, industry stakeholders, and the public at large. It urges a reevaluation of the principles and practices governing media conglomerates like Gannett, advocating for interventions that would ensure the sustainability of local journalism as an indispensable pillar of democracy.

Private Equity Ownership of Daily Newspapers



Source: Local Journalism under Private Equity Ownership (Ewens et al., 2022)

Concentration of media ownership? Toxic levels.

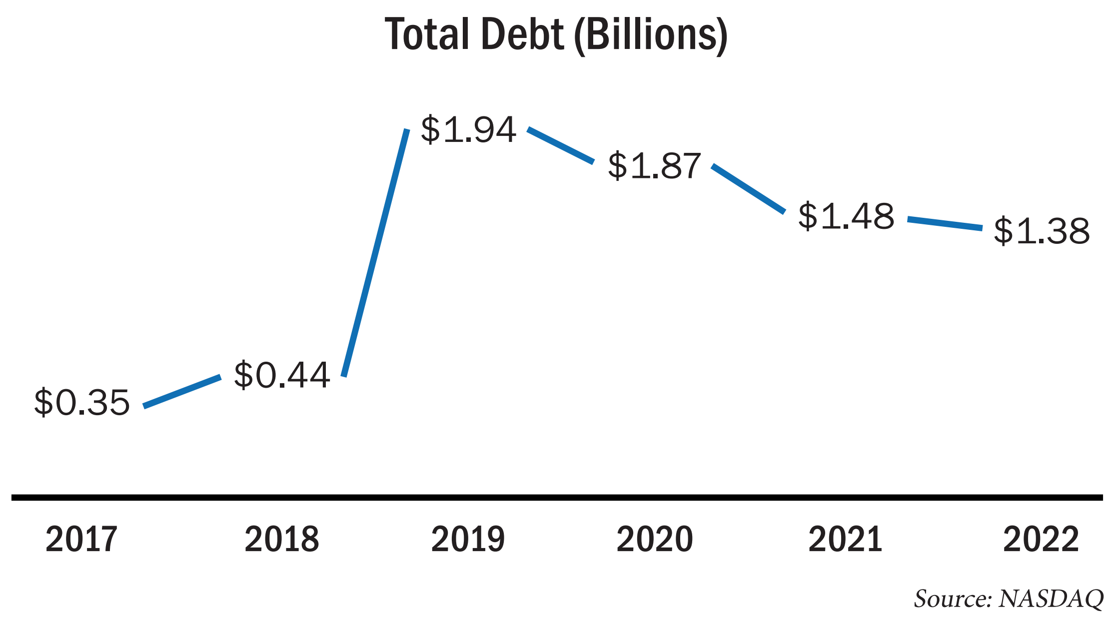
In the United States, media ownership is concentrated among a small number of corporations. From 1984 to 2005, the entire mass media industry – considered by a firm's presence across all media sectors and represented by a Sector Share Index – owned by the top 10 media firms doubled to over 35% (Vizcarrondo, 2013). Many local news outlets were purchased by investment groups, and today, a few of the largest chains – owned and operated by hedge funds, private equity groups, and investment firms – control the fate of many of the nation's surviving newspapers. The largest 10 chains – Gannett is the largest – own more than half of all dailies and the largest 25 chains own a third of all newspapers, including 70% of all news dailies.

According to the Center for Innovation and Sustainability in Local Media, the largest half-dozen investment firms own more newspapers today than the combined total owned by the 16 largest private newspaper companies and the three largest public ones (Soloski, 2018). Slightly less than a third of the nation's 5,147 weeklies and only 10 of the 100 largest circulation dailies remain independent (Abernathy & Franklin, 2022).

There are fundamental concerns when corporate media conglomerates, hedge funds, private equity, and investment firms monopolize local newspaper ownership. Even though legacy newspaper companies were profit-driven, their core business was journalism. The need to sustain and grow the latter ensured the former. However, this is not the case with investment firms whose core business is serving the fiduciary needs of their customers and shareholders. For their clientele – pension funds, mutual funds, banks etc. – the quality of journalism produced is irrelevant while the newspapers' bottom line is paramount. For these firms, newspapers are simply another asset to monetize for returns and if they don't yield a high enough rate of return, they are sold, downsized, or shut down (Soloski, 2018).

Source: The State of Local News, 2022

	Owner Name	2022 Total Papers	2020 Total Papers	Net Change Papers	2022 Total Dailies
1	Gannett	487	613	-126	236
2	Tribune/ MediaNews Group	190	207	-17	66
3	Lee Enterprises	152	170	-18	79
4	Adams Publishing Group	142	145	-3	37
5	Paxton Media Group	120	75	45	45
6	Ogden Newspapers	101	84	17	55
7	CNHI	92	112	-20	68
8	CheryRoad Media	71	N/A	71	19
9	Boone Newspapers	70	65	5	30
10	Community Media Group	49	57	-8	13
11	Hearst Corporation	48	51	-3	22
12	Advance Publications	40	41	-1	16
13	Black Press Group	40	42	-2	9
14	News Media Corporation	39	43	-4	3
15	Shaw Media	38	39	-1	10
16	Horizon Publications	35	37	-2	23
17	AIM Media	32	46	-14	24
18	McClatchy	30	47	-17	30
19	Wick Communications	26	26	0	11
20	Community Newspapers Inc.	26	26	0	3
21	Trib Publications	25	29	-4	0
22	Sample Media Group	25	27	-2	15
23	Morris Multimedia	24	30	-6	3
24	Lancaster Management	24	24	0	2
25	Forum Communications	21	35	-14	10



Local News & Gannett: From journalism to junk via debt

Gannett is the largest media company chain. Hedge fund-backed GateHouse Media, through its parent company New Media Investment Group (New Media), purchased Gannett in 2019 in a cash-and-stock deal for $1.1 billion – creating a sprawling local news media empire while keeping the brand 'Gannett' as the face of the newly merged company. In 2018, GateHouse Media had revenues of $1.5 billion, while Gannet's revenues were $2.9 billion. To finance the merger, New Media sought a $1.8 billion loan spread over 5 years at an eye-watering 11.5% interest rate from Apollo Global Management – an interest rate 3% higher than any current long-term loan obligation that Gannett previously had.

"It's hard to see how anyone can see this as anything more than a callous piece of financialization meant to create short-term profit at the expense of the newspapers whose employees strive every day to shed light on darkness," The NewsGuild – Communications Workers of America's (Guild from now on) former President Lunzer warned ahead of the merger. "Gannett investors should look at our information and take it seriously. It is hard to see anything of value in this deal, and we believe it is fatally flawed."

Days after officially closing the merger, executives of the combined company promptly announced that there would be layoffs (Arbel, 2019), when the interest rate premium alone on the loan could have funded over 320 reporter salaries, according to an estimate by the Guild. The new local news empire sought to cut $300 million in annual costs right out of the gate – a move that belied their concern with local, community-based news reporting. Gannett announced after the merger that one of its top financial goals was to reduce its debt quickly and refinance its loan to reduce interest obligations.

Historically, there was precedent for where the focus would lie post-merger, and what has followed has validated journalists' and communities' prescience. New Media Investment Group's board, the parent company of GateHouse Media, prioritized dividends over investment in news: it raised the quarterly dividend almost every year. All the way from

2014 through 2018, it paid out $298.2 million in dividends. The Guild reported in 2019 that combined with share repurchases, the company paid out much more than its net income: dividends and stock buybacks equaled 269.29% of net income between 2014 and 2018.

A year after financing the original deal, Gannett refinanced close to a third ($497.1 million) in debt at a reduced interest rate of 6% and a maturation date of 2027, replacing the debt that was owed to Apollo at a rate of 11.5% and matured in 2024. The refinancing left Gannett with approximately $1.12 billion in remaining debt. It is these economic dynamics around local news outlets being aggressively acquired by private equity money that has prompted scholars to warn that 'local journalism is essentially collapsing' (Napoli et al., 2017).

It is vital to point out that the financial pressures faced by legacy news outlets today might have been triggered by declining advertising revenues, but they have been made significantly worse because of leveraged buyouts. Without any checks in place, hedge funds like Alden and media conglomerates like Gannett are allowed to saddle local news organizations with debt and then indiscriminately carve out newsroom assets to repay that debt. There is no plan beyond profit-seeking and newsrooms are easy targets given the lack of regulations. As the local news organizations come under immediate pressure to repay the massive debt placed on them, it is worth exploring how Gannett goes about repaying that debt plus interest. The process is remarkably consistent across all hedge fund or media conglomerate takeovers of newsrooms.

Source: ArtemisDiana, Adobe Stock

The first order of business is to sacrifice local news coverage by firing journalists and staff in the pursuit of "efficiencies" and "cost-synergies." Using such terms during acquisition helps camouflage the nature of their next steps. Research indicates that when a newspaper moves under private equity ownership, the number of reporters falls by 7.3%, editors decline by 8.9%, and the number of articles being published goes down by 16.7%. (Ewens et al., 2022).

Next on the chopping block are assets – newsrooms often have prime real estate in a city which gets sold, followed by the shuttering of local newsrooms and consolidating local news coverage into regional news, and regions into state news. The pressure on reporters and staff increases manifold: journalists who were covering two beats before the Gannett takeover found themselves covering four, due to layoffs among their cohort, and non-compliance means meeting the same fate. Standards drop across the board. Workplace maintenance disappears, as do basic amenities like hot water, pens, paper, manila folders, and stationery items in the office (Pompeo, 2020).

To put Gannett's grip on local news in perspective: it has either sold off or closed down close to 130 newspapers in the past couple of years and yet it is still the country's largest local newspaper chain with 487 papers in 42 states (Abernathy & Franklin, 2022). To put that in context, even if Gannett decided to shut down one local news organization a week starting today, it would take them close to a decade to finally get done. That is not the kind of monopoly any corporation, let alone an opaque firm driven solely by profit, should have over the information sources of a community in one of the most powerful democratic nations. When the merger was complete in late November 2019, Gannett had about 25,000 employees in the United States. By the end of the year, it was down to 21,255 employees. It dropped to 18,141 by the end of 2020, 13,800 employees by 2021, and Gannett had just 11,200 U.S. employees remaining by the end of 2022 (Benton, 2023).

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In 2008, the greed of the executive elite at major banks crippled the financial system, triggering foreclosures, job losses, and economic hardship for ordinary citizens. However, the same class thrived despite its role in the banking crisis, even doling out millions of dollars in bonuses to top executives, thanks to massive bailouts from taxpayer money. It is this same single-minded focus on wringing out profits, enabled by the substantial class difference between the executive and the newsroom, that fuels a media conglomerate like Gannett. The company prioritizes two things: repaying its debt obligations and maximizing shareholder return. News is not the primary, or even secondary, mission for media conglomerates and hedge funds. Accordingly, they treat news organizations as a disposable financial asset rather than a public good, and leave journalists and communities to pick up the pieces. Gannett employees have been forced to unionize to ask for livable wages. Instead of listening to their workers and paying them livable wages, Gannett instead instituted a $100 million stock buyback program in early 2022. While its employees often resort to relying on food pantries for survival due to substandard wages, Gannett pledged the company's cash and other assets, borrowed up to $100 million, at 6-10% interest rate, and used it for stock buybacks. As of June 30, 2022, the company had bought back 864,000 shares, or $3.1 million worth, at an average price/share of $3.84

(Gannett Quarterly Report, 2022). Mike Reed, the former CEO at hedge-fund owned GateHouse who was installed as the Gannett CEO post-merger, spent $1.22 million to buy half a million shares of the company's stock (Wildstein, 2022).

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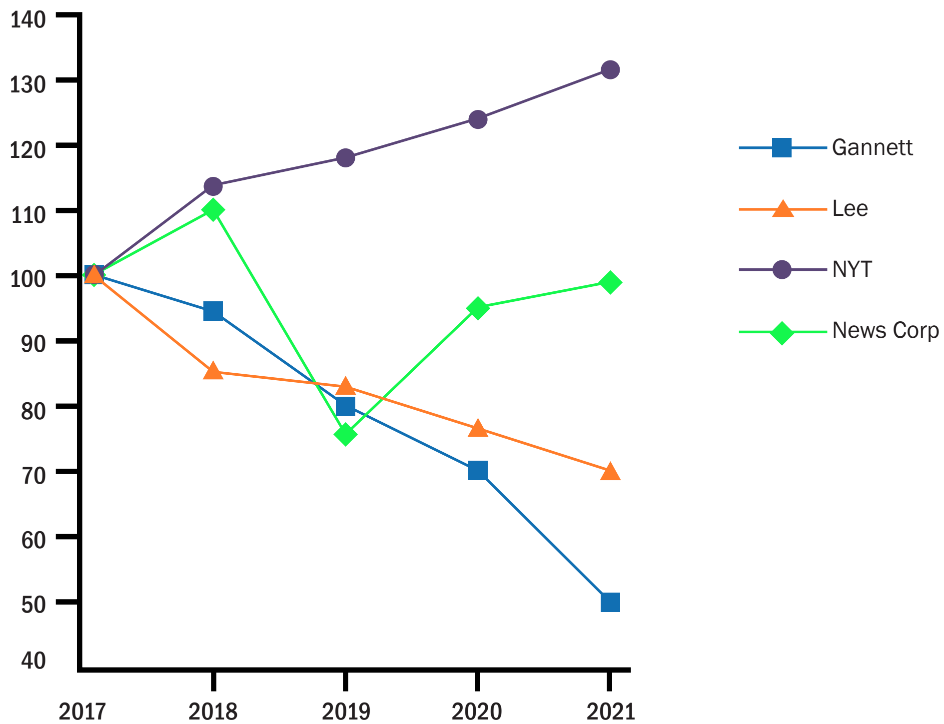
Acquisitions like Gannett's come with the promise of a thousand paper cuts that force news organizations into impossible choices: how does one serve a community of thousands with a handful of reporters? Research points out that the presence of the internet and other digital communication platforms does not compensate for the absence of journalists across local communities (Hampton & Wellman, 2001; Murnion & Healey, 1998). The role of journalists and news organizations is akin to that of mortar between the bricks in a society – they fill in the blank spaces and hold structures together. No digital communication proxies can fully compensate for the dearth of local news outlets that offer journalistic coverage of a certain geographical area (Karlsson et al, 2019). A beat reporter has to go to regular municipal meetings, conferences, read to build subject matter expertise, ask relevant questions from authorities when pursuing a story, develop and nurture sources of information - all this while writing and editing stories every day over years. The depth of knowledge and expertise journalists develop through their daily routine is much more relevant and far superior to individuals opining on blogs hundreds of miles away or leaking information piecemeal.

When resources for reporting are stretched thin, the depth and breadth of coverage suffer. Journalists are either overwhelmed with responsibilities or forced to neglect critical areas that demand scrutiny – often, it's a combination of both. As the community's need for comprehensive coverage grows, the media's capacity to deliver diminishes. Research offers evidence that when faced with reduced financial, editorial, and reporting capacity, the media's ability to cover politics suffers, with reporting cutbacks leading to less political news. A typical cutback to a newspaper's reporting staff potentially reduces its annual political coverage by between 300 and 500 stories (Peterson, 2020). Furthermore, when private equity firms take ownership of news outlets, the very essence of local news is gutted. This not only results in a decline in the watchdog role of newspapers but also diminishes government accountability (Lewis, 2018). In this purely profit-driven model, the foundational principle of journalism as a service to the public is traded for short-term financial gains, jeopardizing both democratic values and an informed populace. The death by a thousand cuts at Gannett are directed at the hundreds of newsrooms and thousands of journalists but it's really the institution of democracy that is left bleeding.

Change in Employment at Public News Companies



Source: Gannett Town Hall, 2022

Gannett: Layoffs, Threats, and Inequality

The short history of Gannett's newspaper acquisitions is littered with journalists fired, newsrooms shuttered, and a precipitous drop in news standards while executive pay and company profits have continued north. In various regions, Gannett has reduced daily newspapers to a six-day-a-week print schedule. This constant culling of news jobs and shuttering newspapers degrades the sense of community a local newspaper can foster. Systematic reduction in news resources erodes the unique bond that local newspapers foster within their communities because unlike larger media outlets, local newspapers provide readers with a deep connection to their immediate surroundings, blending current events with historical context. This mix not only informs but also instills a sense of belonging and investment in place among its readers.

In 2020, right after the onset of the pandemic, Gannett laid off journalists, implemented furloughs, and imposed pay cuts. In October 2020, the company offered voluntary buyouts to every single employee. Roughly 600 people opted in and about 500 employee buyouts were accepted (Edmonds, 2020). Gannett had about 21,000 employees towards the end of 2020 with about one-fourth of them working as journalists. And yet, all throughout COVID, Gannett's local journalists and photographers were providing essential information, gathering news, and spreading awareness about the pandemic. They were reporting out in the field and fulfilling their responsibilities, sometimes even risking their own health for an organization that saw them as disposable.

In March 2022, Gannett sought to reduce costs even further, deciding to cut down its local news coverage by consolidating its regional news centers. It closed 19 weekly print newspapers that served over 26 communities in Massachusetts while merging another nine weeklies into four (Kennedy, 2022). In May, four weekly newspapers in Northern Kentucky – *The Boone Recorder*, *Campbell County Recorder*, *Kenton Recorder* and *Campbell Recorder* – were shuttered. In August 2022, Gannett terminated close to 400 positions and eliminated another additional 400 open positions (meaning the positions would not be replaced at all) across 54 newsrooms and more than 25 states. Last year, a reporter at Colorado's *The Pueblo Chieftain* tweeted that the paper's single customer service representative was laid off after 16 years in the position, and had been earning one dollar above minimum wage at Gannett. The CEO of Gannett, Mike Reed, made $7.7 million in 2021. Median income at Gannett in that same year? $48,419.

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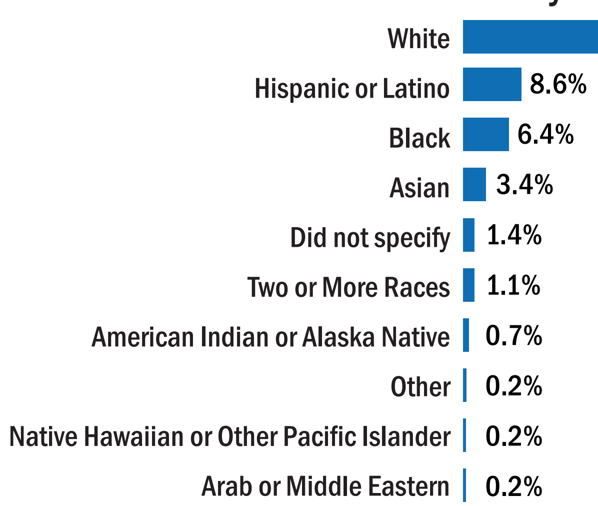
Gannett also hired union-busting attorneys when their employees chose to organize under the News Guild-CWA union in order to push back against Gannett's parasitic behavior. Gannett currently has 11 open investigations into unfair labor practices, according to the National Labor Relations Board website. The company's CEO stated how "inclusion, diversity and equity are core to our business," and all employees should have "equal opportunities to thrive," but virtue signaling does not translate into real world conditions. A 2021 company report found that Gannett's executive team was 84% white and 73% male, while its newsrooms were 58% male and 79% white. An independent News Guild-CWA study found something similar – of the 14 newsrooms studied, 59% of employees were male and 78% were white. Gannett has not publicly released a pay equity study, but the Guild carried out a pay equity study of fourteen unionized newsrooms (n=441) which turned up some disconcerting results:

Gannett workers' race and ethnicity



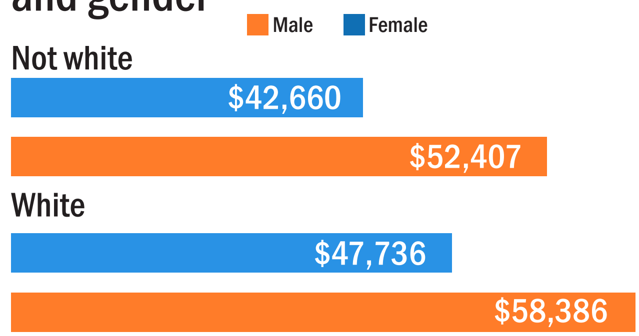
Source: NewsGuild-CWA Pay Equity Study (2021)

White men make up over three-fourths of Gannett's workforce compared to the national average of about a third of the overall workforce (Merrefield, 2020).

Gannett workers' median pay by gender

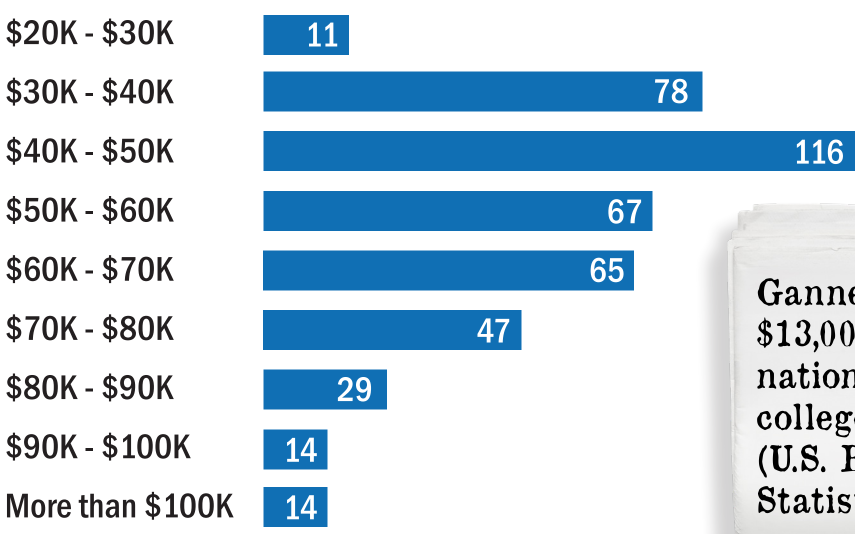
Source: NewsGuild-CWA Pay Equity Study (2021)

Gannett workers' median pay by race and gender

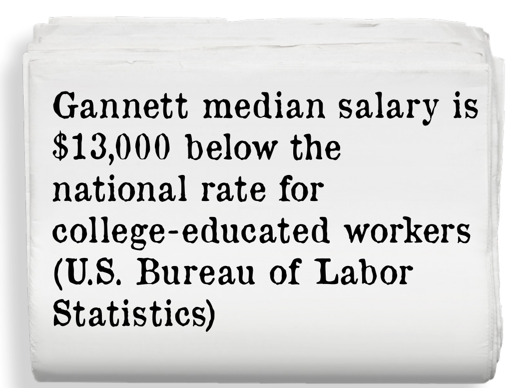


Source: NewsGuild-CWA Pay Equity Study (2021)

Gannett workers' annual pay



Source: NewsGuild-CWA Pay Equity Study (2021)



In the annals of corporate greed and shortsightedness, few tales are truly as damning as the decimation of local journalism by Gannett. Yet, across the Atlantic, another institution, as iconic, cherished, and respected faces a similar fate: Manchester United Football Club. A similar victim of leveraged buyout using the club's own assets as collateral, the United States-based Glazer family have siphoned off over $1.5 billion from the club to service debt and fatten their own pockets through dividends, share sales, and stock buybacks (Conn, 2019). The crown jewel of English football has been turned into a wasteland where talent goes to die.

Local journalism in the United States faces a similar fate today as Gannett parasitically feasts on the ruins of a local journalism empire. A once-diverse ecosystem, teeming with life, is being ravaged by a relentless greedy beast consuming everything in its path, leaving behind a wasteland of newsrooms stripped of their vitality and communities devoid of the essential information they need to thrive. The consequences of this corporate gluttony are not just financial; they strike at the heart of community identity, democratic values, and cultural heritage. Without the vigilant eyes and ears of local journalists, who will hold the powerful accountable and tell the communities' stories? The erosion of local journalism is not just a loss of jobs or newspapers: It's the loss of collective memory, shared identity, and democratic soul. What we do to reclaim local news from the clutches of Gannett's greed will have a direct bearing on the democratic health of this country years from now. We must champion media ownership diversity, bolster local news entities, and advocate for protective policies to sustain local journalism. We must also hold private equity, hedge funds, and media conglomerates accountable for their actions, demand transparency about their ownership structures and financial practices, and support Gannett staff's rights to unionize for livable wages and fair working conditions. The future of our democracy depends on it.

Source: Mopic, Adobe Stock

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