

UNITED STATES OF AMERICA

FEDERAL TRADE COMMISSION

FROM TOWN CRIERS TO BLOGGERS:
HOW WILL JOURNALISM SURVIVE THE INTERNET AGE?

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NATIONAL PRESS CLUB
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**Opening Remarks of Chairman Jon Leibowitz, as excerpted from Transcript pages
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JON LEIBOWITZ: I want to welcome all of you here today to the concluding FTC workshop about the future of news.

Let me also thank the National Press Club for allowing us to use this historic venue, which reflects so much of the history of journalism in America.

And I just want to say how honored I am to be here with my colleague and friend and partner Tom Rosch, who has been a strong voice for public policy initiatives and really for the Commission.

As we've pursued this project over the past year, we have learned a great deal about both the opportunities and the challenges facing journalism. And I would say especially in the last week, we've learned a lot about the passions Americans have, to their immense credit, for preserving freedom of the press without government interference.

Now, much of the criticism we've seen from the far right and the far left in the past few weeks is, of course, based on misinformation. After all, the document that staff circulated was only a compendium of proposals proffered by people who participated in our workshops or written on these issues. The staff didn't endorse any of the ideas in the draft, including any proposal to tax anyone. And the Commission, of course, would oppose any taxes to support journalism, or subsidize a particular brand of journalism.

Nonetheless, let me assure you, we do understand the notion of a limited government role here. Of course we do. But the FTC also does have a policy function going back to our origin in 1914, when Congress gave us the authority to investigate and make public developments in the marketplace and, where appropriate, to make recommendations.

Pursuant to that public policy function, we've looked at a wide array of market developments from healthcare, to patent reform, for marketing of violent entertainment to kids. And we've done seven reports on that and they've been enormously helpful, I think, and greeted, I think, with appreciation by basically every stakeholder, from kids' groups to the motion picture industry.

To making sure generic drug competition isn't unfairly stymied. And our initiative on drug competition, for example, led to a series of cases in support for legislation that, if we're successful, will save consumers \$3.5 billion each year by stopping so-called pay-for-delay pharmaceutical settlements in which branded drug companies literally make pay-offs to their competitors, their generic competitors, to sit it out and not compete. It's a win/win for drug companies, of course, but it's lose/lose for consumers, who are left footing the bill and have to pay for far more expensive branded drugs than less expensive, but equally effective, generics.

Now we're looking at the future of news, a topic that is vital to the future of our democracy. Without the kind of journalism that holds government, business and others accountable, through thorough fact-checked reporting, we can't be the well-informed citizens necessary to a well-functioning democracy. I think we all know we can't.

So, to those who say we shouldn't even be looking at the future of news, my response is, we're doing exactly what we should be doing. We almost have an obligation to look at this critically important issue.

And many who participate in our workshops agree. From Rupert Murdoch, who was the keynote speaker at our first hearing and complimented the FTC for its "timely and important workshop," to Henry Waxman, who thanked us -- thank you, Bruce -- for holding a workshop reflecting "how vital a vigorous free press is to a vigorous democracy."

To be sure, journalism is going through a period of so-called creative destruction with the old business models dying and new ones emerging. And the creative part has been just truly astounding and immensely beneficial, I think, to all Americans. There's a much greater access to a wide variety of news sources -- from bloggers to news sites all over the world -- than has ever before been possible. And we experience this really almost every day.

People can help create news stories. They can share them. They can react to and comment on them in ways that many of us never would have anticipated. The news is truly interactive now. And a whole world of mobile publishing has opened up with consumers able to get the news they want, when they want it, and how they want it. Consumers have access to a world of information right at their fingertips wherever they go.

But the nagging question, however, is about the destruction part of creative destruction. The end of April, ABC News bought out or laid off nearly one-quarter of its staff. Every sector in the commercial news business, except cable, lost advertising revenue last year with local television and radio advertising revenue declining 22%, almost as much as the 26% advertising revenue decline for newspapers.

Even the news about online news sites is somewhat disturbing. According to a national phone survey conducted in January 2010, by two of the Pew Research Centers, only 7% of the people who get news online have a favorite site that they'd be willing to pay for. And that same survey noted that only 21% of online news readers said they click on ads.

On the other hand, an article in the *Economist* this week reported that many American newspapers have returned to making profits, albeit lower than before. The *Economist* article also opines that consumers "will pay for news if they think it has value." And to ensure it has value, news organizations need to "deliver something that is distinctive." And let's hope the *Economist* is right.

So before we move to Commissioner Rosch and then to our first panel, let me again thank all of you -- it is an esteemed group of people here today -- for being here. And let me also thank the many folks who are not here, but who have generously shared their time and expertise on these issues. We are enormously grateful to all of you, and we are looking forward to learning more.

And now I want to turn to Commissi