Not dead yet:

Newspaper company

annual reports show

chains still profitable

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ABSTRACT

The death of newspapers was widely predicted at the height of the 2008-09 economic crisis and such predictions persist. An examination of financial data for publicly-traded newspaper companies in the U.S. and Canada, however, shows that their business model is adaptable, as all remain profitable. Advertising revenues declined by more than 50 percent at U.S. newspapers from 2006-2011, but all eleven publicly-traded newspaper companies recorded annual profits throughout that period, with only one dropping below the historical average profit for a Fortune 500 company of 4.7 percent. Some major U.S. newspaper companies experienced profit levels that barely dipped below 20 percent even during the sharpest declines in advertising revenue experienced in 2009. Canadian newspapers fared relatively better due to a stronger economy, with advertising revenue declines of less than half those experienced by their U.S. counterparts. Profits there remained robust, with no Canadian newspaper company falling below 10 percent annual return on revenue during the period.

Predictions that newspapers as a medium would soon go extinct grew in frequency in 2009 after several newspaper companies declared bankruptcy and a number of U.S. dailies closed.[1] Such predictions had been made before, dating to the advent of radio in the 1920s, and they increased in frequency and certainty after the Internet emerged in the 1990s.[2] Circulation declines that began in the mid-1990s at many dailies and began to accelerate in 2005 gave increased credibility to such predictions. More ominously for newspapers, their print advertising revenues also started to decline precipitously that year. From 2006 to 2011, U.S. print advertising revenues fell by 55 percent. The growth of online advertising revenue, which had been rapid, slowed with the recession and came nowhere near to making up the difference.[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 assume that the medium had only a few more years left. Yet despite these predictions of impending doom, no major U.S. daily newspaper has closed since 2009. Some have consolidated operations, others have curtailed publication frequency, and all have effected cost-cutting measures. Some newspaper companies may have suffered a brief period of financial loss, but despite public perceptions of their fiscal distress, all those in this study experienced continued, if reduced, annual profits. This study examines the financial reports of publicly-traded newspaper companies in the U.S. and Canada to determine their economic health. It concludes that the business model for newspapers is robust and should permit the venerable daily to survive for some years to come.

Literature Review

Newspapers enjoyed a monopoly on the distribution of news until the advent of radio broadcasting in the 1920s. Radio's growing popularity in the 1930s led to the first contraction in the number of newspapers and to a newspaper industry campaign against the upstart medium.[4] The instantaneous nature of broadcast news also led to predictions of the demise of newspapers as a medium. The novelist H.G. Wells, for example, declared in 1943 that newspapers were "dead as mutton" and presciently predicted that people would one day receive constantly-updated news over their telephone lines instead.[5] The first book-length dirge for the daily newspaper, Oscar Garrison Villard's *The Disappearing Daily*, was published the following year and pointed to the fact that 104 U.S. dailies had recently ceased publishing during an 18-month period.[6] Television broadcasting began later that decade, and nervous newspaper industry watchers began to toll a bell. Carl E. Lindstrom chronicled the technological and economic forces that threatened the existence of daily newspapers in his 1960 book *The Fading American Newspaper*.[7]

Where once several dailies had published in most 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 was usually applied by economists to utilities with high start-up costs and large economies of scale, such as railroads and telecommunications networks, became applied to explain the shrinking number of competing dailies.[8] Some Scandinavian countries, such as Sweden, began to subsidize trailing dailies in order to preserve newspaper competition.[9] In the U.S., 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 the measure preserved competition or prevented it.[10]

Television news coverage led to the demise of an entire genre of newspaper – the afternoon daily – as people soon went home from work to watch the news on TV instead of picking up 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.[11] That same year, Ben Bagdikian raised a clarion call 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.[12] Bagdikian's prediction was a bit off, but through a series of updated editions he chronicled the ever-tightening control of U.S. media until only five companies owned most American media by 2000. His book was then revised and reissued as *The New Media Monopoly* in 2003 to account for the advent of the Internet.[13]

As the Internet grew in usage throughout the late 1990s, many again saw the advent of a new medium spelling the death of newspapers.[14] 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.[15] 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.[16] 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 U.S., 3 percent in Europe and 2 percent in Japan.[17] In his 2004 book *The Vanishing Newspaper*, Philip Meyer calculated that, due to declining interest, the last newspaper reader would be lost sometime in March of 2043.[18]

Financial crisis

Few could have predicted 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 U.S. and a credit crunch hit in 2007, a worldwide recession ensued the following year and newspaper advertising sales dropped sharply. From $46.6 billion in 2006, U.S. print newspaper advertising revenue fell 46.7 percent to $24.4 billion by 2009. It continued to drop in a halting recovery, by another 8.2 percent in 2010 and another 9.2 percent in 2011, for a cumulative decline of 55.5 percent from 2006-2011. Online advertising revenue, which had increased at U.S. newspapers by more than 30 percent in both 2005 and 2006, slowed and came nowhere near to making up for the loss in print advertising. It then declined with the 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 revenue stalled at just over $3 billion from 2007-2011.[19] The slight growth in online advertising from 2006-2011 resulted in total advertising revenues at U.S. newspapers falling by 51.5 percent during the period. (See Table 1)

Table 1 – U.S. newspaper advertising revenue (billions)

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

Source: Newspaper Association of America

The recession soon saw the closure of several long-publishing U.S. dailies, including the *Cincinnati Post*, the *Albuquerque Tribune*, and the Madison (Wisc.) *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 due to 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 U.S. entered bankruptcy protection, including the Journal Register Co., the Media News 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 8 of the nation's 50 largest daily newspapers could cease publication in the next 18 months," it warned, citing an analysis of financial and market data.[20] 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."[21] *USA Today* printed 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."[22] The *Atlantic Monthly* 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."[23] *Vanity Fair* media columnist Michael Wolff predicted in April 2009 that "about 18 months from now, 80% of newspapers will be gone."[24]

But the pundits and the analysts were wrong. Since March 2009, no major U.S. daily has gone out of business. Some have consolidated operations or pooled resources with nearby newspapers. Some have cut back publication frequency to only a few days a week. All have made layoffs to bring their expenses back into line with their plunging revenues. Some 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 at an operational level on an annual 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.[25] That was more than three times the historical average 4.7 percent profit of a Fortune 500 company.[26] 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.[27]

Most of the newspaper companies that had been 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 but had become unable to service with lower revenues. The newspapers the chains owned were still profitable, however, some very much so.[28] The bankruptcy contagion was also largely confined to the U.S., as newspaper companies in other countries did not suffer nearly as badly during the recession, and in many cases thrived.[29] Even in the U.S., it was mostly chains that owned major metropolitan dailies 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 faltering economy.[30] The major metropolitan dailies that were hardest hit by the recession cut expenses deeply and rearranged their business model, charging readers more with higher circulation prices to make up for their advertising shortfall.[31] As the recession slowly eased, some who had foretold the death of newspapers had to admit that they had been at least premature.[32]

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 U.S. counterparts?

RQ3: What is the economic likelihood of North American newspapers going out of business in the near future?

Method

This study utilized primary sources to investigate the finances of newspapers in the U.S. and Canada. Annual reports, which publicly-traded newspaper companies are required to file by regulators of the stock markets on which their shares trade, were analyzed. Eleven major publicly-traded newspaper companies were identified in the U.S. and three in Canada. Annual reports for all fourteen companies were examined for the six-year period 2006-2011. For the U.S. companies, financial reports are available on an online database maintained by the Securities and Exchange Commission.[33] Annual reports of Canadian newspaper companies are similarly archived on the website of the Canadian Securities Administrators.[34] All of the companies studied also post their annual reports in the on their websites, typically in an Investor Relations section. No accounting has been made in this study for differences in the U.S. and Canadian dollars, which were within a few cents of each other throughout 2011, although the U.S. dollar was worth as much as Cdn$1.29 at a peak in early 2009. The companies are listed below by country in order of their 2011 newspaper revenues.

United States	**2011 revenues**
News Corp.	$8.82 billion[1]
Gannett	$3.83 billion
New York Times	$2.32 billion
McClatchy	$1.27 billion
Lee Enterprises	$756 million
Washington Post	$648 million
GateHouse	$526 million

[1] Represents News Corp's worldwide newspaper holdings.

A.H. Belo	$461 million
E.W. Scripps	$414 million
Media General	$299 million
Journal Communications	$171 million

Canada

Torstar Corp.	$1.09 billion
Postmedia Network	$1.02 billion
Quebecor Media	$1.02 billion

Accounting Methods

Revenues and earnings for each company were gleaned from their annual reports filed over the six-year period. Differences in financial reporting methods between companies, however, meant that considerable calculation was sometimes required. First, most newspaper owners also have other businesses, usually television stations. Some are engaged in businesses as diverse as education (Washington Post) and romance novel publishing (Torstar). Newspaper revenues and expenses thus had to be first separated from those of other businesses. Differences in accounting methods also had to be standardized between companies. 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. It is the measure used by this study. Some companies report their earnings after deductions for depreciation or amortization charges, however, so those amounts had to be added back onto reported earnings to determine EBITDA.

Some companies also report their 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 were all added back onto revenues in order to determine operating earnings. Profit margins were calculated using the ratio of a company’s EBITDA over its revenues, a measure known as “return on revenue” that shows how much a company keeps in profit of each dollar it takes in. 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 owns television stations, moved in 2009 to reporting its results geographically, including 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.

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 companies in the two countries are discussed.

Table 2 – U.S. newspaper revenues/earnings (millions)/profit margin

	2006	2007	2008	2009	2010	2011
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%
Gannett	6,940/1,800/29.7%	6,580/1,526/23.3%	5,714/991/17.3%	4,396/610/13.9%	4,051/693/17.1%	3,831/478/12.5%
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%
Journal	328/38/11.6%	266/31/11.6%	242/14/5.8%	194/14/7.2%	183/18/10%	171/16/9.3%
Lee Ent.[2]	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%
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%
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%

[2] For the year ended Sept. 30

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%
News Corp[3]	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%
E.W.Scripps[4]	716/189/26.4%	658/136/20.6%	569/71/15.1%	455/49/10.7%	435/52/11.9%	414/21/5.1%
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%

Source: Company annual reports

Revenues fell sharply across the six-year period at most publicly-traded U.S. newspaper companies. At some – Media General (49 percent), Journal Publications (47.8 percent) – they fell by almost 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. Starting in 2009, however, its revenues began a decline that totaled 22.5 percent over three years. News Corp. must be considered an anomaly not only for the magnitude of its acquisitions under controlling shareholder Rupert Murdoch, including the *Wall Street Journal* in 2007, but for the enormity of its newspaper revenues, which are reported only for its worldwide holdings. News Corp., headquartered in New York City, is the largest newspaper publisher in the world, but its annual reports do not break down the company's newspaper revenues and earnings by country. News Corp. dominates its native Australia with 147 titles, including more than two thirds of the dailies there, and it also owned four major UK dailies for most of the period. That number was reduced to three with the 2011 closure of the *News of the World*, but its UK holdings continued to include the world's largest-selling daily, the *Sun*, along with the venerable *Times* and *Sunday Times*. News Corp. is only the third largest newspaper company in the U.S. as

[3] For the year ended June 30
[4] Excludes newspaper partnerships and Joint Operating Agreements

measured by circulation, behind Gannett and the Media News Group.[35] In addition to the *New York Post* and *Wall Street Journal*, News Corp. also owns groups of minor titles in the northeast and west of the country. To complicate matters further, the company changed its reporting starting in 2011 to combine its formerly separate category of Newspapers and Information Services with Book Publishing into a new category of Publishing.[36]

Earnings were reduced even more sharply than revenues at most publicly-traded U.S. newspaper companies across the six-year period, declining by more than 50 percent at six of the thirteen companies. The decline in earnings was sharpest at E.W. Scripps (88 percent), Media General (80 percent), the Washington Post Company (78 percent), and Gannett (73 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 reported by the Washington Post Company in 2009 at 0.7 percent. That followed 6.8 percent profitability the previous year and improved to 10.9 percent in 2010, so it could perhaps reasonably be viewed as an aberration. This level of profit represented a considerable decline, however from the pre-recession profits the company's newspaper division reported in 2006 (22.3 percent) and 2007 (18.2 percent). A.H. Belo, which publishes the *Dallas Morning News* and several other dailies, was created as a separate company in 2008 when it was spun off from the Belo Corporation and its 20 television stations, including WFAA in Dallas. A.H. Belo's return on revenue of 1.5 percent in 2008 thus could also be considered an anomaly resulting from the corporate reorganization. Profits of Belo's newspaper division had been in the double digits before the reorganization, and they improved steadily thereafter.

These two were the only instances across the period of a newspaper company reporting profits lower than the Fortune 500 historical average of 4.7 percent. By 2011, only five of the eleven U.S. companies studied reported profits below 10 percent, and two of those stood at 9.3 percent. Two companies – Lee Enterprises (21.5 percent) and McClatchy (25.4 percent) – enjoyed 2011 newspaper profits above 20 percent. Over the six-year period, profitability of those two companies never dipped below 19 percent.

Canadian economy

Canada was not as hard hit by the recession as the U.S., in part because its banking system was subject to tighter regulation. The country's fiscal prudence has resulted in the lowest debt-GDP ratio and the lowest business tax rate of any G7 country.[37] Canada did not enter the late-2000s recession until the fourth quarter of 2008 and saw negative growth for only three quarters.[38] By the first quarter of 2011, its economy was back to health, expanding at an annual rate of 3.9 percent.[39] Gross domestic product slowed by the fourth quarter of 2011, however, resulting in an increase of only 2.5 percent for the year, compared with 3.2 percent in 2010.[40] Newspaper print advertising sales thus did not decline as early or as precipitously in Canada as they did in the U.S., dropping only 2.5 percent in 2007 and 3.1 percent in 2008 before plunging 18.4 percent in 2009.[41] They rebounded with an increase of 3.5 percent in 2010, but fell back again in 2011 with the slowing economy, dropping 6.2 percent. Online ad sales at Canadian newspapers, however, rose by 15 percent in both 2010 and 2011 after a slowing of growth to only 2.3 percent in 2009.[42] Canadian newspaper print advertising revenues declined by 25.2 percent over the six-year period 2006-2011, compared with 55.5 percent over the same period in the U.S. The decline for total Canadian advertising revenues from 2006-2011 was cushioned to 19.2 percent by steadily rising sales of online advertising. (See Table 3)

Table 3 – Canadian newspaper advertising revenues (millions)

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

Source: Newspapers Canada

Canadian newspapers

Ownership of Canada's newspaper industry is among the most highly concentrated in the world, much more so than in the U.S.[43] In 2010, the top five owners controlled 84.3 percent of the daily circulation, and the top three groups controlled 65.7 percent.[44] Those top three groups are all publicly traded, so their revenues can be compared with each other and with their U.S. counterparts. The largest publisher by circulation, Canwest Publications, was forced to file for bankruptcy protection in 2009 after not being able to meet its loan payments. The former Southam newspaper chain, it was bought in 2000 from Conrad Black's Hollinger Inc., which had taken it over a few years earlier, by the country's third television network, Canwest Global Communications. Canwest took on almost $4 billion in debt making that purchase and took on more debt in 2007 in buying a dozen cable television channels. Canwest Publications was purchased out of bankruptcy in 2010 by a group of investors led by its major creditors and renamed Postmedia Network Canada Corp. after its flagship daily, the *National Post*. The Global Television network was sold separately to cable company Shaw Communications in 2011, effectively de-converging the company. Ironically, as the data below reveal, Canwest

Publications was still quite profitable when its owners were forced to file for bankruptcy. It was not as profitable as in previous years, however, and could not generate enough revenues to meet its loan payments.[45]

The largest newspaper company in Canada by number of titles, Quebecor Media, proved much better able to make the convergence model of television-newspaper ownership work than either Canwest Global or CTVglobemedia. All three companies had been created in 2000 out of multimedia mergers following the watershed Time Warner-AOL marriage, but only Quebecor Media survived the decade. The partners in CTVglobemedia, a marriage between the largest private television network and the *Globe and Mail* national newspaper. divorced amicably in 2010.[46] The largest newspaper company in Canada by 2011 revenues, the Torstar Corporation, is publisher of the country's largest circulation newspaper, the *Toronto Star*, as well as a chain of smaller newspaper in the largest province of Ontario. It also owns the Harlequin book publishing company, which specializes in romance novels.

Table 4 – Canadian newspaper revenues/earnings (millions)/profit margin

	2006	2007	2008	2009	2010	2011
Canwest[5]	1.26b/248/19.7%	1.28b/269/20.9%	1.3b/293m/22.5%	1.1b/172m/15.6%	811m/161m/19.8%[6]	
Postmedia					122m/11m/11%[7]	1.02/201/19.7%
Quebecor[8]	928m/207m/22.3%	1.03b/226m/22.0%	1.18b/227m/19.2%	1.05/199m/18.9%	1.03/200m/19.3%	1.02/150/14.7%
Torstar	1.05/157m/14.9%	1.08/179m/16.5%	1.06b/157/14.9%	957m/118/12.4%	1.01/176/17.3%	1.09/161/14.8%

Source: Company annual reports

Canwest Publications saw its revenues drop by 41 percent in 2009 and its profit level fall from 22.5 percent to 15.6 percent, declines that proved fatal to its ownership by

[5] For the year ending Aug. 31
[6] For the nine months ended May 31, 2010
[7] For the period from July 13, 2010 to August 31, 2010
[8] For the year ending Nov. 30

the Asper family of Winnipeg, which also lost its Global Television network to bankruptcy. Its profitability improved to 19.8 percent in 2010, however, as the bankrupt parent company saw its newspaper and television divisions auctioned off separately. Under new ownership by Postmedia, the newspapers proved almost identically profitable in 2011 at a rate of 19.8 percent. Over the five-year period, however, the company's revenues declined 18.9 percent. Similar to Lee and McClatchy in the U.S., Quebecor's newspaper division proved highly profitable even during the recession, with profits falling from about 22 percent in 2006 to 2007 only to about 19 percent from 2008 to 2010 before dropping to 14.7 percent in 2011. Its revenues were increased considerably by the 2007 purchase of the Osprey newspaper chain of 54 Ontario newspapers, including twenty dailies, for $414 million. From 2008 to 2011, however, Quebecor's newspaper revenues declined by 33.9 percent. Torstar recorded the lowest level of profitability of the three major newspaper companies in Canada, falling from 14.9 percent profits in 2008 to 12.4 in 2009 before rebounding to 17.3 percent in 2010. Unlike its competitors, its newspaper revenues increased marginally from 2006 to 2011, however, so that by 2011 it ranked first in that category.

In answer to RQ1, while revenues, earnings, and profit levels of publicly-traded North American newspapers were generally lowered during the recent recession, none of the fourteen companies studied recorded an annual loss in operating earnings. Only two companies, A.H. Belo and the Washington Post Co., came close to doing so in 2008 and 2009, respectively. None of the other companies posted profits lower than the Fortune 500 historical average of 4.7 percent. Several newspaper companies seemed to hardly notice the recession. While all newspaper companies studied remained profitable throughout, 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 will have to be restructured or sold, but it will not be because their individual newspapers are unprofitable. It will be 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 U.S. counterparts, suffering a much smaller reduction in revenues across the period. That is because Canada's economy did not decline as steeply or as long as the U.S. economy due to better fiscal management. 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 should rely on history and economics for guidance. To do so in addressing RQ3 would lead to the conclusion that there is little likelihood of newspapers going extinct in the near future.

Discussion

The profitability of newspapers has been called "the best kept secret" in the media (Bagdikian, 1984). One recent 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 recent analysis of coverage of the newspaper "crisis" by several major U.S. dailies showed that it focused on short-term declines over long-term trends. It also found that coverage lacked historical context, shifted blame away from newspapers, invoked death imagery, and struggled to capture an accurate portrayal of the financial problems facing 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 has been well-documented, 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, but ironically this strategy left them more prone than ever to downturns in the economy due to the high levels of debt they took on.

From the above data, it appears that the newspaper business model is hardly broken. In fact, it may be more robust than anyone suspected, because in IT language it seems "scalable." A downturn in revenues can be quickly countered with a paring of expenses, albeit at the loss of jobs and journalism. One factor that caused U.S. newspapers to be particularly exposed to the recent recession is the fact they came to rely so heavily on advertising revenues. According to a 2010 OECD report, newspapers around the world derive about 57 percent of their revenues from advertising on average, with the other 43 percent coming from circulation sales. U.S. newspapers, however, got 87 percent of their revenue from advertising in 2008, which was 10 percent higher than any other country and 2½ times what it was in Japan, where newspapers received only 35 percent of their total revenues from advertising.[50] Subsequent increases in circulation rates and attempts to charge for online access have attempted to make up for the shortfall in advertising revenues and reduce the reliance on advertising revenue.

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 revenue warrants further research. Instead of examining only annual reports, which might obscure shorter periods of loss, quarterly results could instead be used to more accurately determine of any substantial period of actual operating losses experienced by North American newspaper publishers. Data on labor and restructuring costs could also be gleaned from annual reports to determine the costs and benefits of downsizing newspaper staffs.

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