

Report released by Sen. Maria Cantwell slams Google and Facebook for decimating local news outlets

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"Unfair, deceptive, and abusive practices" by tech giants Google and Facebook have suffocated local news outlets, contributing to a critical deficit of trustworthy local journalism, according to a new minority

report from the Senate Commerce Committee released by ranking member Sen. Maria Cantwell, D-Wash.

The report, echoing a landmark antitrust suit filed last week against Google by the Justice Department, concludes that Google and Facebook have used their sheer heft to dominate the digital advertising market, to the detriment of local media outlets and an informed public.

"These trillion-dollar companies scrape local [news](#) content and data for their own sites and leverage their market dominance to force local news to accept little to nothing for their intellectual property," the report claims. "There is a clear need for Congress to address the market failures created by the search and social-media platforms."

The report from the Commerce Committee's Democratic minority recommends Congress require that Facebook and Google negotiate payment terms with local media outlets for the headlines, photos and summaries driving a sizable amount of traffic on their sites. Some European countries and Australia have passed or proposed similar rules.

It also suggests Congress could equip federal agencies with "new or expanded authorities" to address what it calls the undue influence tech platforms exert over contracts with local news outlets.

"Local journalism has been the policeman on the beat against misinformation," Cantwell said in an interview Tuesday. "Keeping local news is too important to let these unfair market practices continue."

Nationally, newsrooms lost nearly half their staffs between 2008 and 2017, according to a Pew Research study. Nearly 1,800 newspapers have folded since 2004, leaving 200 counties nationwide without a local newspaper, according to the University of North Carolina.

The pandemic has accelerated a trend of sharp job losses and revenue shortfalls. More than 7,000 local reporters could lose their jobs by the end of 2020, the report estimates, nearly three times the number of reporters who have left the industry each year since 2005.

Google and Facebook disputed the report's claims that their business practices have helped decimate the local news industry.

"The traditional news-publisher business model is clearly facing enormous challenges, but this report misrepresents Google's role in the online news ecosystem," said Google spokesperson Maggie Shiels in a statement. Google sends "people to news sites 24 billion times a month" and helps "publishers make money with our advertising products," Shiels noted.

Similarly, Facebook spokesperson Adam Isserlis said it "give[s] news organizations the ability to post news on Facebook free of charge, and they have full control over how that content is accessed and monetized."

To be sure, a combination of factors are to blame for the decline of local news, said Seattle Times President Alan Fisco. Competition from free online news sources, a steep drop in advertising prices and corporate consolidation have all played a role, the report notes.

Fisco said local newspapers, including The Seattle Times, have been able to innovate in response to those challenges. Trying to outplay big tech in the realm of digital advertising, though, forces local news outlets to compete on a horrendously uneven field, Fisco said. The Seattle Times' leadership has lobbied for a profit-sharing arrangement with tech companies.

"How do you compete against the likes of Facebook, who mine a phenomenal amount of data to provide much better targeted advertising

than we can?" Fisco asked. "We spend millions and millions of dollars on news-gathering costs. The likes of Google and Facebook take that content for free to keep people on their sites."

What the report describes as unfair practices are at the heart of the tech platforms' business models.

Google and Facebook both rely on local news organizations to produce content to populate Google News search results and users' Facebook timelines. The benefit to the tech platforms is clear: Using local news organizations' content keeps users on the site, allowing the tech companies to sell ads and mine users' information for resale to marketers. Nearly three-quarters of Facebook users, for instance, say they get their news from the site, according to the Pew Research Center.

"The result," the report notes, is "billions in profits from the news content created by others."

News outlets also derive some upside from the relationship: Getting featured in Google's so-called "News Carousel," the two or three stories showcased at the top of the page when a user searches a keyword, increases click-through to the site.

But the tech platforms are siphoning off most of the advertising revenue from the arrangement—77% of digital ad revenue in local markets flows to Google and Facebook, the Wall Street Journal reported last year. Meanwhile, news outlets that don't play along with tech companies' rules for content hosting and distribution could see readership lag.

"The popularity of the major news aggregation platforms with readers means they can push local newspapers into providing local news content to them under these unfair terms," the report says. Google controls 88% of the search engine market, and Facebook controls 74% of the social-

media market.

Spain, Germany, France and Australia have all proposed rules that could prompt Facebook and Google to share profits with news publishers. Historically, tech giants have reacted with scorn: In 2014, Google simply shut down Google News in Spain rather than comply with a directive it pay publishers for their content. Facebook has said it will do the same if Australia requires it to negotiate payment terms with publishers.

Both companies have funneled millions in grants towards local newsrooms. Facebook says it will spend \$400 million over the next three years on programs and partnerships focusing on [local news](#). Google is exploring adding U.S. news outlets to a \$1 billion content licensing pot; so far, the money—part of the Google News Showcase—has been directed at international newsrooms.

The Seattle Times has received training and an emergency COVID-19 grant from Facebook. Still, the tech giant's philanthropy isn't sufficient to replace lost newsroom revenue, Fisco said.

"It's barely a drop in the bucket relative to the financial gain they're reaping from [news organizations](#)," he said.

Republicans have decried what they term anti-conservative bias at the tech companies. Democrats have focused their critiques mainly on what they say is [tech companies'](#) failure to adequately police hate speech, political disinformation and content that can incite violence or keep people from voting.

Supporting local newspapers is a critical part of the battle against such disinformation, said Adrienne Russell, co-director of the University of Washington's Center for Journalism, Media and Democracy.

"If Google and Facebook actually saw the value of what they say they're interested in, which is cleaning up their content and making their services less damaging to democracy, they would be paying local newsrooms for their content," Russell said. "Just as we need the [post office](#) to deliver the ballots, we need local journalism to help people make good political decisions."

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